



Quarterly International Trade Report

November 2004
Public Distribution

Coarse Grains

World Situation and Outlook

Global PS&D: The most significant development since August in the world coarse grain situation is a 28-million-ton increase in production. U.S. corn accounted for the majority of the increase, while Chinese corn, Romanian corn, EU barley, and Ukrainian barley also surged. Although the record production should depress coarse grain prices and lead to higher consumption, the overall increase in world demand is moderated by the abundant feed-quality wheat supplies from the Black Sea region, the lasting effects of Avian Influenza in Asia, and stagnant economies in various countries. As a result, there will be considerable stock build-ups, most notably in the United States and the EU-25.

Global Trade: World coarse grain trade has been revised down just under 2 million tons to 100 million since the last report. The most significant drops occur in South Korea, where a slow economy and expected higher imports of Canadian feed-quality wheat are dampening demand for corn; Malaysia, which is still struggling with the impact of Avian Influenza; and Mexico, where ample supplies of feed grains and the relatively unattractive prices of U.S. sorghum are reducing its imports.

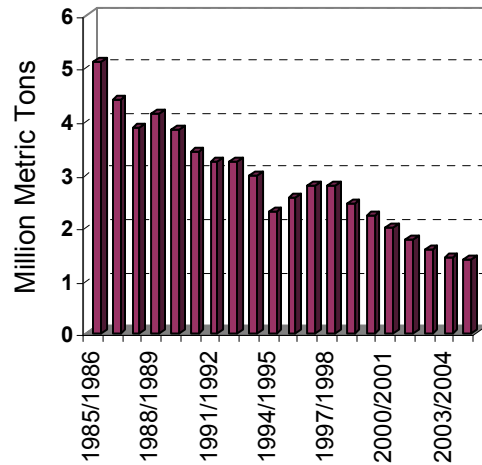
On the export side, major changes are taking place among large barley suppliers. Australia's exports are forecast to slide due to a deteriorating crop. Offsetting this drop are the EU-25 and Ukraine. The EU-25 is resuming export subsidies after more than a year and is poised to capture a larger portion of the feed barley markets in North Africa and the Middle East. Ukraine will remain competitive with a bumper crop and ensuing low prices.

SUMMARY POINTS

- Gap between production and consumption—both records—narrows
- World feed grain supplies abundant
- U.S. corn ending stocks forecast to recover for the first time in 5 years

Japan Slowly Disengages from Sorghum: Japan's use of sorghum, predominately sourced from the United States, continues its 20-year decline. Imports of meat, stagnant domestic feed grain demand caused in part by recent food safety concerns, and high U.S. prices in the past few years have all combined to shift feed use away from sorghum. Reportedly, Japanese compound feed manufacturers would require a sustained period of competitive prices (compared with corn) in order to shift back to sorghum.

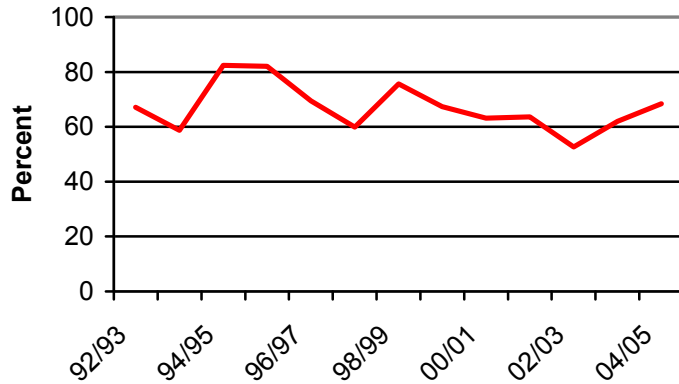
Japan Sorghum Imports



U.S. Situation and Outlook

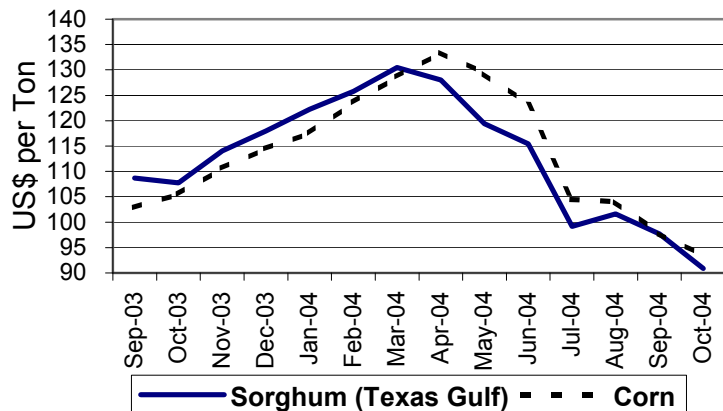
Corn: Since the last quarter, U.S. exports have been lowered by 1 million tons to 52 million, despite a record crop that gets larger every month, and reduced competition. Part of the reduction comes from higher Canadian feed-quality wheat supplies, which depress Canadian corn demand from the United States, as well as displace U.S. exports to South Korea. Slow recovery in the currency crisis in Egypt and higher production in Turkey are also constraining U.S. export prospects.

U.S. Corn Global Market Share



Sorghum: The U.S. export forecast was reduced by 500,000 tons to 5.0 million tons because of slow sales and shipments to Mexico.

U.S. Gulf Export Bids



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WORLD COARSE GRAIN SITUATION					
	2002/03	2003/04	2004/05	Year to Year Change 2003/04 to 2004/05	
	MMT	MMT	MMT	MMT	Percent
Production	872	904	985	81	9%
Consumption	901	940	964	24	3%
Trade (Oct/Sep)	104	102	100	-2	-2%
Ending Stocks	166	129	150	21	16%
U.S. COARSE GRAIN SITUATION					
Production	244	276	318	42	15%
Consumption	215	227	241	14	6%
Exports (Oct/Sep)	46	54	57	3	6%
Ending Stocks	31	29	51	22	76%