WORLD WHEAT SITUATION AND OUTLOOK

MONTHLY HIGHLIGHTS:

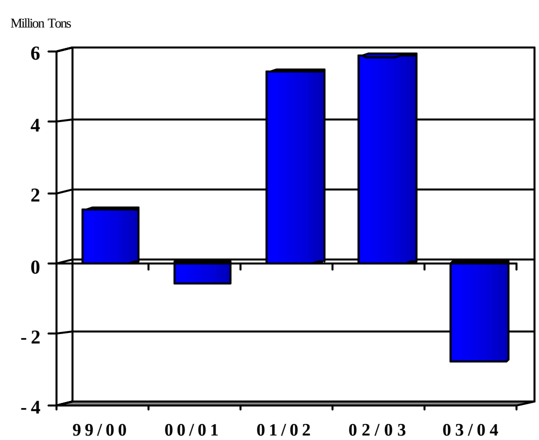
United States, Australia Vie for Egyptian Market: With little wheat available out of the Black Sea region this year, and high French prices due to drought-induced crop shortfalls, Egypt is returning to the United States and Australia to fill its demand. In recent years, the United States has been Egypt's largest supplier, shipping about 4 million tons annually, with Australia exporting around 1 million tons. Last year, however, Egypt turned away from these traditional suppliers to cheaper Russian and French wheat.

Earlier this year, the United States had captured the majority of Egyptian purchases with nearly 1.8 million tons sold from July through September. During the first week of October, however, with lower Australian white wheat prices reflecting a large expected crop, Egypt (GASC) bought 420,000 tons of Australian wheat. Australian wheat sales to Egypt thus far this trade year (Jul/Jun) have already nearly matched the total amount Australia shipped last year. These sales have signaled that the United States will face stiff competition as it tries to regain the Egyptian market.

Ukraine Disappears as Wheat Exporter: Ukraine is undergoing a dramatic turnaround from the world's fifth largest exporter of wheat to a net importer of 3 million tons. A harsh winter devastated Ukraine, reducing wheat production to just 4 million tons, one-fourth the size of last year's crop. This huge shortfall has resulted in soaring domestic wheat prices and has led the government to suspend import duties temporarily.

Ukraine's large import needs are expected to be filled primarily by Russia and Kazakstan, resulting in even less wheat available out of the Black Sea region for Mediterranean markets. This situation will benefit Australia, Canada, and the United States as they expand exports to North Africa and the Middle East.

Net Ukrainian Trade



PRICES:

Domestic: Early October export quotes for #2 HRW FOB Gulf averaged $150/MT, down $2 from the same period last month.

TRADE CHANGES IN 2003/2004

Selected Exporters

- **Canada** up 500,000 tons to 14.5 million due to a larger crop.
- **EU** down 500,000 tons to 9.0 million due to tightening supplies and higher domestic prices.
- **Kazakstan** up 500,000 tons to 6.5 million due to higher production and strong regional demand.

Selected Importers

- **Brazil** down 400,000 tons to 5.6 million due to a production forecast at a 14-year high.
- **Iraq** down 500,000 tons to 2.0 million due to larger-than-expected domestic supplies.
- **Ukraine** up 500,000 tons to 3.0 million due to dramatically lower production.
- **United States** down 200,000 tons to 2.0 million. Recently imposed duties are expected to reduce spring wheat shipments from Canada.

TRADE CHANGES IN 2002/2003

Selected Importers

- **Iraq** down 800,000 tons to 1.7 million due to late-season data.

Download the wheat tables in:

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Return to Table of Contents