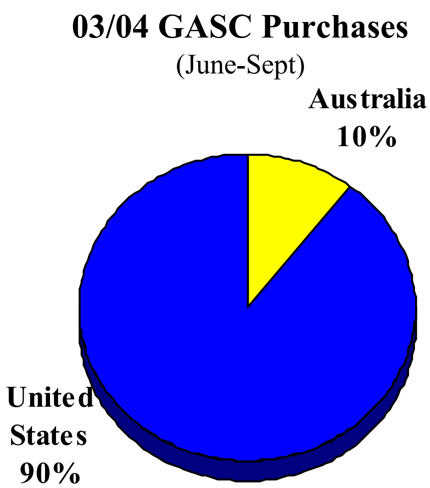
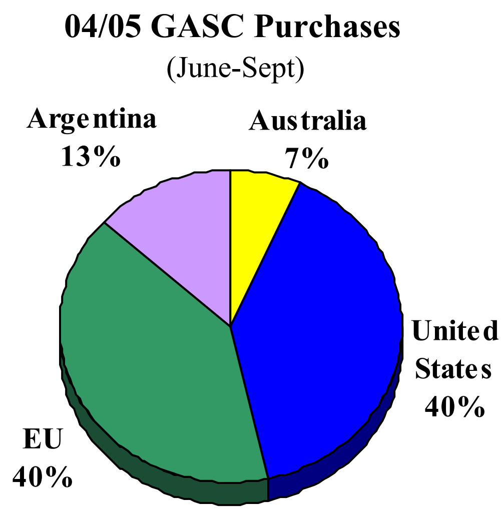
WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

Egypt Diversifies Wheat Purchases: U.S. export commitments (sales and shipments) to Egypt are down by more than a million tons so far this year, as Egypt's state grain purchasing agency (GASC) has turned increasingly to U.S. competitors. Whereas last year, short crops in the European Union made prices largely uncompetitive, this year's record crop has now pushed down prices, boosting sales. Argentina has also emerged as a supplier, with sales to Egypt already at the highest level in 7 years. The combination of unusually large supply this late in the marketing year and reduced Brazilian import demand has depressed Argentine prices and made its offers at tenders very competitive. Although GASC has not yet purchased from Black Sea region countries, private mills have stepped up buying from this area and GASC has even listed Russia as an acceptable origin on its recent tenders.

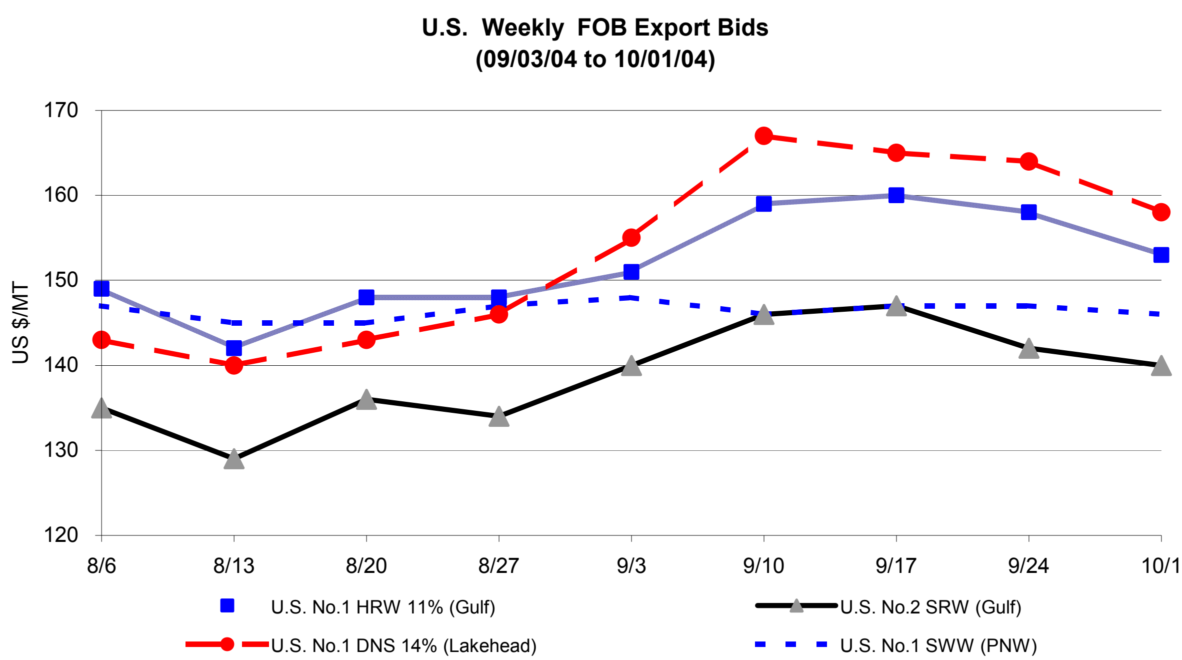




PRICES:

Domestic: A cool and wet spring wheat harvest during the beginning of September sent prices for most classes higher on rising concerns of crop quality and limited supplies of higher protein wheat. News of harvest and quality problems with Canada's crop and a strong basis helped higher protein wheat retain earlier gains for most of September. However, decreasing Black Sea prices and speculation of larger Canadian feed wheat supplies put downward pressure on lower quality wheats, forcing them back to early September levels. As September came to a close, prices receded on larger USDA crop and stocks estimates.

For the week ending October 1, average HRW prices were $2 a ton higher than, and SRW prices were equal to, the first week of September. HRS prices gained $3 a ton while SWW ended the month with a loss of $2 a ton.



TRADE CHANGES IN 2004/2005

Selected Exporters

- **Canada** down 500,000 tons to 15.5 million as deteriorating crop quality reduces supplies of milling quality wheat for export.

- **United States** up 500,000 tons to 26.0 with strong sales and reduced competition from Canadian spring wheat.

- **Syria** down 1.0 million tons to 1.0 million as low prices have limited the attractiveness of exporting wheat, and nearby markets have been slow to buy.

- **EU-25** up 1.0 million tons to 16.0 million. Production is nearly 10 million tons above the previous record, and sales have been strong even without export restitutions.

Selected Importers

- **Brazil** down 500,000 tons to 5.0 million, the smallest amount in 14 years, as another bumper crop reduces import needs.

- **South Korea** up 200,000 tons to 4.0 million with more wheat imports for feeding expected this year from Canada and the Black Sea region.

- **Iran** down 300,000 tons to 200,000. Rising production in recent years has helped Iran approach self-sufficiency.

TRADE CHANGES IN 2003/2004

Selected Exporters

- **EU-25** up 700,000 tons to 11.0 million, with year end trade data for key member states.

Selected Importers

- **Algeria** up 300,000 tons to 3.9 million due to larger than anticipated late season imports. A similar change was made to the 04/05 estimate.

- **Bangladesh** up 300,000 tons to 1.8 million due to late season trade data. A similar change was made to the 04/05 estimate.