



International Agricultural Trade Report

March 25, 2002

Competition Intensifies in a Growing Philippine Wheat Market

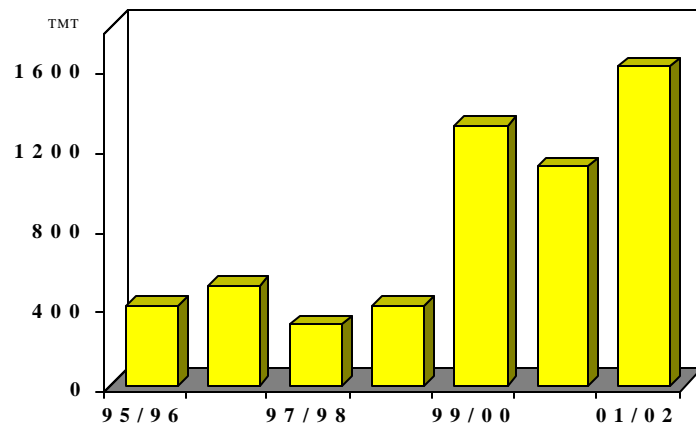
Summary

Healthy wheat consumption in the Philippines continues to mean greater import prospects, but U.S. wheat is facing a stiffer challenge from both new and traditional suppliers.

Wheat Consumption is on the Rise

With a population of 75 million and per capita wheat consumption relatively low at just 61 lbs, growth potential in the market for milling wheat is high. However, most of the recent rise in total wheat consumption is a result of soaring feed use which has grown more than 300% since 1998. Much of this growth has come from increasing substitution of wheat for corn in feed rations as global supplies of feed quality wheat are abundant and cheap.

Philippine Feed Wheat Imports



As the United States Remains the Supplier of Choice

Philippine millers generally have a favorable impression of U.S. milling wheat which is, in part, due to the marketing and trade service activities of U.S. Wheat Associates. Additionally, Philippine feed millers have traditionally preferred soft red winter wheat (SRW) in feed rations because of its attractive price. As a result, the United States has been the leading wheat supplier over the past decades.

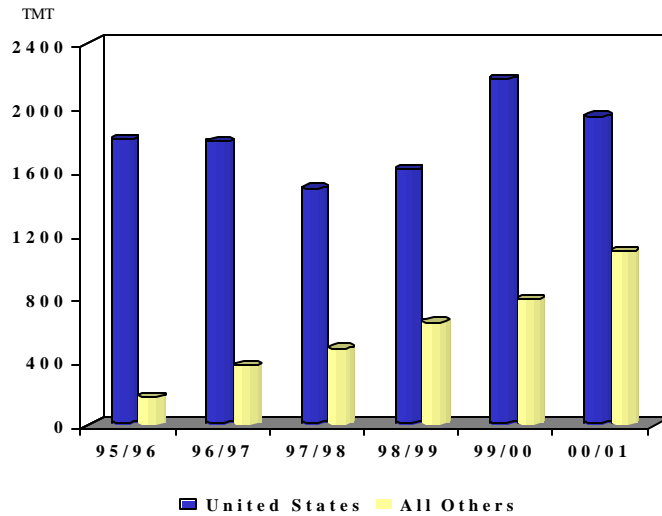
However, Canada and Australia Have Captured Market Growth

Imports have grown over one million tons in the past five years. Though imports of U.S. white wheat have risen, most of the market growth has not been captured by the United States but by competitors pushing supplies through State Trading Enterprises (STEs). Through various marketing and pricing activities, Canada and Australia have increased exports to the Philippines from just 150,000 tons in 1995 to more than 850,000 tons last year, thereby taking nearly 70% of the total market growth. Much of this gain in exports has been spring wheat from Canada. As a result, U.S. spring wheat exports have fallen from more than 1.1 million tons in 1996/97 to just over 600,000 tons last year. This year total Philippine imports are forecast at 3.3 million tons, up 250,000 tons from last year.

Meanwhile, India Poses a New Threat

While Canada and Australia have gained a larger share of the milling wheat market, India has emerged as a competitor in the feed market. After virtually no exports over the past decade, India exported more than 200,000 tons to the Philippines last year. Importers report that this, along with minimal amounts of Chinese wheat, is displacing SRW in feed rations. Thus far this year India has shipped nearly 400,000 tons of feed quality wheat which has limited SRW sales to just 140,000 tons through 10 months of the marketing year. This compares to much larger U.S. shipments the past two years resulting from very strong Philippine feed quality wheat demand.

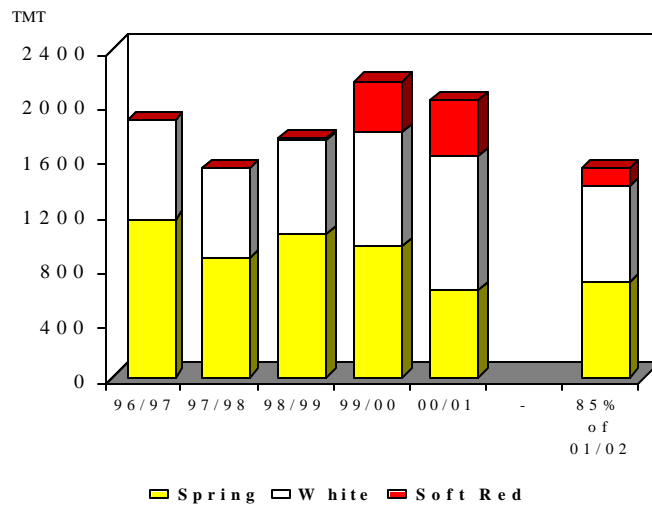
Philippine Wheat Imports



With no Relief in Sight

The government of India is expected to continue to push exports in the future to relieve bulging stocks. These stocks are expected to rise even further with the upcoming crop likely to be even larger than last year. In addition, large exportable supplies from Australia as well as a potentially larger Canadian crop indicate that both will continue to export aggressively into the market. All this translates into even stronger competition in a Philippine market once dominated by the United States.

Philippine Imports of U.S. Milling Wheat by Class



For further information, please contact Oliver Flake at (202) 690-4200.