

COARSE GRAINS: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

Malaysia Searches for Alternatives to Chinese Corn: After years of relying on Chinese corn for over 90 percent of its import needs, Malaysia, the largest corn market in Southeast Asia, is searching for alternatives as Chinese shipments have dried up. Although Malaysia has purchased a significant quantity of U.S. corn (169,000 tons) for the first time in 5 years, high prices and freight cost have discouraged further purchases. Turning to nearby suppliers, Malaysia has bought corn from India, Thailand, and Indonesia. Since April, the country has also stepped up purchases of Argentine corn. However, as regional supplies are limited and freight from South America remains high, Malaysian feed millers are forced to buy increasing amounts of tapioca and distiller's dried grains (DDG) as substitutes for corn.

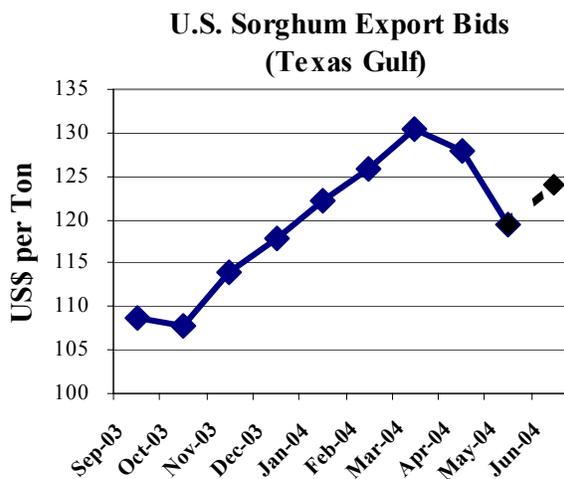
Sorghum Data Series Added: Effective this month, USDA has added data series for Chile and Philippines. Chile imports over 50,000 tons each year, mostly from Argentina. Philippines has erratic imports, ranging from 61,000 tons to zero. The United States and Australia have been principal suppliers but Brazil has shipped nearly 18,000 tons this year, likely as a substitute for Chinese corn or feed wheat.

Significant revisions were made to **sorghum** trade and consumption data for Australia, Taiwan, and Thailand.

PRICES:

Domestic: Early June Gulf export bids for #2 yellow corn averaged \$133/MT, up \$4 from May and almost the same as April. After slipping during much of May due to ideal growing conditions, prices recovered on weather concerns in recent weeks.

Early June export bids for #2 yellow sorghum (Texas Gulf) averaged about \$124/MT, up \$5 from May and \$15 from September 2003. Sorghum is now at a \$10 discount to corn, double last month's discount.



Shipments to the EU-25 were strong in April, but began to taper off in May. Import licenses for EU countries increased about 123,000 tons from the end of April to the first week in June. However, based on U.S., Argentine, and Brazilian data, it is likely that shipments had already been made and that these licenses were to custom-clear sorghum held in bonded warehouses in the EU. Also, exports and sales to Mexico were lackluster in May.

TRADE CHANGES IN 2004/2005

Selected Exporters

- **Ukraine corn** soars 700,000 tons to 1.5 million based on expanded acreage and a larger crop forecast. **Barley** drops by 300,000 tons to 2.0 million due to a reduced production forecast.
- **Australia barley** is up 300,000 tons to 4.5 million as production prospects improve.

Selected Importers

- **Zimbabwe corn** increases by 200,000 tons to 600,000 as the country faces continued difficulties in its agriculture sector and production suffers as a result.

TRADE CHANGES IN 2003/2004

Selected Exporters

- **Australia barley** is up 200,000 tons to 4.8 million based on a robust pace.
- **Argentina sorghum** down 100,000 tons to 400,000 based on low sales to date.
- **Australia sorghum** up 100,000 tons to 300,000 as shipments to Japan accelerate.
- **United States sorghum** down 200,000 tons to 5.0 million because of lackluster sales and shipments to Japan and Mexico.

Selected Importers

- **Malaysia corn** drops by 200,000 tons to 2.2 million as feed millers switch to substitutes such as tapioca and DDG in the absence of Chinese corn.
- **Turkey corn** increases by 200,000 tons to 700,000 based on strong sales from the United States and Argentina.
- **Mexico sorghum** down 200,000 tons to 2.9 million. This is the best crop--and lowest import estimate--in 8 years.