



Quarterly International Trade Report

August 2005
Public Distribution

Wheat

World Situation and Outlook

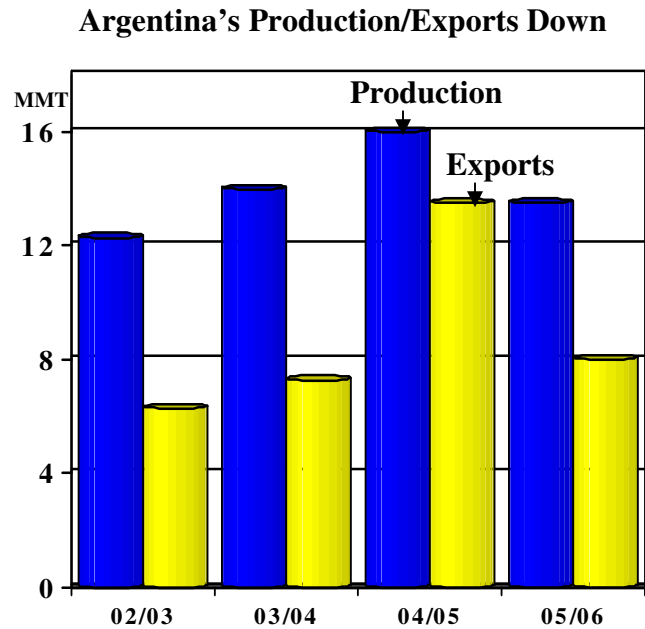
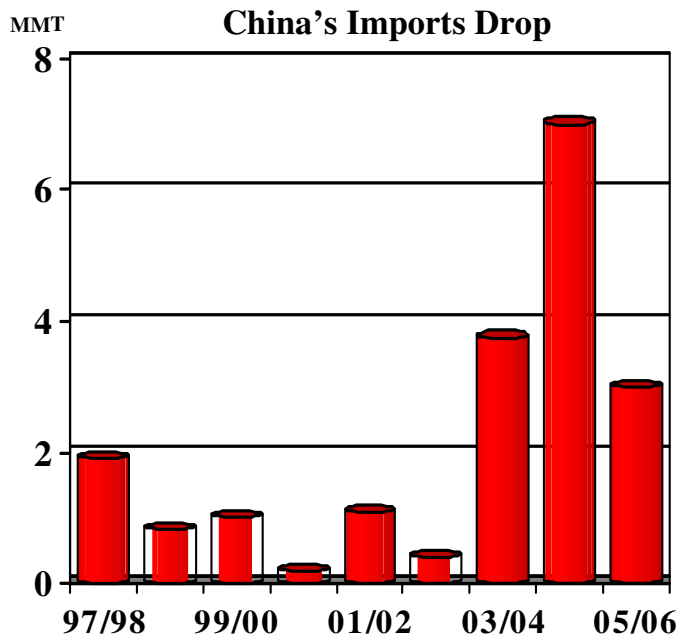
Global PS&D: Global wheat supply is expected to be nearly unchanged this year as larger carryin stocks offset lower production. Production is expected to decline (with smaller crops expected in Argentina, the Magreb Region, and the European Union) but still remain at the second highest level in history. World consumption is forecast to continue to expand to yet another record, as a result of population growth and higher feed use (especially in Europe and the Former Soviet Union, where corn and barley crops are down). With world demand outstripping production, stocks are projected to fall about 5 percent this year, although stocks in the world's major exporting countries will likely remain large, pressuring prices.

Global Trade: It appears that total world trade will fall this year and will shift substantially from Asia to Mediterranean markets in North Africa and the Middle East. Chinese imports are expected to drop my more than half from last year's level, and have slowed considerably in recent months. Given its expanded acreage, China's wheat production could reach the highest point in 6 years. Smaller harvests in the Magreb region, however, are expected to necessitate increased purchasing, which should support larger EU-25 and Former Soviet Union exports. Exports from Russia, Ukraine, and Kazakhstan are projected to be very strong this year as large carryin stocks and higher production boost exportable supply. Furthermore, there will be less competition from Argentina, where dryness has cut wheat area and lowered production forecasts. With Argentine exports dropping as much as 40 percent, the amount available for export outside South America should be greatly diminished. The magnitude of the anticipated increase in EU-25 exports will ultimately depend on Commission policies regarding export restitutions and intervention sales. The Commission has started the year granting small subsidies (4 euros). Canadian exports are

SUMMARY POINTS

- 05/06 use to outstrip global production
- Chinese imports forecast to fall
- Argentine exports expected to drop, while Former Soviet Union exports rise
- U.S. exports expected down 2 million tons

projected up slightly due to a better quality crop and strong world demand for durum, while Australian production and exports are expected to remain steady (although much will depend on weather during the next few months).



U.S. Situation and Outlook

Even with slightly higher production, U.S. exports are forecast to drop by 2.0 million tons this year on strong world competition and expected smaller sales to China. Falling exports, coupled with stagnant domestic demand, are currently forecast to cause ending stocks to grow by 17 percent and pressure prices; the U.S. domestic price range midpoint is forecast down \$11/ton from last year.

By-Class Situation and Outlook

Hard Red Winter: Despite the estimated decline in total U.S. wheat exports, HRW exports will likely remain strong as a result of a larger harvest and strong global demand for high quality wheat. Commitments to Nigeria (typically the largest HRW market) are nearly double last year's pace, and Iraq has also recently concluded large purchases.

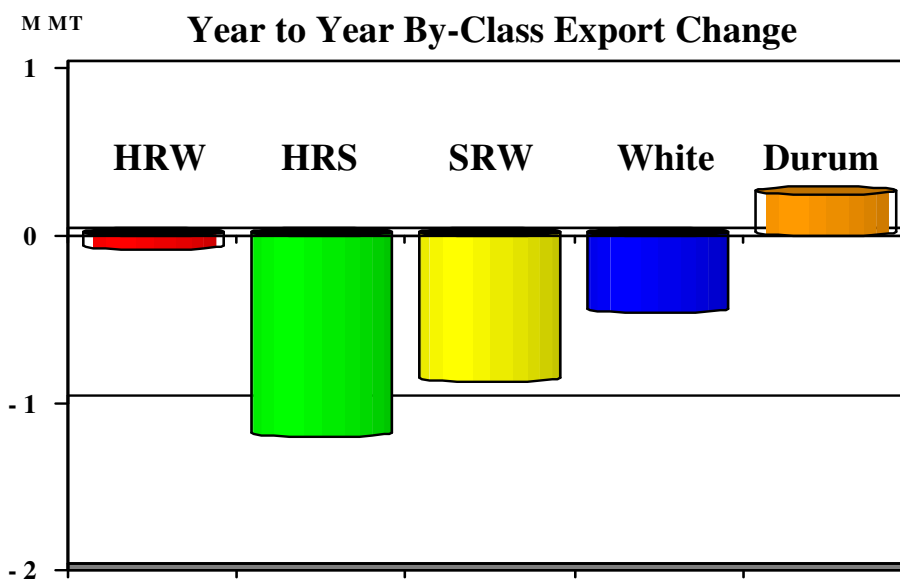
Hard Red Spring: Even with production nearly unchanged, HRS exports are expected to decline more than any other class. With a return to more normal quality in Canada, the United States could face stronger competition in key Asian and Latin American markets. Also, China (the third largest HRS market in 04/05) will need less imported wheat, as indicated by the fact that current purchases from the U.S. are only one-fifth of the level at this time last year.

Soft Red Winter: SRW production has fallen to the lowest level in nearly 20 years on sharply reduced planted area, which is expected to curtail exports to a 30-year low. Sales

are currently down nearly two-thirds from this time last year, primarily as the result of much smaller purchases from China as well as Egypt.

White: Despite the highest production in nearly a decade, white wheat exports are projected to decline this year, particularly in light of anticipated smaller demand from both China and Pakistan. Sales to Egypt, however, could strengthen if there is switching from SRW.

Durum: With larger U.S. supply and strong world demand, durum is the one class with higher expected exports this year. Poor crops in North Africa and the EU (which account for most of world imports) should boost durum trade, benefiting the United States and Canada.



WORLD WHEAT SITUATION					
	2003/04	2004/05	2005/06	Year to Year Change 04/05 to 05/06	
	MMT	MMT	MMT	MMT	Percent
Production	554	624	610	-14	-2%
Consumption	589	607	617	+10	+2%
Trade (Jul/Jun)	105	111	108	-3	-3%
Ending Stocks	131	148	141	-7	-5%
U.S. WHEAT SITUATION					
Production	63.8	58.7	59.0	+0.3	+1%
Consumption	32.5	31.9	31.8	-0.1	-0%
Exports (Jun/May)	31.5	28.9	26.5	-2.4	-8%
Ending Stocks	14.9	14.7	17.2	+2.5	+17%

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