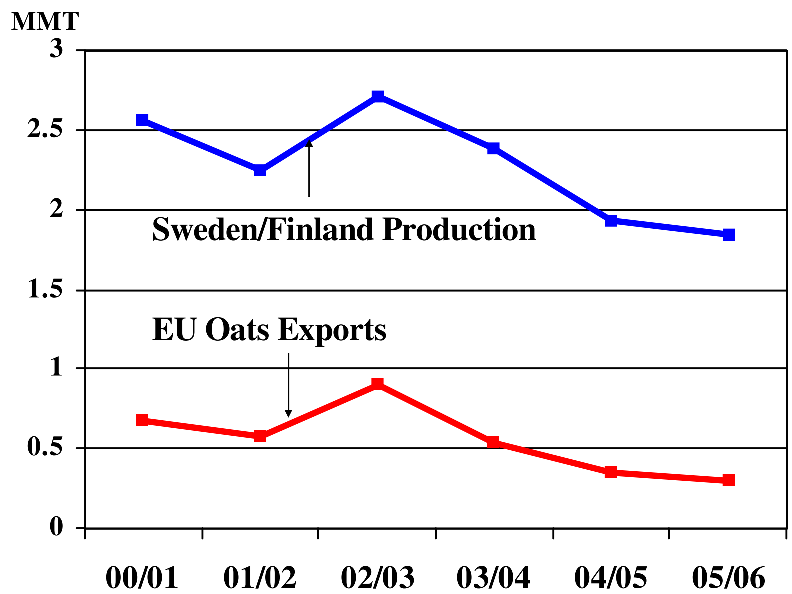
COARSE GRAINS: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

EU Oat Exports Drop to 10-year Low: European Union exports were lowered this month to the smallest amount since 1995/96. Exports are largely a function of crop size in Sweden and Finland as they are the only countries eligible for oat export subsidies from the Commission as part of their accession agreements (and consequently account for nearly all external trade). Production in these countries has continued to fall, and with low stocks (oats are not eligible for intervention), exportable supplies have shrunk. Current marketing year licenses are down nearly half from last year and virtually all exports typically go to the United States.

EU Oat Exports Mirror Scandinavian Production



U.S. Corn Gains in Exports Over Last Year: In the face of reduced competition from Argentina and China (combined exports are down over 5 million tons from last year), U.S. corn exports are expected to surge to a 7-year high and the United States will consequently garner an even larger market share. In recent weeks, export sales have been very strong, especially to markets in Asia and the Western Hemisphere.

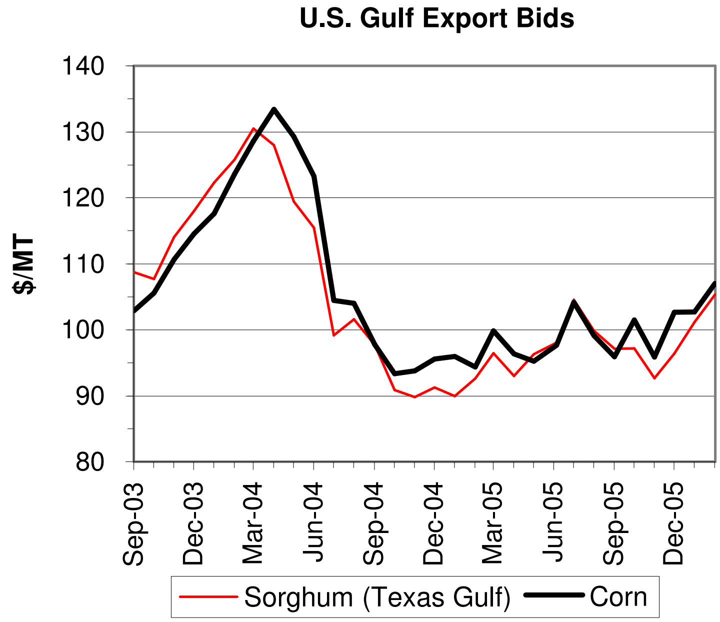
Argentine corn exports are considerably lower this year because of reduced production and stronger domestic feeding, and China's exports are expected to fall to the lowest level in 7 years.

Global Corn Exports

	2004/05	2005/06 Dec	2005/06 Mar	2005/06 Change Dec-Mar	Change Yr-to-Yr
	MMT	MMT	MMT	MMT	MMT
Argentina	13.8	12.7	11.0	-1.7	-2.8
China	7.6	6.0	5.0	-1.0	-2.6
United States	**45.2**	**48.5**	**49.5**	**1.0**	**4.3**
World Total	76.0	75.9	74.3	-1.6	-1.7

PRICES:

Domestic: February export bids for #2 yellow corn were up sharply by over $4 per ton to $107. Bids for #2 yellow sorghum (Texas Gulf) were up a similar amount to $105/MT.



Corn prices have been supported by strong export sales and shipments, as well as forecasts for lower ending stocks due to a sharp increase in the use of corn for ethanol. However, concerns over bird flu and large feed grain supplies have kept prices in check.

Sorghum prices have been underpinned by relatively strong sales and food aid shipments, as well as firmness in the corn market.

TRADE CHANGES IN 2005/2006

Selected Exporters

- **United States corn** is up 2.0 million tons to 49.5 million, the highest in 7 years, due to shrinking competition from China and Argentina.
- **Brazil corn** is cut nearly in half to 700,000 tons, the lowest in 6 years, on uncompetitive prices, impacted in part by a strong Real.
- **China corn** is down 1.0 million tons to 5.0 million, the lowest in 7 years. The trade awaits new export quotas in the face of rising domestic prices.
- **EU-25 corn** is cut in half to 300,000 tons given the slow pace of export licenses.
- **South Africa corn** is down 300,000 tons to 1.2 million because of tight supplies, caused by the smallest crop in over a decade.
- **Canada barley** is raised by 300,000 tons to 2.3 million, a 9-year high, as large supplies have allowed very strong sales and shipments to date.
- **Russia barley** is up 500,000 tons to 1.3 million. Despite smaller production this year, exports have been strong in recent months, primarily to Middle Eastern markets.

- **EU-25 oats** is cut by 50,000 tons to 300,000--a 10-year low--as the pace of sales has been slow.

Selected Importers

- **Brazil corn** is down by 100,000 tons to 600,000 because of adequate domestic supplies, rising Argentine prices, and strict import regulations on Argentine corn.

- **Egypt corn** is cut 500,000 tons (to 4.3 million) again this month because of reduced poultry production impacted by Avian Influenza.

- **Iran barley** is increased 400,000 tons to 1.2 million on continued strong purchases from Canada, EU-25, and Ukraine.

- **Syria barley** is up 300,000 tons to 800,000 as drought has slashed production to a 5-year low and the early season import pace has been strong.

- **Mexico sorghum** is down by 200,000 tons to 3.3 million as a result of a slow purchase pace. Corn and cracked corn imports continue to reduce the demand for sorghum, despite lower production for both corn and sorghum.