



International Trade Report

September 3, 2003

U.S. Wheat to Face Stronger Competition in Latin America

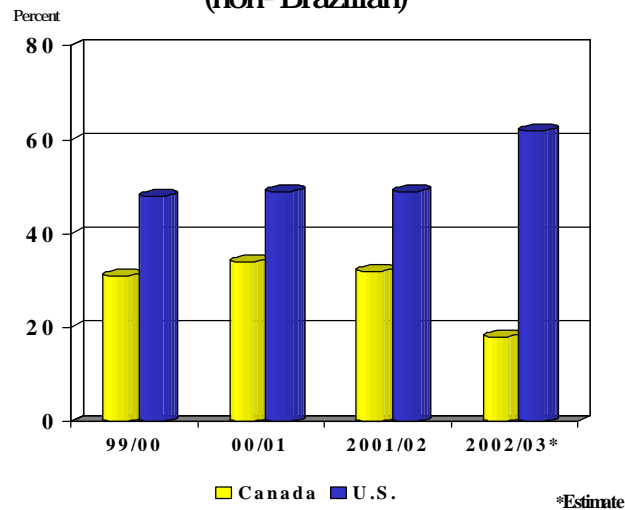
Summary

The United States is likely to confront renewed competition in the Latin American wheat market as Canadian spring wheat exports recover.

As Canadian exports fell

Canada is the primary competitor of the United States in wheat exports to Central America, the Caribbean and northern South America and ships about 4 million tons to the region annually. Last year, however, because production fell to its lowest level in almost 30 years, Canada slashed wheat exports to Latin America by half. Consequently, many of those markets in which it had been the main supplier - such as Ecuador, Guatemala, and Venezuela - turned to the United States to fill their import demand.

Latin American Market Share
(non-Brazilian)



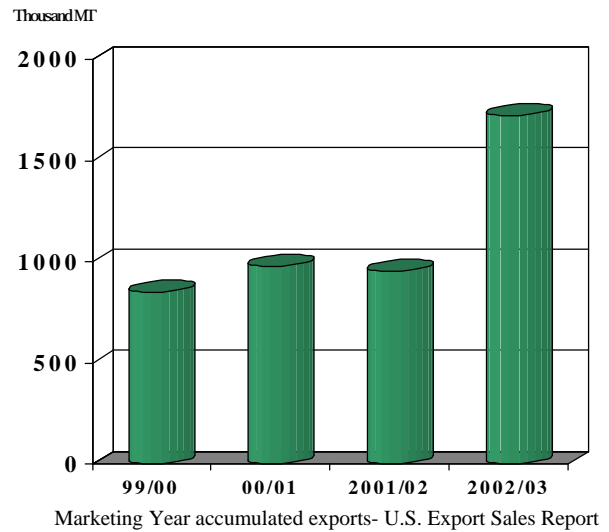
The United States gained in Latin America

The United States benefited from this dearth of Canadian wheat by significantly increasing its exports to Latin America. These exports, which normally account for about one-fourth of total U.S. wheat shipments, comprised one-third last year. Hard Red Spring accounted for over 80 percent of this growth as importers substituted it for Canadian spring wheat. While the U.S.

market share in non-Brazilian Latin America had stagnated at just below 50 percent for the previous three years, last year the United States captured nearly two-thirds of this market. U.S. wheat (primarily SRW and HRW) was even able to make inroads into the Brazilian market because of higher Argentine prices, which resulted from farmers hoarding their grain.

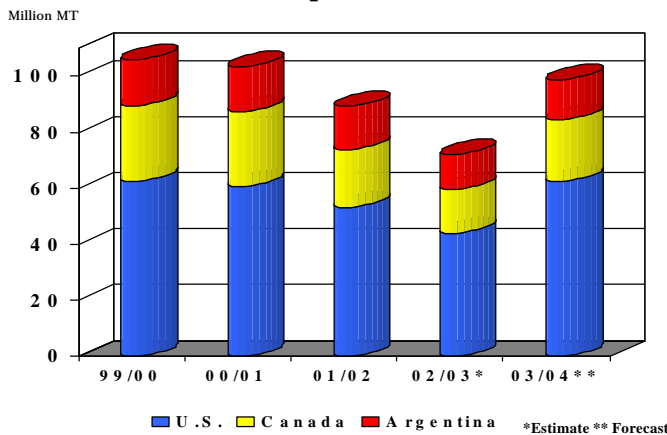
With the beginning of the new marketing year, the United States has continued to benefit from this environment of reduced competitor supply; sales and shipments to Latin America have continued at a brisk pace. Commitments to Venezuela, Mexico, Chile, Guatemala and Colombia are all significantly above year-ago levels. Additionally, Cuba has emerged as a new market for U.S. wheat, with commitments to date over 200,000 tons.

U.S. HRS exports to Latin America



But as exportable supply recovers, competition to return

Western Hemisphere Production



As the marketing year progresses, competition will intensify. Wheat production is forecast to jump nearly 40 percent in Latin America’s traditional supplying countries. Canadian production is forecast to rebound to 22 million tons, up 6 million tons, and Canada will be eager to regain its lost market share. Argentina’s production is also forecast to improve by more than 2 million tons from last year’s low level. This, coupled with less import demand in Brazil due to higher domestic production, will mean more Argentine wheat available to compete with the United States and Canada in South American

countries such as Bolivia, Chile, and Peru. So, in a year in which total U.S. wheat exports are expected rise to their highest level in 4 years due to less exportable supply in Europe, the United States will nevertheless have to struggle to maintain its gains in Central and South America.

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