



# International Agricultural Trade Report

September 1, 1998

## U.S. Wheat Export Sales in Retrospect: Low Prices Didn't Remedy Mundane Import Demand

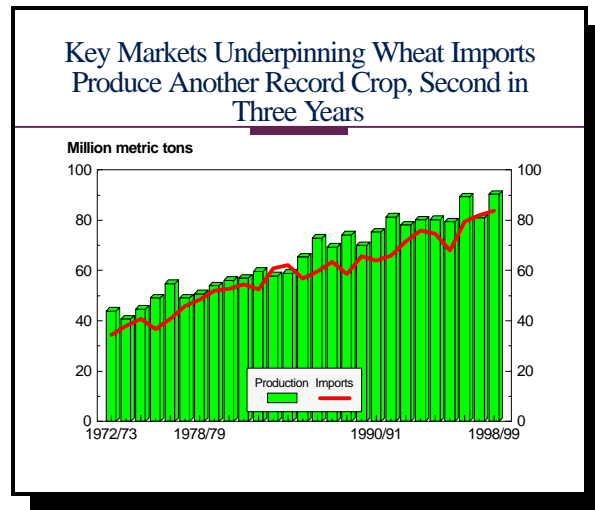
### Summary

Early season demand has been weak during the period when the United States is the primary supplier. Foreign buyers simply haven't taken advantage of the fact that world prices are nearly \$40/ton lower than this period last year. Consequently, export commitments are down and will need to accelerate in the balance of the year to reach the current export estimate.

### Record Production in "Core" Markets Limits Import Needs...For Now

An aggregate group of countries that typically account for 80 percent of world trade have had two record crops in the past three years. However, since those countries depend on imports for about half of their utilization, we could expect their import buying to pick up once domestic supplies are depleted.

Specifically, Pakistan and North African purchases for import are nearly 2 million tons less than last year because of record and bumper crops, respectively. No new demand has filled this gap, resulting in a net loss to world trade.



### Because of the Strong U.S. Dollar, Prices Aren't as Low as We Think

#### In the Eyes of the Importer

Current U.S. prices are low when compared to levels of 1996 and 1997. However, the strength of the dollar over the past year means that today's prices are still high when expressed in most African and Asian countries' weaker currencies.

#### The Impact on Our Competitors

Currencies in Australia and Canada have declined 30 and 8 percent respectively compared to the dollar over the past year, resulting in more competitive pricing. Despite Australia's

advantage and record crop prospects, their market share is expected to be unchanged from last year. On the other hand, Canada's market share will likely be down 5 percent due to tight supplies and a slightly smaller crop.

The European Union will not be affected by the dollar appreciation due to their tendency to follow U.S. prices. In recent weeks, the EU export restitution has put French prices \$2-4/ton below SRW. The EU is expected to gain market share this year, perhaps 2 percent, because of record production.

### **The United States Takes the Biggest Hit**

Historically, U.S. exports have been strong in the early months of the marketing year, then diminished as competitor crop supplies became available. To date, U.S. commitments (outstanding sales + shipments) to all markets are 2 million tons behind last year and 3 million tons below the average of the last few years.

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