
COARSE GRAINS: WORLD MARKETS AND TRADE

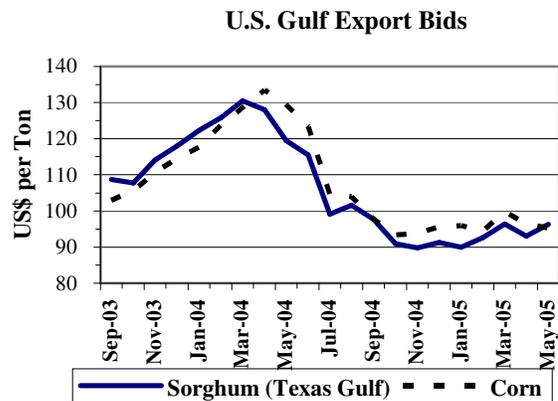
MONTHLY HIGHLIGHTS:

Shifts in Brazil's Corn Situation: The current drought in southern Brazil is reducing second-crop prospects and necessitating higher imports. Though GMO restrictions may hamper imports somewhat in 2004/05, overall the country is still expected to import the highest amount since 1999/00, and will need to continue substantial imports well into 2005/06. Strong domestic demand, surging prices, and smaller supplies will also severely limit exports in the coming months, a situation unlikely to be relieved until early 2006, when the next main crop is harvested. Exports are consequently projected to fall to the lowest level since Brazil first became a significant exporter in 2000/01.

PRICES:

Domestic: May export bids for #2 yellow corn averaged just over \$95/MT, down more than \$1 from April. Corn export values have been mostly flat since harvest.

May export bids for #2 yellow sorghum (Texas Gulf) averaged over \$96/MT, up over \$3 from the previous month but nearly 20 percent below year-ago prices. Sorghum is selling at a premium to corn for the first time in 14 months, perhaps as a result of recent strong sales to Mexico and heavy third-quarter food aid shipments.



TRADE CHANGES IN 2005/2006

Selected Exporters

- **Brazil corn** is down by 500,000 tons to 1.0 million, the lowest in 6 years, because of low stocks following a poor crop in 2005.
- **South Africa corn** up 200,000 tons to 2.0 million, the highest in 11 years. Record production and large stocks should stimulate exports.
- **Canada barley** raised by 200,000 tons to 2.0 million based on less Black Sea competition.
- **EU barley** raised 300,000 tons to 3.6 million on less Black Sea area competition.
- **Ukraine barley** lowered 300,000 tons to 3.5 million due to a sizeable drop in production and tight exportable supplies.

Selected Importers

- **Brazil corn** is doubled to 800,000 tons to cover smaller-than-expected domestic supplies until the new crop is available.
- **Egypt corn** is raised by 300,000 tons to 4.5 million with recovering demand.
- **Indonesia corn** is cut 200,000 tons to 900,000 tons as a result of good domestic production.
- **Russia corn** is halved to 400,000 tons as a consequence of ample supplies of feed-quality wheat.
- **Iran barley** increased 200,000 tons to 500,000 reflecting expanded demand.
- **Morocco barley** is raised 200,000 tons to 400,000 based on a drop in production caused by regional drought.
- **Turkey barley** is lowered 300,000 tons to 100,000 on expectations for a larger crop.

TRADE CHANGES IN 2004/2005

Selected Exporters

- **Argentina corn** is raised by 200,000 tons to a record 14.2 million, reflecting continued strong sales and shipments.
- **Brazil corn** is lowered by 100,000 tons to 1.7 million as winter crop production is very poor.
- **South Africa corn** is down 200,000 tons to 1.5 million. Despite record production and huge stocks, exports are very slow.
- **Ukraine corn** is raised 300,000 tons to a record 2.1 million as sales and shipments continue at a brisk pace, in spite of reports of low quality.
- **Australia barley** is raised by 700,000 tons to 4.5 million based on strong demand from the Middle East and North Africa.

Selected Importers

- **Brazil corn** is cut in half to 1.0 million tons. Although drought has affected the crop and domestic demand is strong, uncertainties over biotech corn from Argentina are impacting imports in the near term.

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- **Egypt corn** is up 200,000 tons to 4.5 million because of strong recovery in domestic demand, especially in the livestock and poultry sectors.
 - **Indonesia corn** is down by 300,000 tons to 800,000 tons, the lowest in 6 years, because of good domestic production.
 - **Turkey corn** is down 200,000 tons to 300,000 tons, the lowest in 11 years. Good domestic production and burdensome government stocks make imports unattractive.
 - **Iran barley** is raised by 300,000 tons to 550,000 based on higher-than-expected imports from Australia.