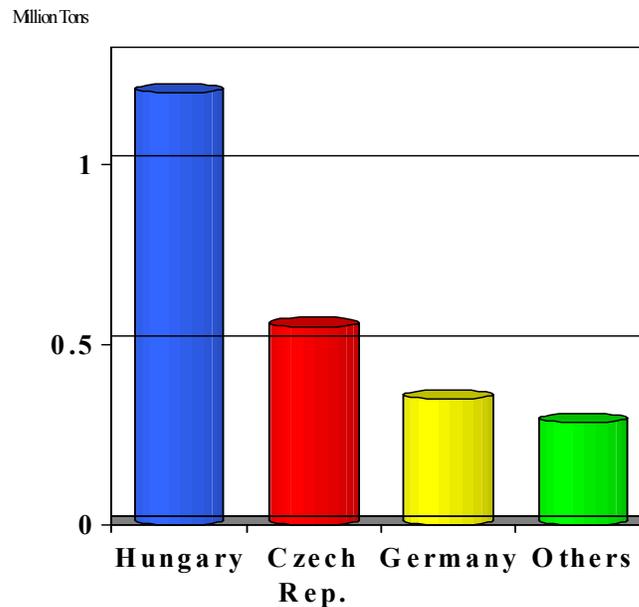

WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

Wheat Intervention Stocks in Hungary and the Czech Republic Begin To Grow:

Since intervention opened on November 1, over 2 million tons of wheat have already been offered, primarily in the new member states of Hungary and the Czech Republic. In past years, before Hungary and the Czech Republic joined the Union, very little had been offered this early in the season. But this year with a record EU grain harvest, falling domestic prices and the absence of export subsidies for wheat, farmers have found intervention prices attractive. Perhaps in response to these growing stockpiles, the Commission announced that wheat sold out of intervention would be reimbursed the transportation cost to the port of Constanza in Romania.

Intervention Wheat Applications in November

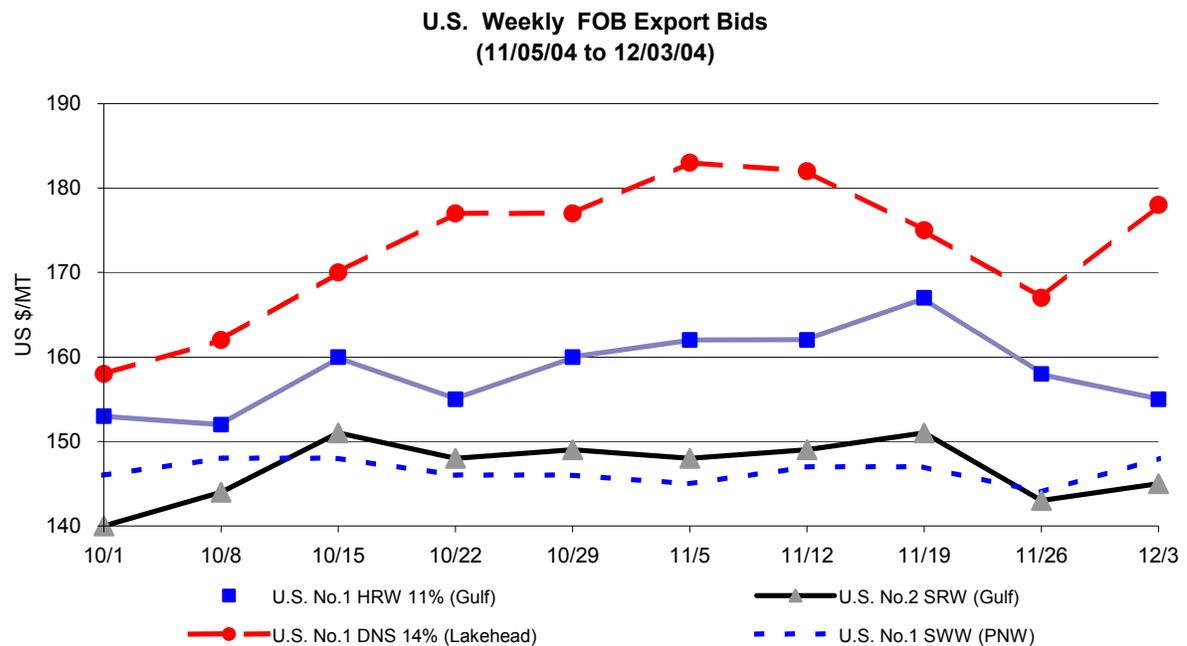


Ocean Freight Rates Close to Breaking Record: Rates for Panamax size ships on the U.S. Gulf to Japan benchmark route are close to breaking the record \$80 per ton reached in February 2004. Strong demand for coal, iron ore, and grain by China and other Pacific Rim countries is straining the current bulk shipping capacity of the world's fleet. Rates have jumped by \$30 per ton since this summer.

PRICES:

Domestic: Prices of high-quality wheats trended up throughout November but then tailed off with more Southern Hemisphere supplies and favorable winter wheat conditions in the Northern Hemisphere.

For the week ending December 3, average HRW prices were \$7 a ton lower than a month earlier, while SRW prices were \$3 a ton lower. HRS prices dropped \$5 a ton while SWW ended the month with a gain of \$3 a ton.



TRADE CHANGES IN 2004/2005

Selected Exporters

- **Argentina** up 500,000 tons to 9.5 million tons. During the last few months, large old crop supplies and the prospect of a better new crop have pushed down prices, boosting sales especially into Mediterranean markets.
- **Bulgaria** up 100,000 tons to 900,000 due to higher than expected production and very strong early season exports.
- **EU-25** down 500,000 tons to 15.5 million due to stronger competition in key markets and uncompetitive prices with a strong euro and without export subsidies.
- **United States** up 500,000 tons to 26.5 million with stronger than expected sales and shipments, especially of the higher-quality wheats.

Selected Importers

- **Pakistan** up 500,000 tons to 1.5 million as the government has announced its intention to issue another 500,000 ton tender in order to rebuild domestic stocks and stabilize domestic prices.
- **South Africa** up 100,000 tons to 1.1 million due to a smaller crop.