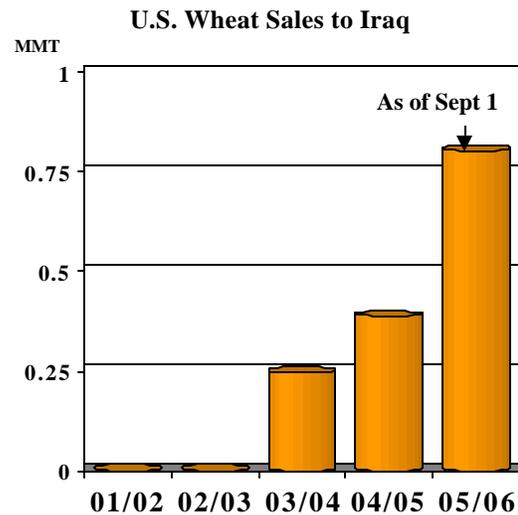
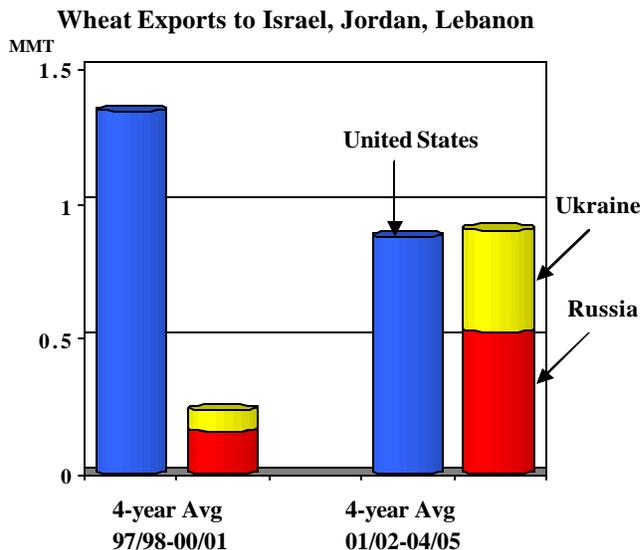

WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

Iraq Bright Spot for U.S. Exports in Middle East: The recent emergence of Iraq as a key U.S. market has helped to offset the trend of smaller sales to other Middle East markets. U.S. exports to the region had been waning as the result of strong competition from low-priced supplies out of the Black Sea region and, in 2002/03, exports to the Middle East fell to a 30-year low. This marketing year, commitments to Iraq have surged to over 800,000 tons, the highest level since 1989/90, making it the second largest buyer of Hard Red Winter (HRW) wheat in the world.

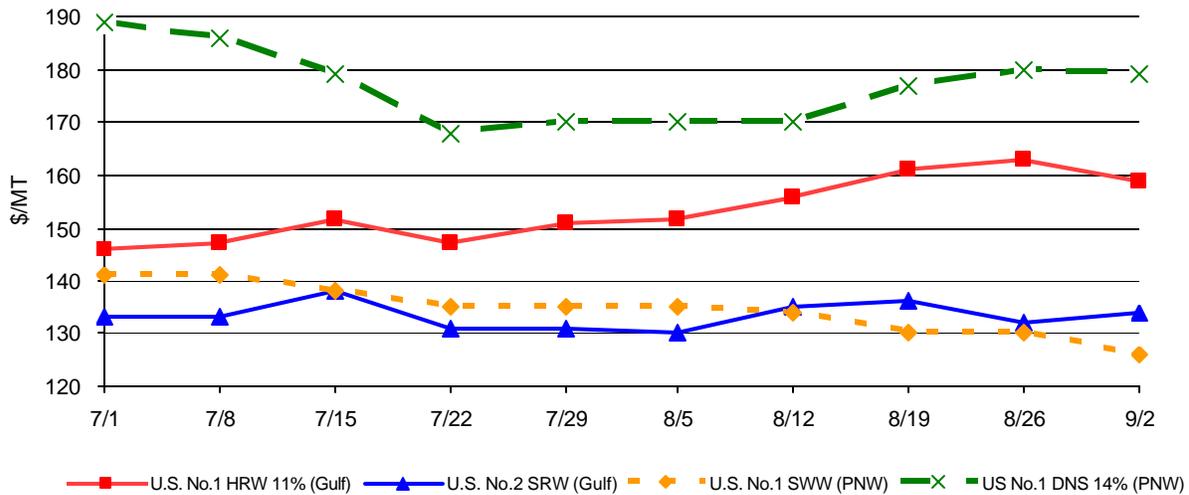


Effect of Hurricane Katrina on Wheat Exports Small Compared to Other Grains: The aftermath of the hurricane temporarily shut down grain exports out of Mississippi River Gulf ports, which handle the majority of U.S. grain shipments. While these ports typically ship over two-thirds of corn and soybean exports, last year they accounted for less than a quarter of wheat exports. Soft Red Winter (SRW) is the primary class shipped out of this area, but SRW exports this year are expected at a 30-year low. For the week after the hurricane, revised USDA inspections data showed total U.S. corn shipments (from all ports) down 60 percent week to week, soybeans down 42 percent, but wheat shipments were actually up 15 percent.

PRICES:

Domestic: Wheat prices were up sharply for hard wheat in August on strong demand for exports, especially for HRW. HRW prices were up \$8 a ton with Hard Red Spring up \$9 a ton and SRW prices up \$3 a ton. Soft White wheat prices, however, dropped \$9 a ton due to large supplies and prospects for a substantial stock buildup.

U.S. Weekly FOB Export Bids



TRADE CHANGES IN 2005/2006

Selected Exporters

- **Argentina** is down 1.0 million tons to 7.0 million, less than half of last year's level. Production is expected to be sharply reduced with area at the lowest level in a decade.
- **Russia** is up 1.0 million tons to 10.0 million with very strong early-season sales and a larger crop. Production is forecast at the second highest level in 15 years.
- **Turkey** is raised by 400,000 tons to 1.6 million with strong flour demand in nearby markets.
- **Ukraine** is up 500,000 tons to 6.0 million with greater exportable supplies.

Selected Importers

- **Nigeria** is increased by 400,000 tons to a record 3.4 million with rapidly expanding consumption and strong early-season purchases from the United States.
- **United States** is up 300,000 tons to 2.2 million due to the expectation of stronger Hard White wheat grain and flour imports from Canada.

TRADE CHANGES IN 2004/2005

Selected Exporters

- **Canada** is up over 100,000 tons to 15.142 million in light of complete year-end trade data.

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- **Russia** is up over 350,000 tons to 7.951 million, given complete year-end trade data.
 - **Turkey** is up over 100,000 tons to 2.217 million due to complete year-end trade data.

Selected Importers

- **China** is down nearly 250,000 tons to 6.747 million, reflecting year-end data.
- **Egypt** is up 100,000 tons to a record 8.1 million, given near-complete data.
- **Iraq** is up more than 200,000 tons to 3.01 million in light of year-end data.
- **Kenya** is cut by 150,000 tons to 500,000 with more complete data. A similar change was made to the 05/06 estimate.
- **Nigeria** is up 100,000 tons to a record 3.0 million, reflecting near-complete year-end trade data.
- **Yemen** is raised by 100,000 tons to 1.9 million, given near-complete data. A similar change was made to the 05/06 estimate.