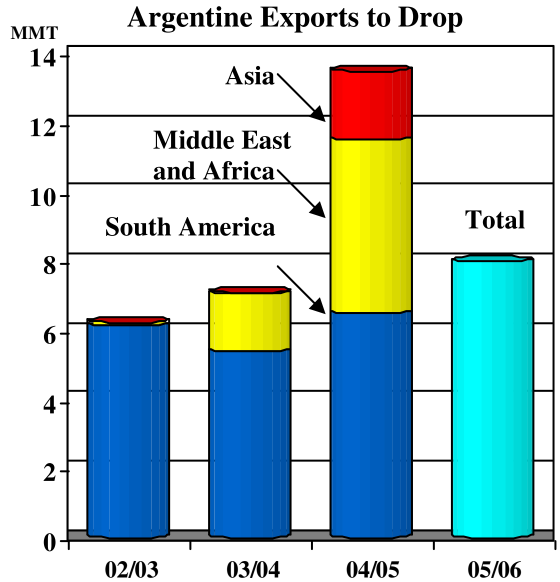
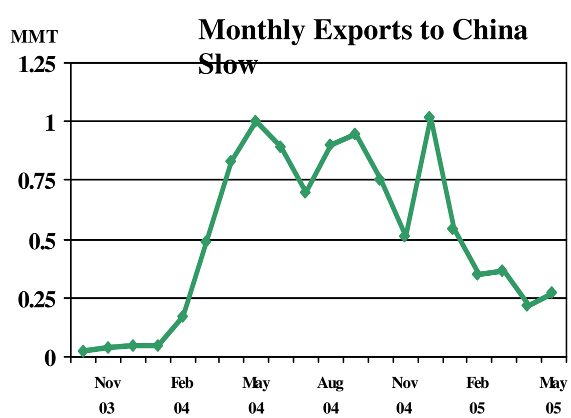
WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

Argentina's Exports in 05/06 Likely to Remain Mostly in South America: Exports this year are expected to drop by over 40 percent (5.5 million tons) to only 8.0 million tons. With typically about 6 million tons of Argentine exports shipped to Brazil and other South American markets, the amount available for other markets is expected to be greatly reduced. Sales and shipments before the new-crop harvest in December are expected to be sharply lower than last year as nearly all the exportable surplus has already been marketed. Furthermore, new-crop prospects are poor as dry conditions at planting are expected to result in the smallest area in 7 years. Reduced supplies should create more opportunities for competitor sales to Egypt, East and South Africa, and select Asian markets such as Sri Lanka.



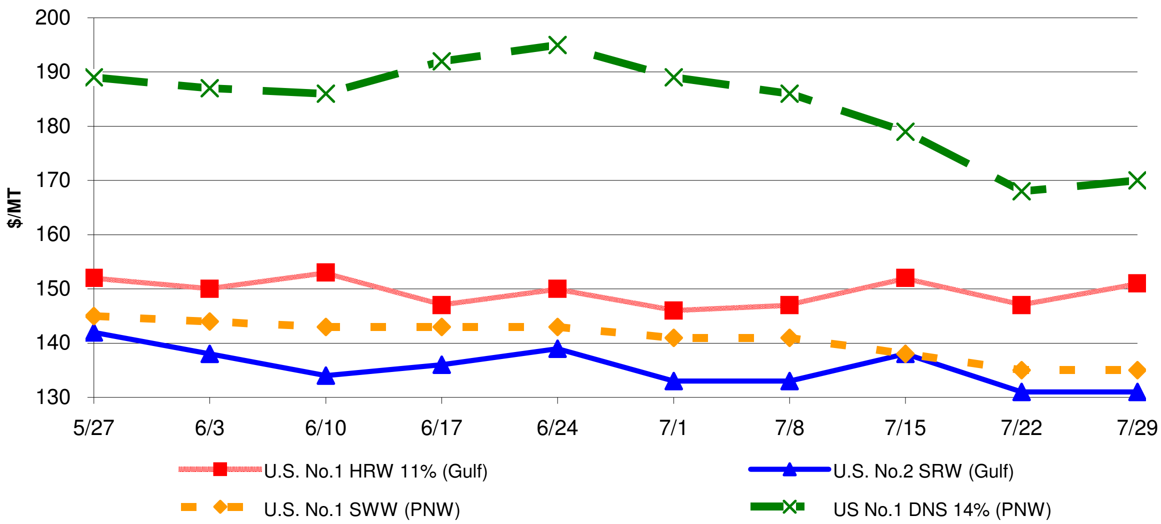
Chinese Imports Drop: With production expected at the highest level in 6 years, the Chinese 05/06 import estimate this month is lowered by 1.0 million tons to 3.0 million, less than half of last year's level. Although stocks are expected to continue to decline, the rate of drawdown has slowed considerably. Also, with good crop prospects, there has been little forward purchasing and imports in recent months have waned. U.S. export sales are currently at less than 200,000 tons, compared to almost 2.0 million tons at this time last year. Canada was the largest supplier to China in 04/05, followed by Australia, the United States, and France.



PRICES:

Domestic: Wheat prices were lower in July for SRW (down $2 a ton) and SWW (down $6 a ton) with some harvest pressure. HRS prices had the most dramatic fall of $19 a ton due to strong selling of old crop supplies before the new harvest. HRW prices, however, rose by $5 a ton.

U.S. Weekly FOB Export Bids



TRADE CHANGES IN 2005/2006

Selected Exporters

- **Argentina** down 1.5 million tons to 8.0 million with sharply lower expected production.
- **EU-25** down 1.0 million tons to 15.0 million with reduced production, robust internal demand (especially in Iberia), and strong competition from Black Sea exporters.
- **Russia** up 1.0 million tons to 9.0 million with very strong early-season sales and large exportable supplies.
- **Ukraine** up 500,000 tons to 5.5 million with a larger harvest.
- **United States** up 1.0 million tons to 26.5 million with expected stronger global demand for high-quality wheats.

Selected Importers

- **Bangladesh** up 100,000 tons to 2.1 million, the highest in more than a decade, as production is reduced.

- **China** down 1.0 million tons to 3.0 million as the result of higher production and slow purchasing.

- **EU-25** up 700,000 tons to 6.7 million due to expected steady demand for soft wheat as well as stronger demand for durum imports.

- **Indonesia** up 100,000 tons to a near record 4.6 million with higher expected domestic demand.

- **Nigeria** up 100,000 tons to a record 3.0 million with very strong early-season purchases, primarily from the United States.

- **South Africa** down 200,000 tons to 1.1 million with larger production prospects on larger area.

- **Vietnam** up 150,000 tons to a record 1.2 million with continued growth in consumption.

TRADE CHANGES IN 2004/2005

Selected Exporters

- **Argentina** up 500,000 tons to 13.5 million with nearly complete year-end trade data.

- **Australia** down nearly 300,000 tons to 15.826 million with year-end trade data.

- **Bulgaria** up 200,000 tons to 1.1 million with nearly complete year-end trade data.

- **Russia** up 700,000 tons to 7.6 million as late-season exports jumped.

- **Syria** down 300,000 tons to 700,000 due to current sales data.

- **Turkey** up 500,000 tons to 2.1 million as the result of very strong flour demand from Iraq.

- **Ukraine** up 100,000 tons to 4.3 million with near complete year-end trade data.

Selected Importers

- **Algeria** up 300,000 tons to 4.9 million as a result of strong late-season shipments. A similar change was made to the 05/06 estimate.

- **Brazil** up 300,000 tons to 5.3 million with stronger than expected late-season imports from Argentina.

- **EU-25** up 500,000 tons to 7.2 million with strong late-season imports.