



Quarterly International Trade Report

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Public Distribution

Wheat

World Situation and Outlook

Global PS&D The world wheat picture this season is radically different from last year. Although global production has fallen, there are greater supplies of milling wheat among major exporters as the crops in North America and Australia have rebounded. Most of the decline in world production is accounted for in less low- and medium-quality wheat supplies especially in Europe and the Former Soviet Union. This has resulted in high prices for feed-quality wheat and forced feed compounders to switch to coarse grains. Global stocks continue a 6-year decline as consumption, although smaller this year due to less feed use, continues to outpace production. Global production has fallen nearly 10 percent from six years ago. Global stocks are expected to hit a 20-year low with much of this drawdown expected to occur in China.

SUMMARY POINTS

- Global wheat production and stocks continue downward trend
- European / Former Soviet Union wheat exports fall from last year
- U.S. exports climb to 8-year high

Global Trade World trade has fallen this year (an 8-year low) due to the combination of less demand in key importers such as Brazil and North Africa - who harvested large crops last year - and less trade in feed-quality wheat. Major exporters - the United States, Australia, and Canada - have recovered from last year's poor crops and are aggressively regaining lost markets. Their global market share is forecast to expand to over 60 percent, from just 40 percent last year. Conversely, there will be less competition from so-called nontraditional exporters. Emerging wheat suppliers such as Russia, Ukraine, India, and Eastern Europe will export less than 9 million tons, compared to 29 million last year. A grain shortfall in the EU is causing higher prices and with the EU Commission's decision to suspend all weekly export tenders, exports will drop from 16.0 million tons to only 7.0 million tons. Interestingly, some unlikely suppliers have entered the export market this year with sales from Brazil, China, and Iraq at unprecedented levels.

U.S. Situation and Outlook

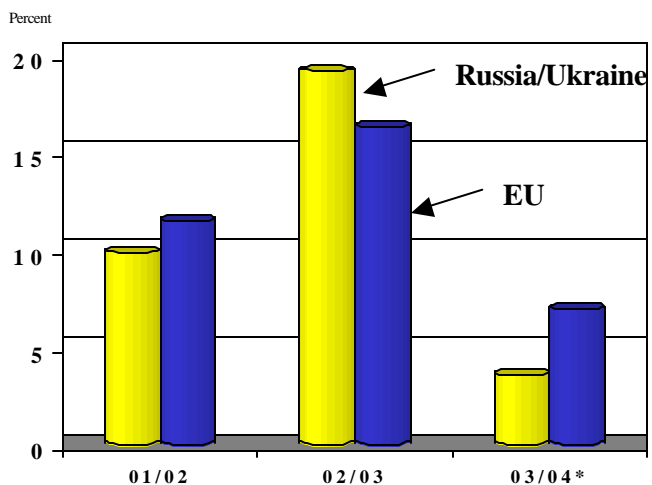
U.S. wheat exports are surging this trade year and are expected to reach an 8-year high of 32 million tons – a 9 million ton increase from last year. A recovery in the U.S. crop and less competition from Europe and nontraditional suppliers are helping the United States regain lost markets and even expand into new areas. Wheat sales into Africa have been strong, as the United States has regained market share in Egypt and increased sales into Sub-Saharan Africa. Sales have also picked up into the EU and Eastern Europe, with Romania buying large quantities of U.S. wheat. China's return as a large importer has also buoyed U.S. wheat, with sales around 1 million tons (as well as substantial sales for next marketing year). Overall, the U.S. share of the global market is rising from a record low of 21 percent last year to 32 percent.

For more information please contact:

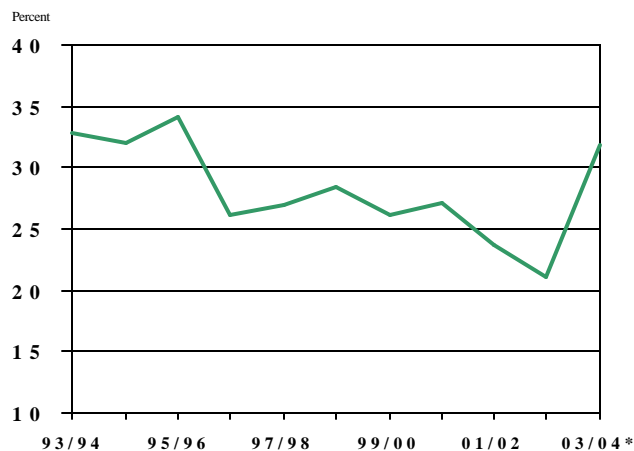
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Competitor Exports



U.S. Global Market Share



WORLD WHEAT SITUATION

	2001/02	2002/03	2003/04	Year to Year Change 02/03 to 03/04	
	MMT	MMT	MMT	MMT	Percent
Production	582	566	552	-14	-2%
Consumption	586	602	591	-11	-2%
Trade (Jul/Jun)	110	109	101	-8	-7%
Ending Stocks	201	166	126	-40	-24%

U.S. WHEAT SITUATION

Production	53.3	44.1	63.6	+19.5	+44%
Consumption	32.7	30.7	33.2	+2.5	+8%
Exports (Jun/May)	26.2	23.2	31.3	+8.1	+35%
Ending Stocks	21.2	13.4	14.5	+1.1	+8%