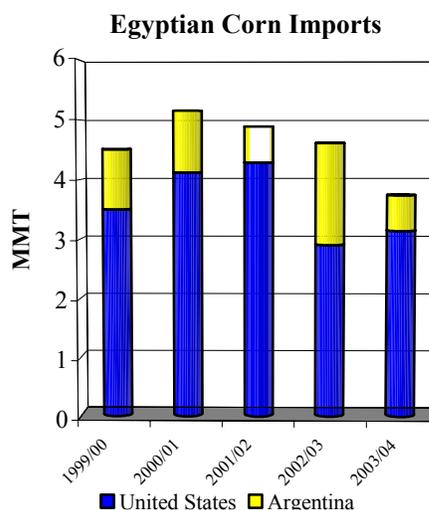


COARSE GRAINS: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

U.S. Corn Continues Its Slide: Despite falling prices, the estimate for U.S. corn exports is lowered by 1.0 million tons to 51.0 million, on the basis of easing import demand and greater competition from Ukraine. Mexico's imports are expected to drop by half a million tons, and Canada's and South Africa's are decreasing by 100,000 tons each, all as a result of larger local supplies. Although U.S. Gulf export bid prices have reached a two and half-year low recently, the abundance of global feed grains and soaring freight costs are curbing U.S. corn export prospects, as evidenced by the lagging commitments compared to a year ago.

The United States Regains Egypt's Corn Market Share: U.S. corn exports to Egypt rebounded in 2003/04 to 85 percent after a dismal performance a year earlier, when high U.S. prices and strong competition from Argentina reduced U.S. market share to an uncharacteristically low 60 percent. Maintenance and expansion of U.S. exports there will depend on the recovery in Egypt's poultry sector, which has contracted during the country's currency crisis.



EU Barley, Corn Intervention Offers Soar: Offers into intervention (government) stocks have soared for barley and corn but reflect different market dynamics.

Because the EU-15 is normally deficit in **corn** supplies, market prices are above the intervention price and therefore little is offered for sale into intervention. However, new EU surplus producing Member States (Czech Republic, Hungary, and Slovakia) find themselves with a shortage of suitable storage space, falling market prices, and a need for operating cash payments. Most of the nearly 1 million tons of corn offered for intervention is in Hungary. As with wheat, some of this unusual buildup may potentially be alleviated as a result of the Commission's approval of Constanza, Romania as an export point for intervention grain transport subsidies.

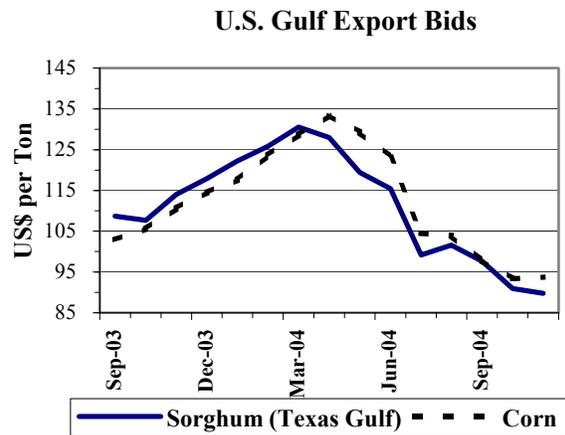
For **barley**, however, the main producing areas are in the EU-15. Here, there are ample intervention storage facilities, especially since rye is no longer eligible for intervention, and farmers have less need for operating cash from these sales because of government payments. Large supplies of feed-quality wheat are available from a record crop, displacing barley and depressing feed grain prices, which in turn makes intervention more attractive. In the past, the EU has often had 3-5 million tons of barley intervention

stocks but these have been pulled down to virtually nothing this past year. Current offers are about 1.4 million tons, mostly from Germany.

PRICES:

Domestic: November export bids for #2 yellow corn averaged \$94/MT, little changed from October. Early December bids have dropped to \$90/MT, as total export commitments continue to languish.

November export bids for #2 yellow sorghum (Texas Gulf) averaged nearly \$90/MT, down almost \$8 from September and \$24 below year-ago prices. Sorghum carried about a \$4 per ton discount to corn in November, making it comparatively expensive as a substitute for corn.



TRADE CHANGES IN 2004/2005

Selected Exporters

- **United States corn** drops by 1.0 million tons to 51.0 million because of diminished import demand in several markets.
- **Ukraine corn** is up 500,000 tons to 2.0 million on the basis of a record crop and competitive prices.
- **Australia barley** drops by 200,000 tons to 3.3 million as a deteriorating crop reduces exportable supplies.
- **EU-25 barley** is up 500,000 tons to 3.3 million because of reduced competition from Australia and Russia and the use of export subsidies.
- **Russia barley** is down 300,000 tons to 1.7 million due to a smaller crop.
- **United States sorghum** is down 500,000 tons again this month to 4.5 million, the lowest in 19 years, because of weak imports by Mexico.

Selected Importers

- **Mexico corn** is slashed by 500,000 tons to 5.8 million due to increased domestic supplies.

- **Mexico sorghum** is down by 500,000 tons again this month (to 3.5 million) because of large supplies of feed grains, despite strong growth in consumption.

TRADE CHANGES IN 2003/2004

Selected Exporters

- **Australia barley** is up 500,000 tons to 6.0 million based on newly available data.
- **Russia barley** shrinks by 200,000 tons to 1.8 million as exports diminished in recent months.
- **Ukraine barley** is up 557,000 tons to 2.557 million as per final trade data.
- **United States sorghum** is down 118,000 tons to 4.882 million, the lowest in 8 years, per final trade data.