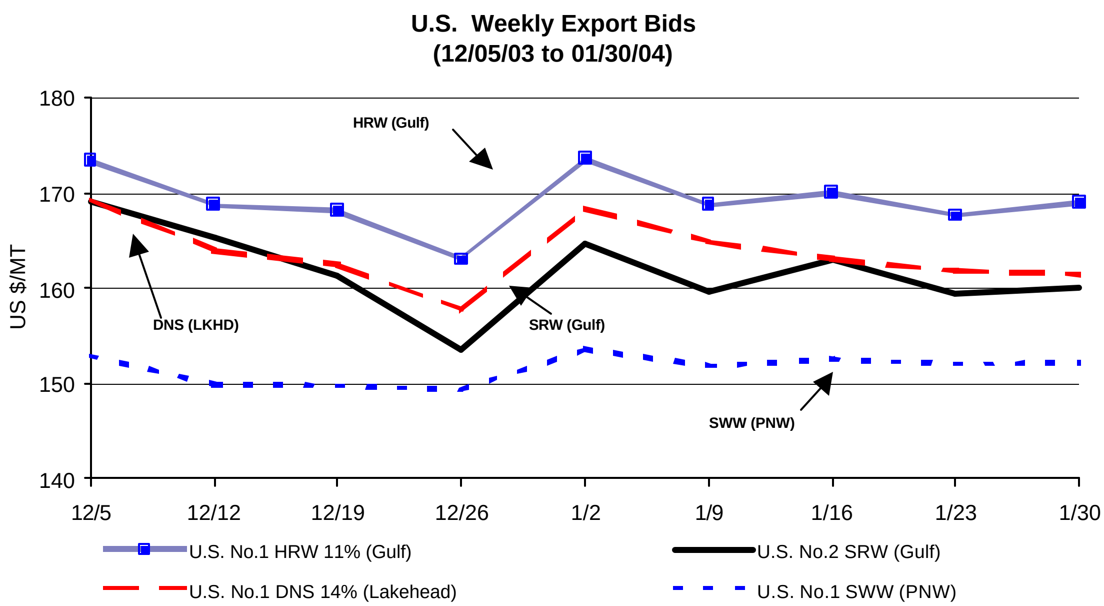
WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

South American Wheat Returns to Global Market: After last year's hiatus, South American wheat is again flowing into global markets as Argentina and Brazil have commenced selling their new crop. Last year, Argentina's marketing year exports outside of South America totaled less than 100,000 tons - down from over 3 million tons the year before. The combination of a larger crop (although still significantly below normal levels) and less Brazilian import demand has allowed Argentina to once again compete in key Mediterranean markets. Brazil, while still a large net importer, has also emerged as an unexpected exporter. Wheat exports are expected to reach a record 1.0 million tons. The largest harvest in more than a decade, limited storage space, and high world prices for low- and medium-quality wheat have all encouraged sales into Eastern Europe and North Africa.

PRICES:

Domestic:



The first week of January saw prices peak on speculation of increased sales to China, but then slip once the sales were announced. Strong exports and unfavorable conditions for winter wheat helped to keep prices rather steady for most of the month, but they started to lose their footing as Australia's new crop brought increased supplies onto the world market. For January, the average price for the last week of the month was $6 a ton above the same period in December 2003 for HRW and SRW, while HRS gained $4 a ton and SWW gained $3 a ton.

TRADE CHANGES IN 2003/2004

Selected Exporters

- **Australia** down 1.0 million tons to 14.0 million due to a smaller than expected early-season export pace.

- **Brazil** up 500,000 tons to a record 1.0 million as the largest crop in 14 years has allowed sales to North Africa and Eastern Europe.

- **China** up 500,000 tons to a record 2.2 million due to robust exports in recent months. The export pace is expected to slow considerably during the second half of the trade year.

- **Iraq** up 300,000 tons to an unprecedented 400,000 with durum sales to Italy and shipments to Syria.

- **Kazakhstan** down 500,000 tons to 6.0 million with smaller than expected export volumes and transportation difficulties.

- **United States** up 1.0 million tons to an 8-year high of 32.0 million on increased world wheat import demand and the recent strong pace of sales and shipments.

Selected Importers

- **Israel** down 400,000 tons to 1.1 million as the scarcity of feed-quality wheat imports from Ukraine and Russia has forced feed compounders to switch to coarse grains.

- **Morocco** up 500,000 tons to 1.5 million due to strong early-season imports and recent purchases.

- **Romania** up 500,000 tons to 2.0 million on large imports, including substantial purchases from the United States, after last year's record low production.

- **Turkey** up 200,000 tons to 800,000 due to a reduction in the production estimate and high internal prices.

- **Venezuela** up 200,000 tons to 1.4 million due to strong imports and purchases from the United States and Canada.

TRADE CHANGES IN 2002/2003

Selected Exporters

- **India** up 350,000 tons to 5.350 million due to year-end trade data availability.

Selected Importers

- **EU** up 526,000 tons to 12.526 million based on recently obtained export data from acceding EU countries.