



Quarterly International Trade Report

August 2004
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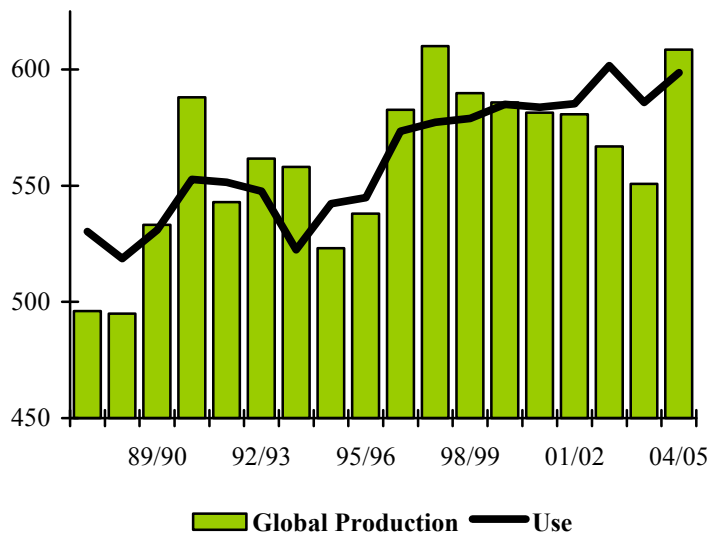
Wheat

World Situation and Outlook

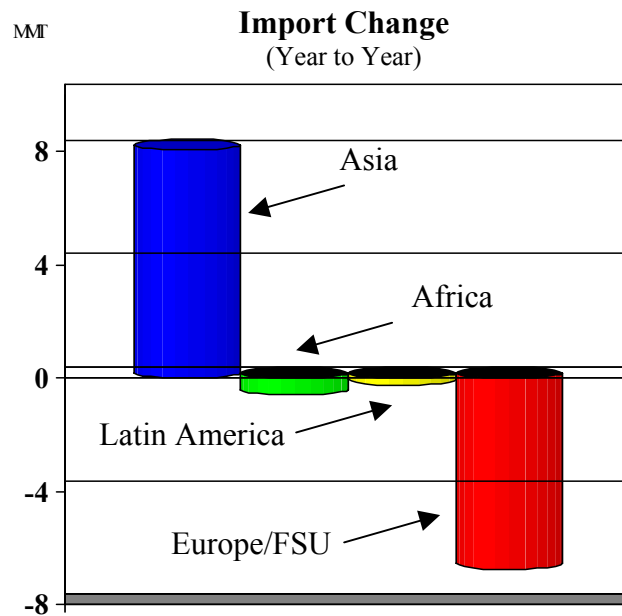
Global PS&D After six years of decline, global wheat production this year is expected to jump nearly 60 million tons (over 10 percent), due to recovering crops throughout Europe and the Former Soviet Union, plus another year of good North African harvests. This would be the second highest production level in history, and will encourage greater consumption, allow for some stock re-building, and force down prices. Larger European crops will support greater feed-use of wheat and trade in feed-quality wheat, which will increase total wheat consumption to the second highest level in history. With greater world supply, stocks are expected to grow, reversing four years of decline. This build-up will be concentrated primarily in the major exporters, where stocks will grow an estimated 9 million tons, or almost 25 percent year to year.

SUMMARY POINTS

- Global wheat production to reach near-record level, resulting in some stock rebuilding
- European / Black wheat supplies and exports rebound from last year
- China regains spot as world's largest import market
- U.S. exports expected to drop over 20 percent (6.5 million tons) due to lower production and greater world competition.



Global Trade Total world trade is expected to be fairly steady year to year, although import demand will shift substantially from Europe to Asia. Good crops in Eastern Europe and the Former Soviet Union will dramatically cut import requirements, and many of these countries will return to being net exporters. EU-25 imports are also expected to fall, although smaller spring wheat and durum imports will be partially offset by larger imports of low and medium-quality wheat from the Black Sea region. Import demand in Asia, however, will jump primarily due to China's return as the world's largest market of an estimated 8 million tons. Pakistan has also returned as an important purchaser again, and stronger imports are expected in Asian feed-quality wheat markets such as South Korea. While global demand should be steady, greater supplies in exporting countries will result in intensified competition. EU-25 exports are projected to grow more than 5 million tons as a record crop allows for increased domestic consumption, stock rebuilding and substantially larger exportable supplies. In the Former Soviet Union, exports of both feed-quality and milling wheat will be larger and will likely displace supplies from the more traditional exporters. Larger expected Canadian and Argentine production should also create stronger competition in hard wheat markets.

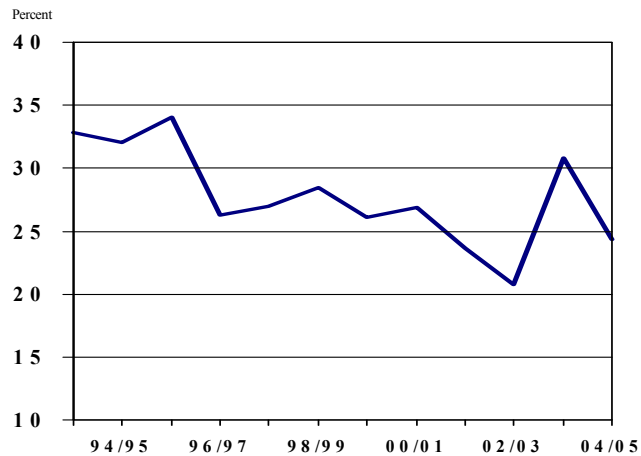


U.S. Situation and Outlook

U.S. wheat production is down this year with reduced acreage and lower yields, primarily in the Hard Red Winter crop. This smaller production, coupled with stronger export competition, will cut U.S. exports by an estimated 6.5 million tons. Although export sales and shipments have been quite robust during the early part of this marketing year, the much larger crops in Europe and the Former Soviet Union being harvested, there should cause a significant slowdown in U.S. sales during the coming months, particularly to

key Mediterranean markets such as Egypt, where French competition has already driven U.S. commitments below year ago levels. Although still early, the forecast is for another good Australian crop and higher exports, which would likely pressure the United States in Asian markets. Canadian production and exports are also expected to be up, which could hurt U.S. sales, especially in Latin America. The bright spot this year, however, is the return of key Asian markets. China has already purchased 1.9 million tons of U.S. wheat, (thru mid-August more than a third of this had already been shipped) and Pakistan has also resumed imports.

U.S. Global Market Share



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WORLD WHEAT SITUATION					
	2002/03	2003/04	2004/05	Year to Year Change 03/04 to 04/05	
	MMT	MMT	MMT	MMT	Percent
Production	567	551	609	+58	+11%
Consumption	602	586	599	+13	+2%
Trade (Jul/Jun)	110	104	105	+1	+1%
Ending Stocks	167	132	142	+10	+8%
U.S. WHEAT SITUATION					
Production	43.7	63.6	57.8	-5.8	-9%
Consumption	30.6	32.5	32.7	+0.2	+1%
Exports (Jun/May)	23.2	31.5	25.9	-5.6	-18%
Ending Stocks	13.4	14.9	15.7	+0.8	+5%