



International Trade Report

September 22, 2003

As European Exportable Supplies Fall, U.S. Wheat Benefits

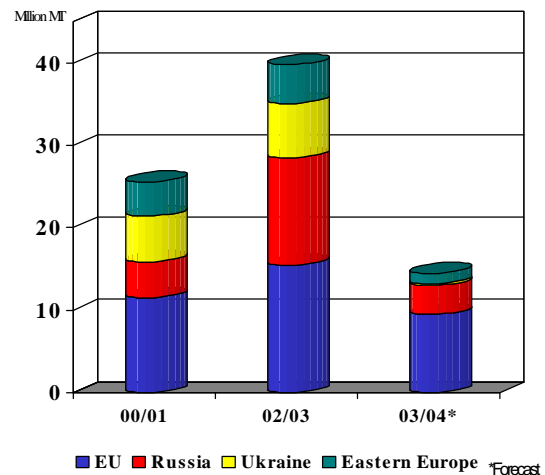
Summary

Weather induced crop shortfalls significantly reduce exports coming out of the EU and Black Sea region and help U.S. wheat expand its global market share to an 8-year high.

Plunging exportable supplies in Europe...

European wheat exports are expected to drop by 25 million tons, or more than 65 percent, this year due to sharply smaller production. A harsh winter in Russia and Ukraine decimated winter wheat crops; Ukraine's crop was only a fourth the size of last year. Then, a severe summer drought in the EU and Eastern Europe scorched grain and forage crops, with production in the latter expected to be the smallest in 30 years. With an EU production shortfall of 10 million tons, exports are forecast at a 25-year low of 9.5 million tons. Eastern Europe and Ukraine are even expected to become large net importers this year.

European Exports

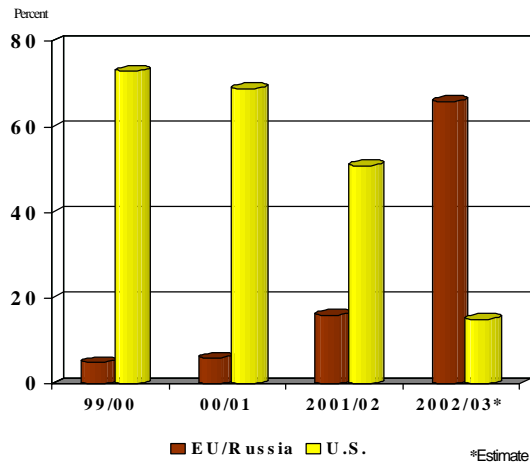


This shortage of European wheat impacts all Mediterranean markets. Last year, almost 5 million tons of Russian and Ukrainian wheat was shipped into North Africa, with another 3 million tons to the Middle East. Nearly half of EU exports go to these same markets (5-6 million tons). This year, those markets will need to look elsewhere to fill these large wheat requirements.

Provide opportunities for U.S. wheat in Mediterranean markets...

U.S. wheat is already benefiting in Egypt, with commitments to date at 1.6 million tons, compared to just 200,000 tons at this time last year. Although the United States typically sells around 4 million tons annually there, making Egypt its largest purchaser, last year's sales fell to less than 1 million tons as Egypt shifted to cheaper French and Russian wheat.

Egyptian Market Share

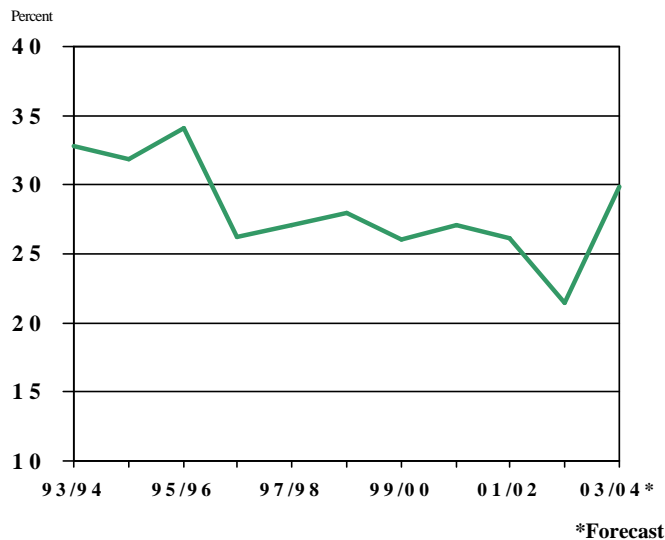


Other North African countries have been slow to buy this year because of their own large harvests, which will lower import demand by about 5 million tons. However, once domestic supplies dry up by the second half of the marketing year, there will be greater opportunity in Algeria, Morocco, and Tunisia. The United States will also likely expand exports to the Middle East, where its share in markets such as Israel has diminished due to increased competition from the Black Sea region.

And help U.S. market share to climb

U.S. world market share has been declining gradually, hitting an all-time low of 21 percent last year, as production has fallen and new exporters have entered the market. This year, however, the U.S. market share is forecast to reach 30 percent as exports jump 5.5 million tons. With around 10 million tons of North African and Middle Eastern import needs unavailable from nearby suppliers - and with a bumper U.S. harvest - the United States is in a good position to expand wheat exports.

U.S. global market share



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