



International Agricultural Trade Report

May 20, 1998

Virulent Competition for US Feedgrain Exports in 1998/99

Summary

U.S. feedgrain exports will face some familiar nemeses in the coming year- Argentina, China, and the EU. While U.S. corn will likely encounter steady Argentine competition and a marginally reduced Chinese presence in 1998/99, a new player will be subsidized rye from the EU. The EU Commission is also expected to be aggressive in pushing barley exports, which will keep U.S. barley from repeating last summers' solid export performance. Likely consequences for the U.S. will be a LARGE corn stockpile and the lowest barley exports in 20 years.

CORN Competition: The Usual Suspects, Plus Rye

U.S. corn exports will increase only marginally in 1998/99. Constraints include flat import demand, record (tie) exports from Argentina, and prospects for continued Chinese corn exports. Furthermore, the EU has experienced a dramatic increase in rye stockpiles. The last time this occurred, the EU Commission embarked on an aggressive export campaign, with most of the rye making its way to a prime corn market- South Korea, where it replaced corn in feed rations. EU rye exports are expected to begin in this summer.

BARLEY Competition: An EU Commission Determined NOT to Repeat Last Year

A dramatic downturn in U.S. barley exports is likely, despite virtually flat export prospects from Australia and Canada. The EU, the worlds largest barley exporter, is expected to nearly double its export volume in 1998/99. Unlike last year, when the EU Commission was notably absent from tenders until late in 1997, the EU will almost certainly bitterly contest virtually every tender for barley, particularly in Saudi Arabia, the world's largest feed barley importer. Last year, U.S. barley started the June/May marketing year with over 500,000 tons of sales on the books, most of it to Saudi Arabia. For 1998/99, total U.S. exports are expected to barely exceed 500,000 tons.

So, Any Encouraging News?

Not at this point. For the next several months, Northern Hemisphere weather developments (particularly China and Mexico) will dominate U.S. export prospects. Domestic weather concerns, on the other hand, will likely be the determining factor in price movements.

For more information, contact Scott Thompson at 690-4195