

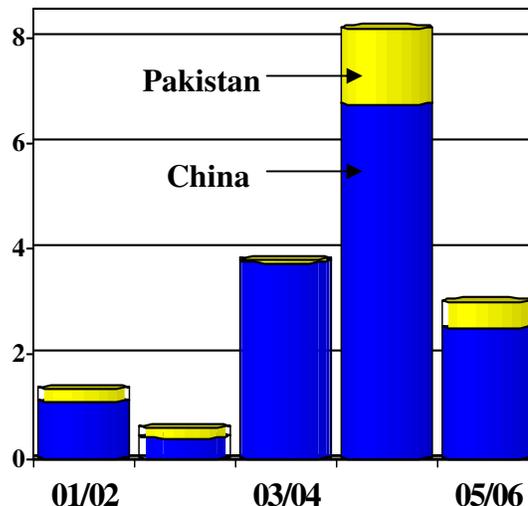
WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

Market Shift Expected in Australian Exports:

While wheat production in Australia (currently being harvested) is forecast higher than last year, exports are not expected to grow significantly. Although Australia will likely benefit from reduced Argentine competition in Asian and East African markets, this could be offset by smaller purchases by other key markets. China, Pakistan, and Iraq, which last year combined to account for a quarter of Australian wheat exports, all have reduced purchases of Australian wheat. China's total imports this year (from all suppliers) are down by more than half, and Australian shipments in recent months have nearly disappeared. Pakistan's imports are also forecast sharply lower, and importers have increasingly turned to Black Sea supplies. Although Iraq's total imports are expected up this year, competition has intensified from the United States, with sales of nearly 2 million tons of U.S. wheat already on the books. Australian exports to these three markets during the first quarter of the trade year were down over 80 percent from the same period last year.

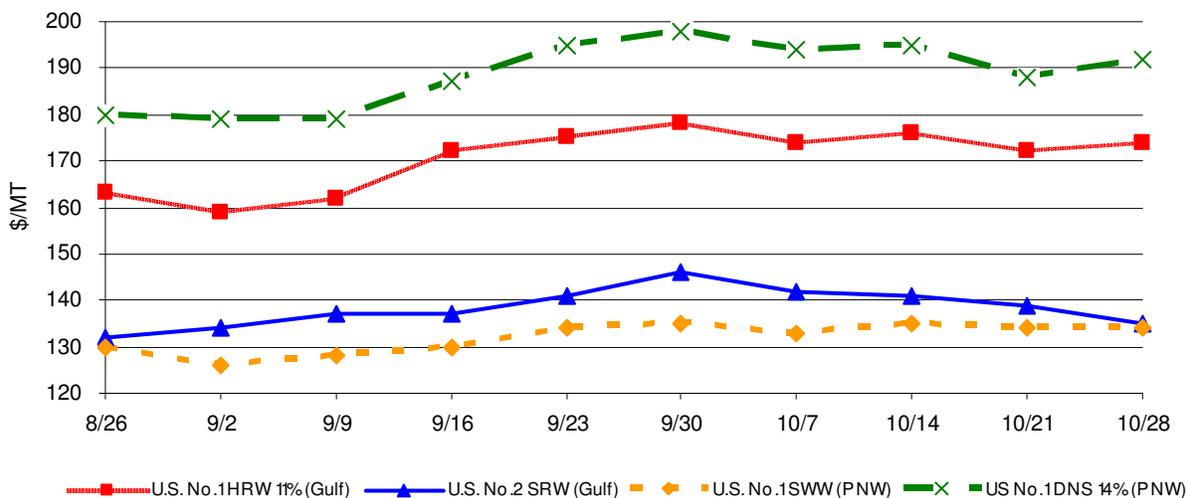
Total Imports Fall in Key Markets



PRICES:

Domestic: Prices for all wheat classes fell in October, pressured by smaller-than-anticipated export sales, as well as improving growing conditions for next year's winter wheat crop. For the month, SRW prices fell the most, \$11 per ton, with HRS down \$6, HRW down \$4 and SWW down \$1.

U.S. Weekly FOB Export Bids



TRADE CHANGES IN 2005/2006

Selected Exporters

- **Argentina** is up 200,000 tons to 7.0 million, still only about half of last year's level, as the production forecast is raised slightly.
- **Iran** is down 350,000 tons to only 50,000 based on lower expected flour shipments to Iraq.
- **Turkey** is up 400,000 tons to 2.0 million tons on higher production and strong early season flour sales, especially to Iraq.
- **Ukraine** is down 500,000 tons to 5.5 million tons. Despite strong early-season shipments, concerns about next year's crop, as well as expected increased government intervention purchases, will reduce shipments during the latter half of the year.

Selected Importers

- **Brazil** is up 300,000 tons to 5.8 million. Production is lowered from last month, and crop quality problems will encourage more wheat feeding and higher imports.
- **Saudi Arabia** is down 450,000 tons to only 50,000. Production is raised this month and should be enough to maintain wheat self-sufficiency.
- **South Korea** is up 200,000 tons to 3.9 million with expected higher imports of low-quality wheat. First quarter imports of wheat for feeding were up significantly from last year, and nearly all of this amount was from Canada.
- **Turkey** is down 500,000 tons to 500,000 as a result of higher production and government policy restricting imports.