

COARSE GRAINS: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

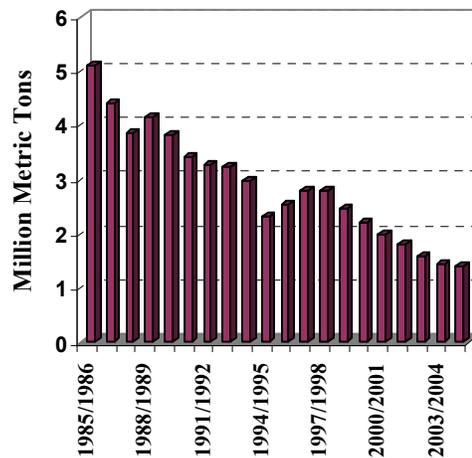
World Corn Import Demand Softens: Despite a record crop and dropping prices, U.S. exports are forecast to ease by 500,000 tons this month based on softening demand. Lower expected consumption in South Korea, slow recovery in the currency crisis in Egypt, and higher production in Turkey are accounting for an 800,000-ton drop in imports in these markets. Higher imports by Algeria, Indonesia, and Peru are not enough to offset these drops. Furthermore, soaring freight costs are dampening U.S. export prospects.

In addition to corn, U.S. **barley** and **sorghum** export forecasts are also lowered this month. Unlike last year, the United States is not expected to capture any of Saudi Arabia's barley market due to intensified competition from Ukraine and the EU-25.

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

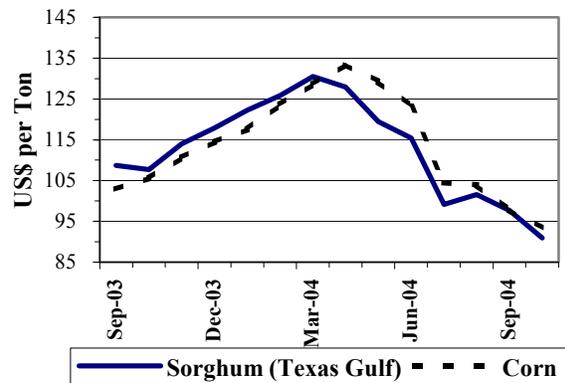


PRICES:

Domestic: October export bids for #2 yellow corn averaged \$93/MT, down over \$4 from September. Prices have dropped a whopping \$40/MT since their peak in April and continue to fall because of harvest time pressure and the certainty of a massive crop.

October export bids for #2 yellow sorghum (Texas Gulf) averaged nearly \$91/MT, down almost \$7 from September and \$18 below year-ago prices. Sorghum now carries about a \$2.50 per ton discount to corn, still making it comparatively expensive as a substitute for corn.

U.S. Gulf Export Bids



TRADE CHANGES IN 2004/2005

Selected Exporters

- **United States corn** eases 500,000 tons to 52.0 million because of diminished import prospects in several markets and the slow pace of export sales to date.
- **United States barley** is down 100,000 to 450,000 because of increased competition from the EU-25 and Ukraine in the Saudi market.
- **Australia barley** drops by 500,000 tons to 3.5 million as a deteriorating crop reduces exportable supplies.
- **EU-25 barley** is up 500,000 tons to 2.8 million because of reduced competition from Australia and the resumption of export subsidies.
- **Argentina sorghum** is down 100,000 tons to 300,000, the second year of slow exports, because of weak demand from Japan.
- **United States sorghum** is slashed by 500,000 tons to 5.0 million because of slow sales and shipments to Mexico.

Selected Importers

- **Egypt corn** drops by 200,000 tons to 4.3 million because of lingering currency difficulties and a slow recovery in poultry production.
- **Indonesia corn** is up 200,000 tons to 1.3 million as consumption seems to have stabilized after last year's Avian Influenza outbreak.
- **Iran corn** is up 200,000 tons to 1.9 million on the basis of a steady expansion in domestic poultry production.
- **South Korea corn** is reduced by 400,000 tons to 8.5 million as demand for corn contracts in a slow economy.
- **Peru corn** is up 250,000 tons to 1.0 million tons based on robust growth in feed demand.
- **Turkey corn** is down 200,000 tons to 900,000 due to increased production.
- **Japan sorghum** is cut by 100,000 tons to 1.4 million.
- **Mexico sorghum** is slashed by 500,000 tons to 4.0 million because of ample supplies of feed grains.

TRADE CHANGES IN 2003/2004

Selected Exporters

- **Argentina corn** surges 400,000 tons to 10.4 million based on a stellar pace in recent months.
- **Brazil, China, South Africa, and Thailand corn** are adjusted per final trade data.
- **Ukraine corn** is down 250,000 tons to 1.25 million as shipments have slowed in recent months.
- **Australia barley** is up 500,000 tons to 5.5 million based on a strong shipment pace.
- **Russia barley** shrinks by 600,000 tons to 2.0 million as exports dropped to a dribble in recent months.
- **Ukraine barley** is up 400,000 tons to 2.0 million due to a robust pace.
- **China, Japan, and South Korea barley** are adjusted per final trade data.
- **Australia sorghum** is up 50,000 tons again this month to 450,000 based on strong late-season shipments to Japan. However, **Japan's** final import data for the year confirms once again the long-term trend away from sorghum.

Selected Importers

- **Egypt corn** is down 200,000 tons to 3.8 million as demand has declined more than previously thought.
- **Iran corn** is raised 200,000 tons to 1.7 million based on expanding poultry production.
- **Brazil, Costa Rica, Japan, South Korea, and South Africa corn** are adjusted per final trade data.