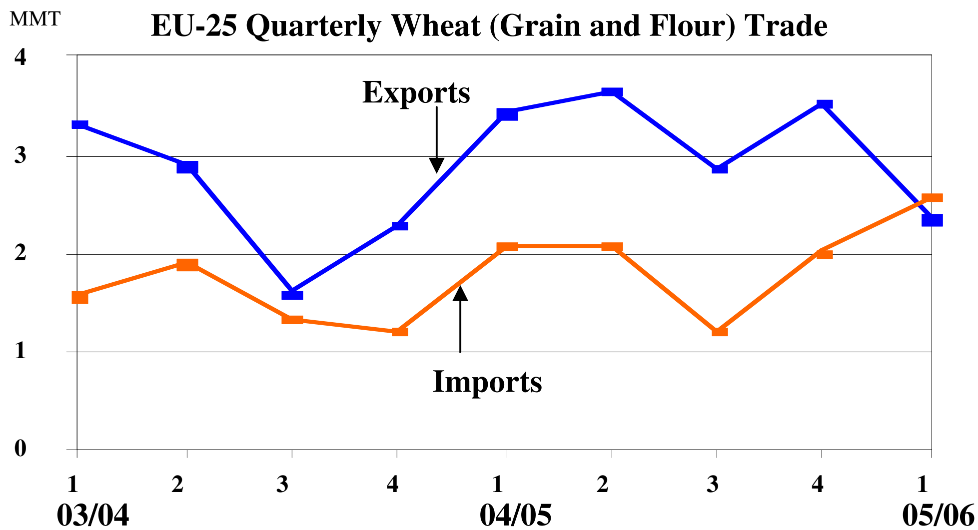
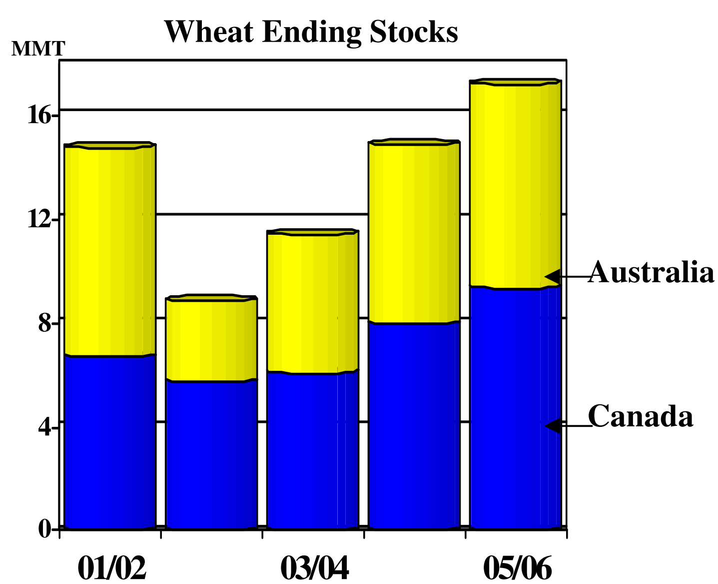
WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

EU-25 a Net Wheat Importer in First Quarter of Trade Year: Recently released official data shows that for the first quarter of 05/06, the European Union imported more wheat than it exported. Imports were strong during these months, partially reflecting the surge in demand from Spain and Portugal in the face of drought-devastated 2005 grain harvests. Exports, meanwhile, were sluggish due to very strong competition from Black Sea suppliers (Russia shipped almost 4 million tons in the first quarter). However, with Russian and Ukrainian prices rising in recent months on concerns over next year's crop, EU wheat has become more competitive, allowing for lower export subsidy levels.



Stocks in Canada and Australia to Climb: Wheat ending stocks in the two largest U.S. competitor countries are now estimated to be nearly double levels of just 3 years ago. Both had big crops again (each revised up this month by over 1 million tons) on top of large beginning stocks. Despite wheat feeding forecast near the highest level in a decade in Canada and at a record in Australia, the year-to-year increases in domestic demand are not expected to significantly offset the larger supplies. Furthermore, although exports this month are revised up by half a million tons for each of these countries (and are higher than last year), exports are still unlikely to prevent large stock build-ups because of weaker global import

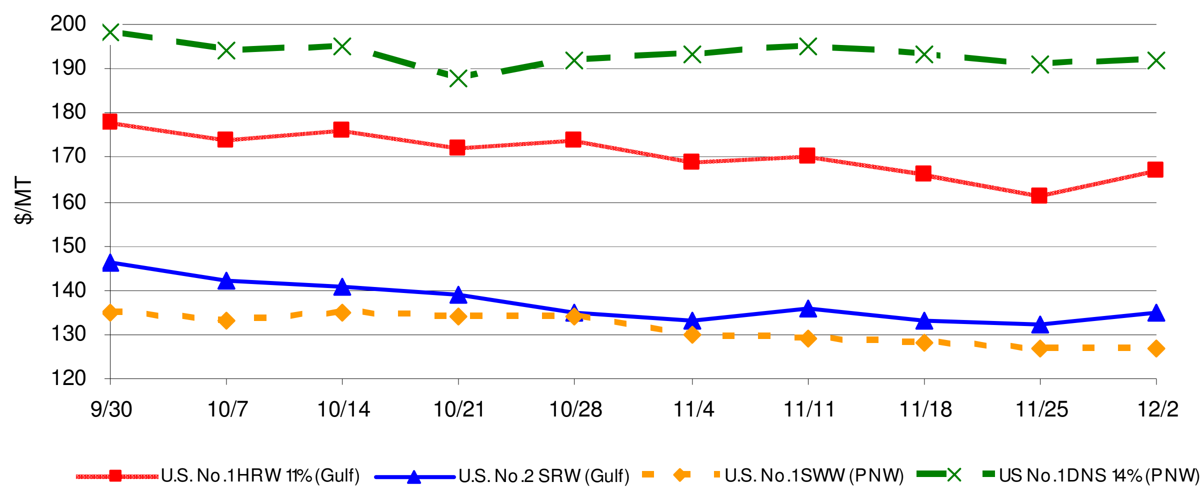


demand. For example, sales to China, a major market for both of these suppliers last year, will likely be much lower given that total imports are currently expected to be down 70 percent from last year.

PRICES:

Domestic: Prices for most wheat classes fell during mid-November, but then recovered at the end of the month (especially Hard Red Winter) on deteriorating crop conditions and large sales to Iraq. For the month, White wheat prices fell $3 per ton, with HRW down $2 and HRS down $1, while SRW prices were up $2 per ton

U.S. Weekly FOB Export Bids



TRADE CHANGES IN 2005/2006

Selected Exporters

- **Australia** is up 500,000 tons to 16.5 million, the highest in 5 years, with a larger harvest.

- **Brazil** is up 100,000 tons to 200,000 based on recent sales of feed-quality wheat for export.

- **Canada** is up 500,000 tons to 16.5 million on an upward revision to production, large beginning stocks, and strong global durum demand.

- **Syria** is down 300,000 tons to 700,000, the same as last year's level, on slow government sales of durum and soft wheat.

Selected Importers

- **Brazil** is up 200,000 tons to 6.0 million. Crop quality problems are encouraging more wheat feeding and will necessitate larger imports of milling-quality wheat.

- **China** is down 500,000 tons to 2 million, less than a third of last year's level. Production is raised and imports have dwindled in recent months.

- **Pakistan** is up 300,000 tons to 800,000 due to strong private purchases of primarily Russian wheat, but also some from Australia and the United States.

- **Philippines** is up 100,000 tons to 2.6 million with expected greater low-quality wheat imports for feeding.

- **South Africa** is up 200,000 tons to 1.3 million on a smaller expected crop.