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U.S. Wheat Associates World and U.S. Wheat Supply and Demand

October 2005

Source: USDA, World Agricultural
Supply and Demand Estimates



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Production Outlook 2005/06

- **Worldwide production pegged at 608 MMT, down 3% (17 MMT) from 2004/05 record harvest. Third highest level on record**
 - Harvested area unchanged from last year
 - Projected yields down from 2004/05 bumper crop
- **Northern hemisphere conditions mixed**
 - FSU production well above average (92 MMT)
 - 7% above 2004/05 and 52% above 2003/04
 - 20 MMT above 10 year average
 - Major production declines seen in EU 25 (15 MMT), Morocco (3 MMT) and expected for Argentina (4.3 MMT)
- **Southern hemisphere conditions still a question**
 - Australian forecasted production of 22 MMT, up 0.5 MMT from last year
 - Argentine drought projected to decrease production by 4.3 MMT from last year



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Consumption Outlook 2005/06

- **World demand continues to grow: forecast up 2% (11 MMT) this year after 4% (20 MMT) increase in 2004/05**
 - **Feed use up 6% (6 MMT)**
 - Increases in Europe and FSU
 - **Food use up 1% (5 MMT)**
 - Population growth in South Asia and North Africa, consumption growth in Nigeria



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Stocks, Trade and Price Outlook 2005/06

- **World stocks 18% (32 MMT) below 10-year average**
 - Major Exporters holding higher carry-in stocks, 46% (18 MMT) increase over last year's levels
- **Increased export competition**
 - FSU exports forecast up 33% (5 MMT) and the EU 11% (1.5 MMT)
- **U.S. Farm Gate Prices stable**
 - \$3.20 to \$3.60/bushel (\$118-\$132/MT) compared with \$3.40 (\$125/MT) in 2004/05 (Average U.S. farm gate price, marketing year weighted average)
 - U.S. Export prices mixed
 - HRS and HRW strengthened
 - SRW and soft white weaker



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Preliminary Production Outlook 2006/07

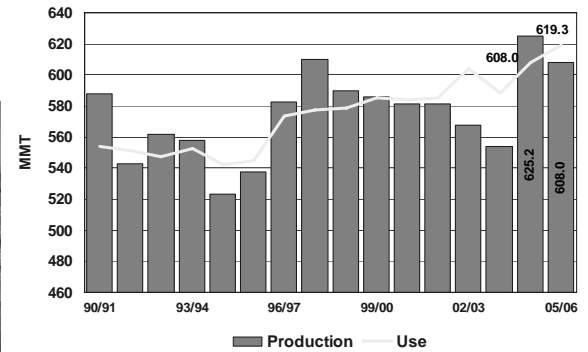
- Northern Hemisphere Winter Planting Underway
 - FSU drought
 - Ukraine acres expected to decline by 20%
 - low domestic prices
 - financial problems in the farming sector
 - Russia acreage also down
 - US Soft Wheat Acreage Up, Hard Wheat Questionable
 - High fertilizer costs cause acreage shift from corn to SRW
 - Dry conditions in HRW areas, turning around



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World Production and Use



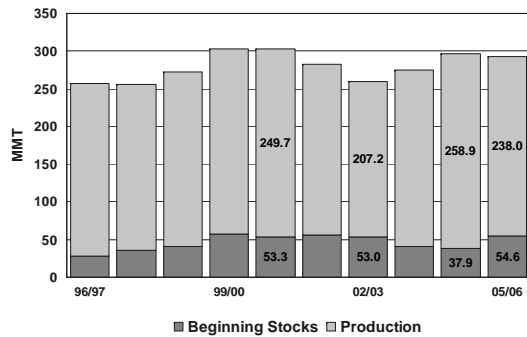
Source: all data is from USDA, World Agricultural Supply and Demand Estimates October 12, 2005 release (unless otherwise noted)



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Wheat Supplies in Top Five Exporting Countries*



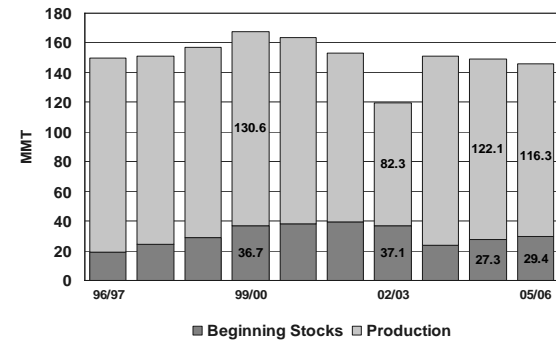
*Includes U.S., Canada, Australia, Argentina, and EU-25



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Wheat Supplies in Top Four Exporting Countries*



*Includes U.S., Canada, Australia and Argentina



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World Wheat Supply and Demand

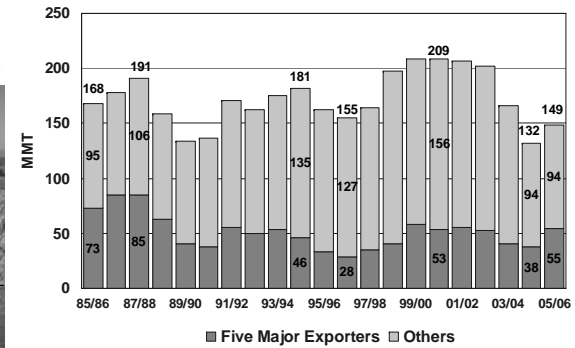
	03/04	04/05	05/06
MMT			
SUPPLY:			
Beginning Stocks	166.1	131.7	148.8
Production	554.2	625.2	608.0
Supply Total	720.3	756.8	756.7
TRADE:			
Exports / Imports	109.4	109.9	109.5
DEMAND:			
Food & Seed	491.9	501.6	506.4
Feed & Residual	96.7	106.4	112.9
Use Total	588.6	608.0	619.3
ENDING STOCKS:	131.7	148.8	137.4



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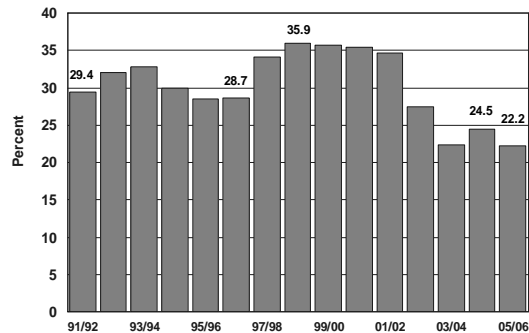
World Beginning Stocks



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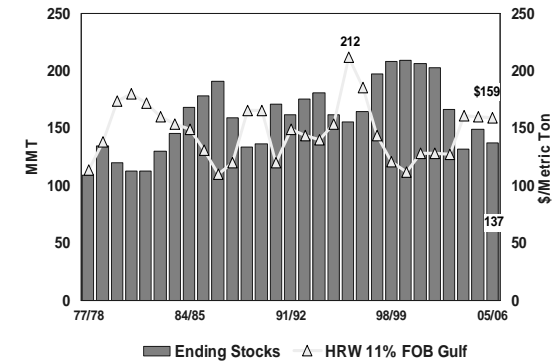
Global Stocks-to-Use Ratio



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World Stocks and Price



Prices are marketing year averages
2005/06 current year-to-date average

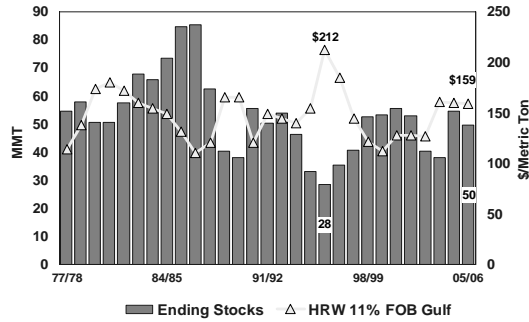
Source: U.S. Wheat Associates Price Report as of 10/14/05



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Top Five Exporter Stocks and Price



Prices are marketing year averages
2005/06 current year-to-date average

Top 5 Exporters include U.S., Canada, Australia, Argentina and EU-25
Price Source: U.S. Wheat Associates, Price Report as of 10/14/05



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World and U.S. Wheat Supply and Demand

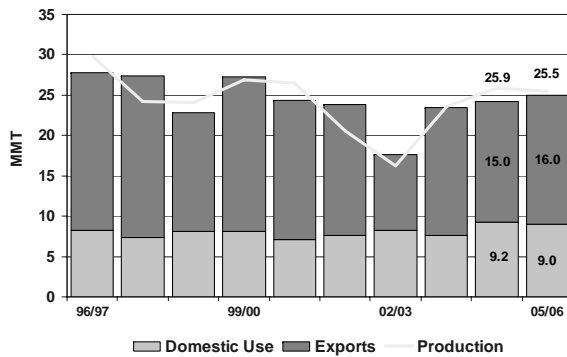
- Major Exporters
- Nontraditional Exporters
- Import Demand
- U.S. Situation by Class



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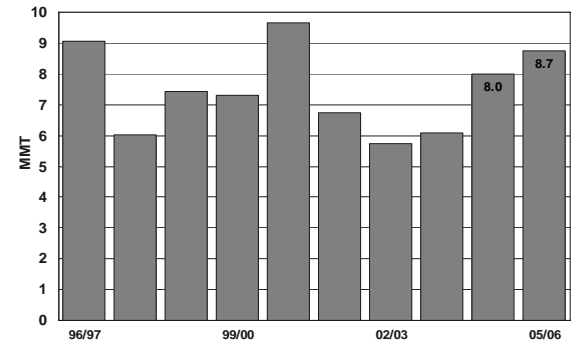
Canada Production and Exports



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Canada Ending Stocks

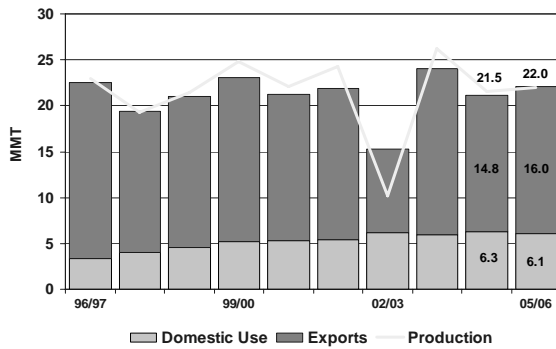




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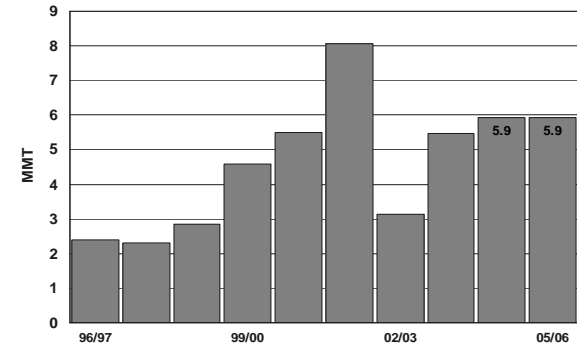
Australia Production and Exports



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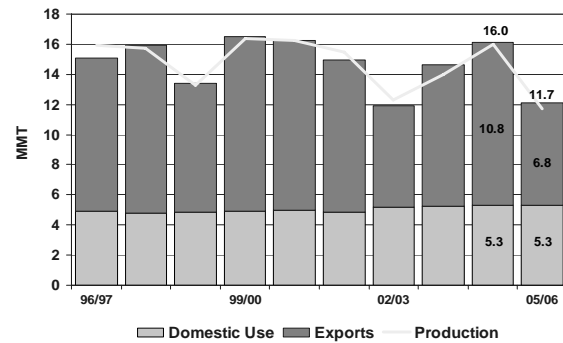
Australia Ending Stocks



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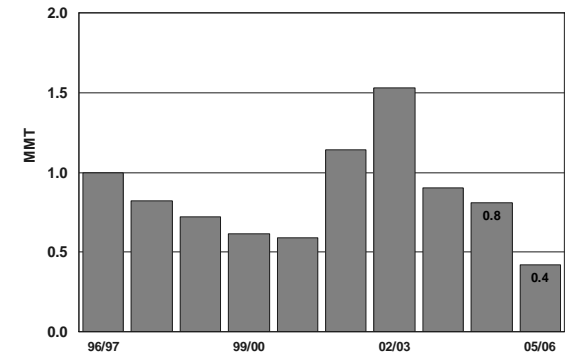
Argentina Production and Exports



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Argentina Ending Stocks

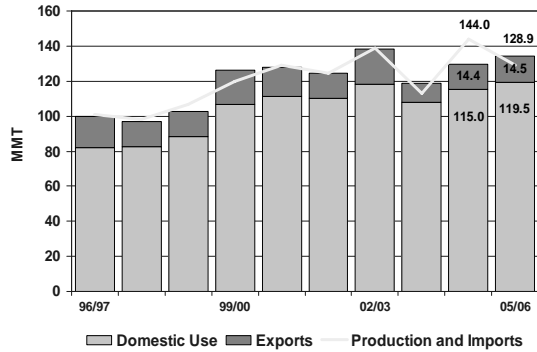




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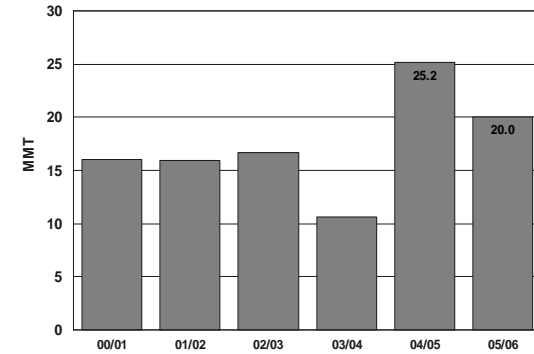
EU-25 Production and Trade



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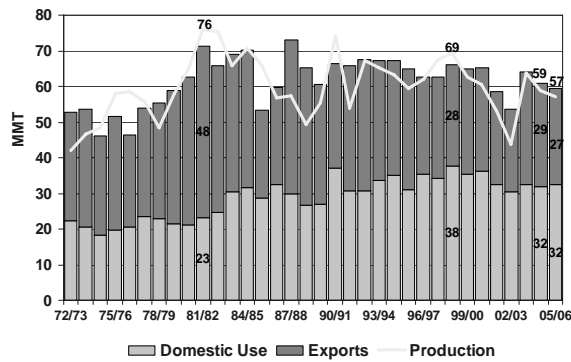
EU-25 Ending Stocks



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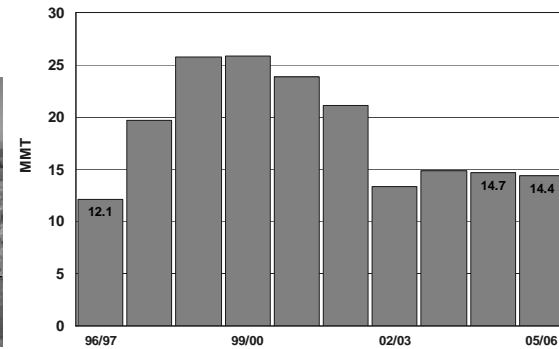
U.S. Production and Exports



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U.S. Ending Wheat Stocks

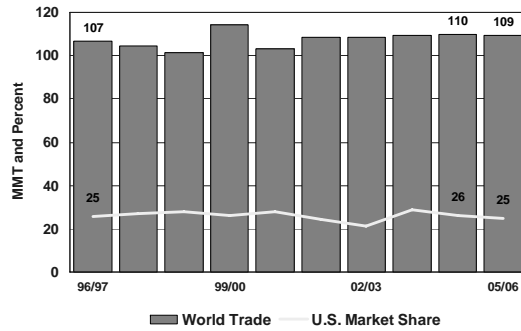




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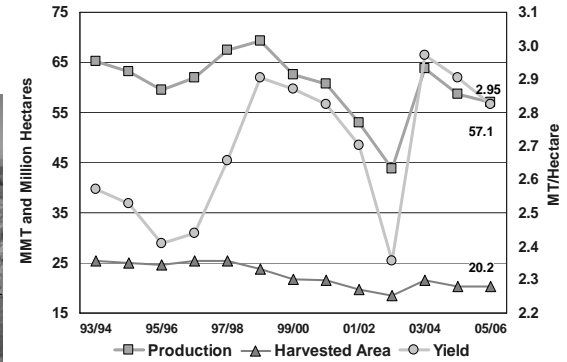
U.S. Share of Wheat Export Market



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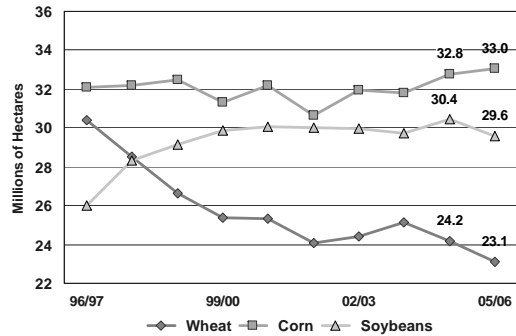
U.S. Wheat Area and Production



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U.S. Crop Planted Area Comparison



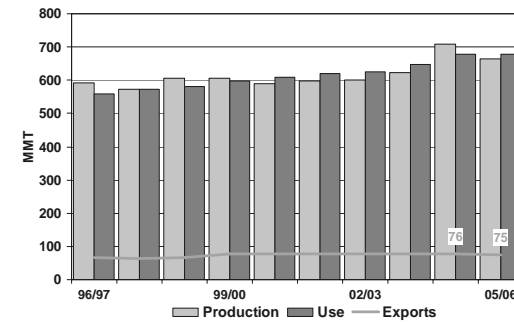
Source: USDA National Agricultural Statistics Service



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World Corn Production, Use and Trade

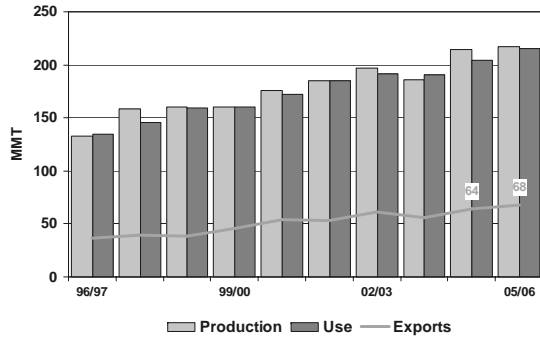




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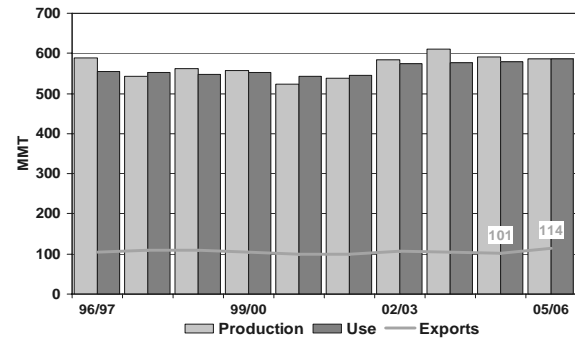
World Soybean Production, Use and Trade



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World Wheat Production, Use and Trade



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World and U.S. Wheat Supply and Demand

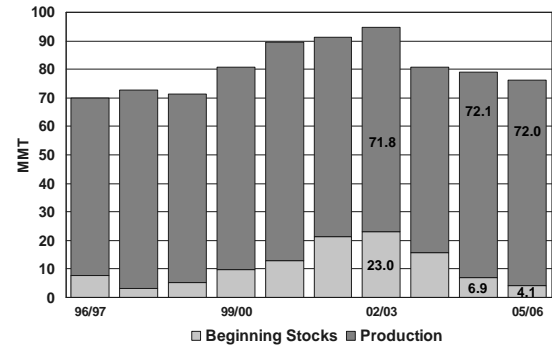
- Major Exporters
- **Nontraditional Exporters**
- Import Demand
- U.S. Situation by Class



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India Beginning Stocks and Production

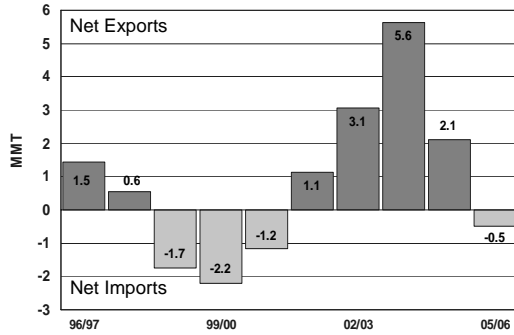




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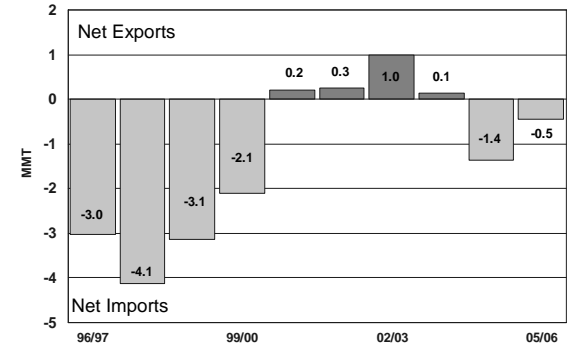
India Net Trade



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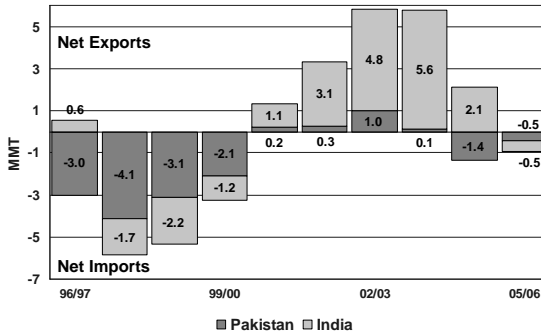
Pakistan Net Trade



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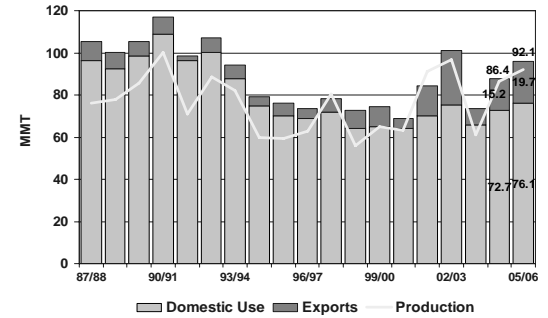
India and Pakistan Net Trade



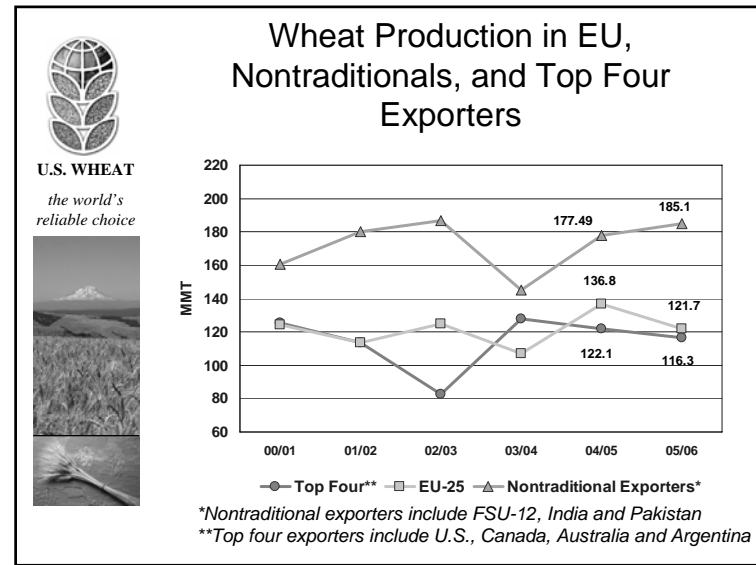
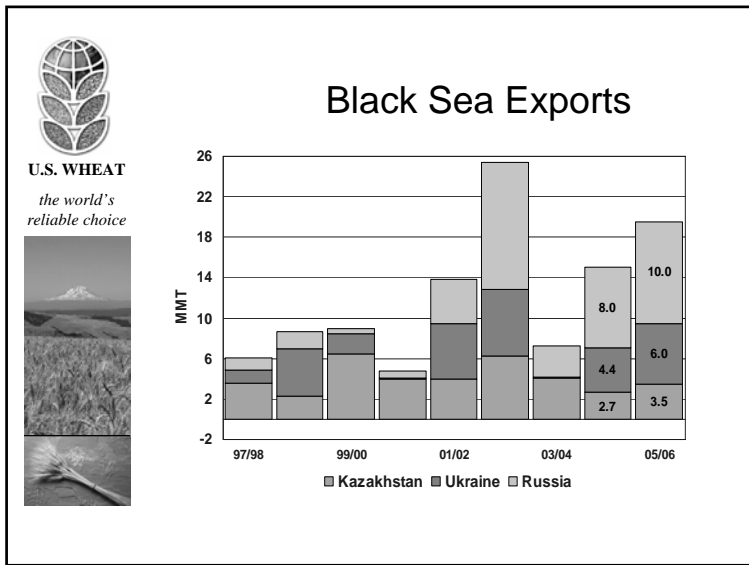
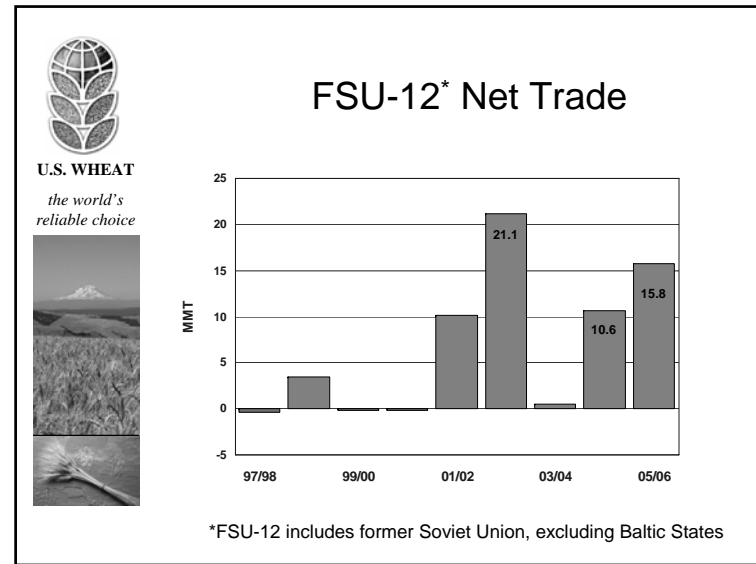
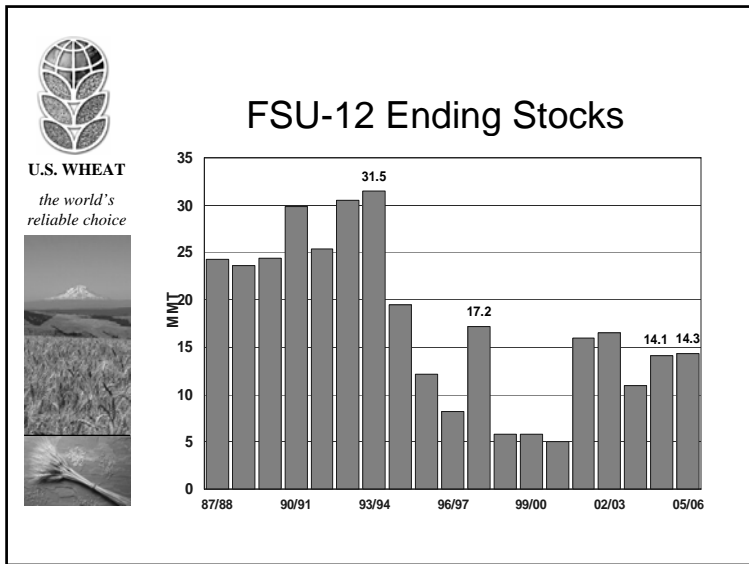
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FSU-12* Production and Utilization



*FSU-12 includes former Soviet Union, excluding Baltic States

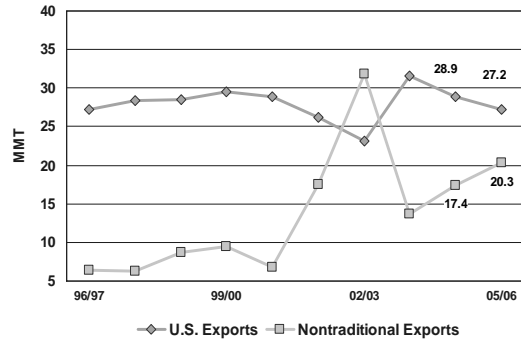




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U.S. and Nontraditional* Exports



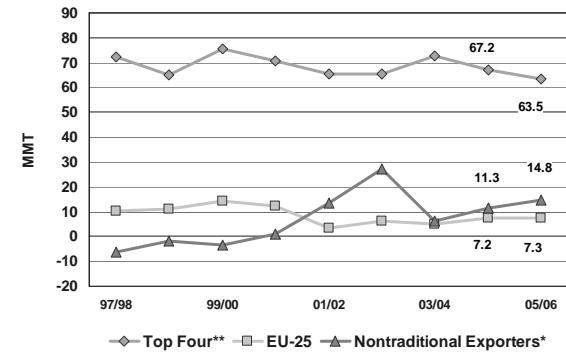
*Nontraditional exporters include FSU-12, India and Pakistan



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Net Exports of Leading Suppliers



*Nontraditional exporters include FSU-12, India and Pakistan
**Top four exporters include U.S., Canada, Australia and Argentina
EU includes EU-15 data prior to 1999/00



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World and U.S. Wheat Supply and Demand

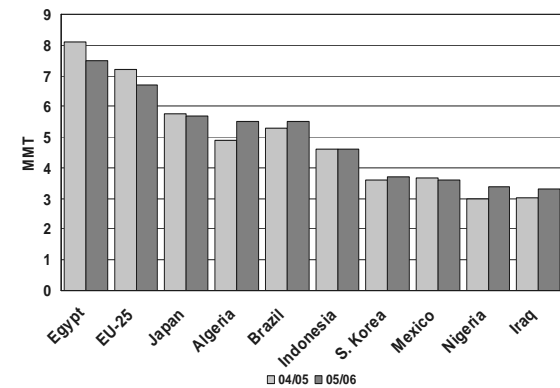
- Major Exporters
- Nontraditional Exporters
- **Import Demand**
- U.S. Situation by Class



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Major World Wheat Importers (from all origins)



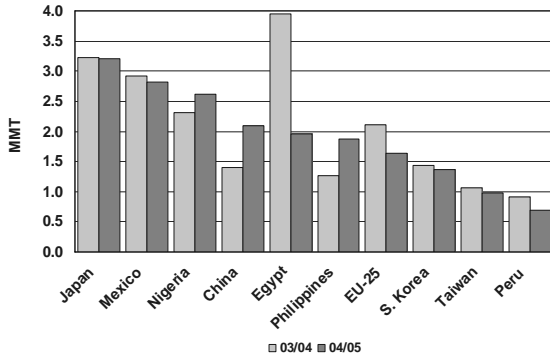


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Top 10 Customers for U.S. Wheat

Prior Marketing Years: 2003/04 vs. 2004/05



Source: Foreign Agriculture Service
Export Sales Report (year-end summary)

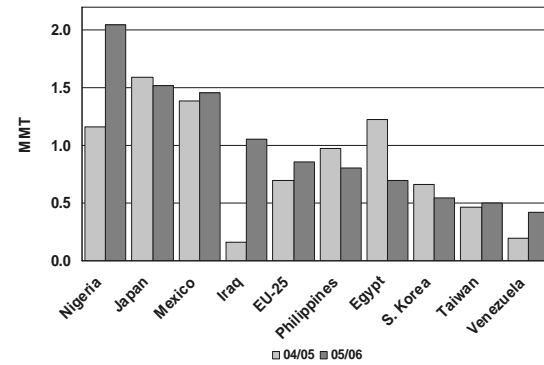


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Top 10 Customers for U.S. Wheat

2004/05 vs. 2005/06
(year-to-date)



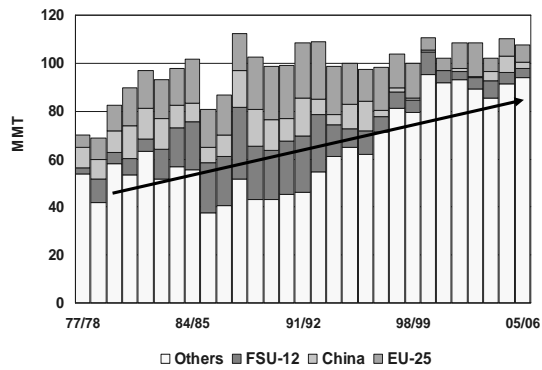
Source: USDA FAS export sales report October 14, 2005



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World Wheat Imports



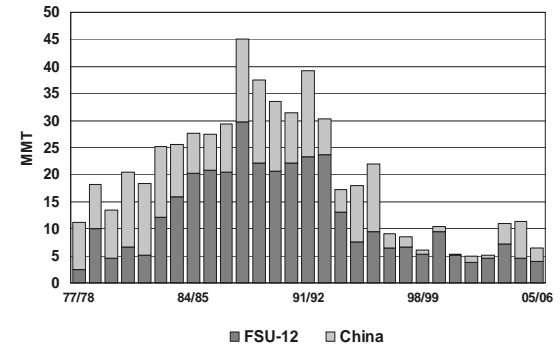
Trend in "other" importers denoted (—→)



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China and FSU Imports

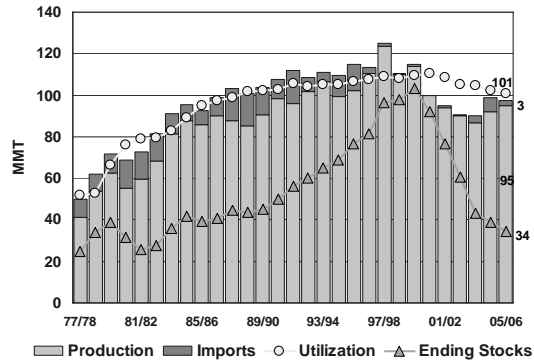




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China Wheat Situation



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World and U.S. Wheat Supply and Demand

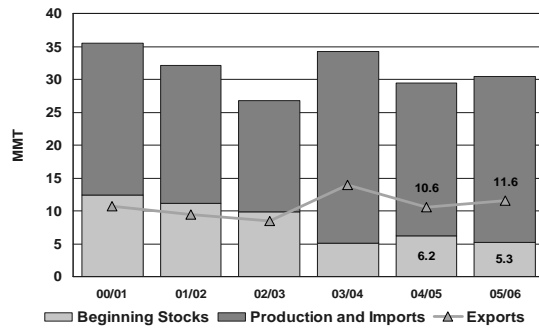
- Major Exporters
- Nontraditional Exporters
- Import Demand
- **U.S. Situation by Class**



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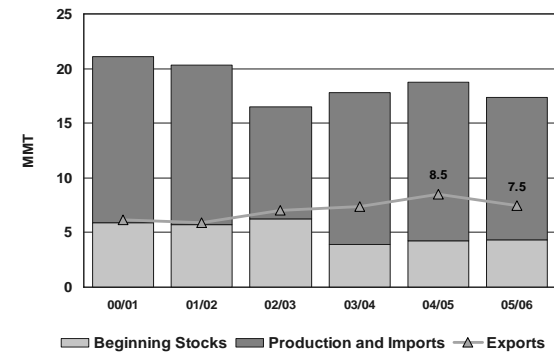
U.S. Hard Red Winter



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U.S. Hard Red Spring

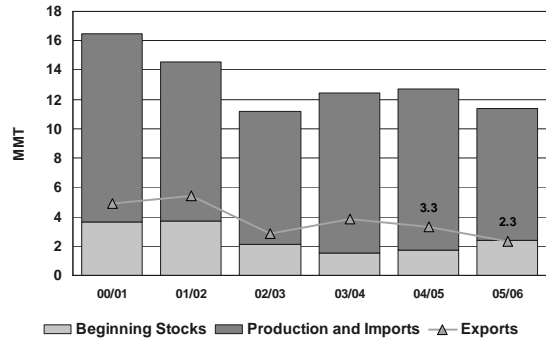




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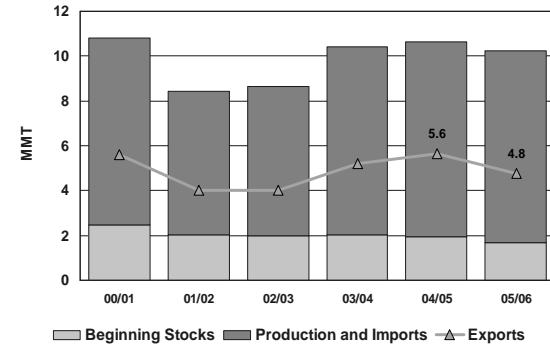
U.S. Soft Red Winter



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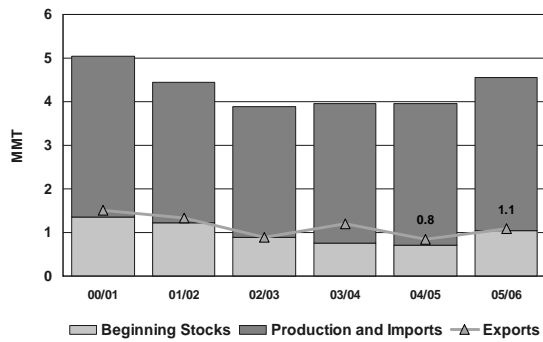
U.S. White



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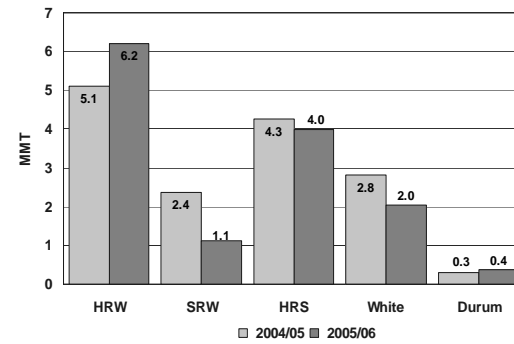
U.S. Durum



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U.S. Wheat Sales by Class (year-to-date)



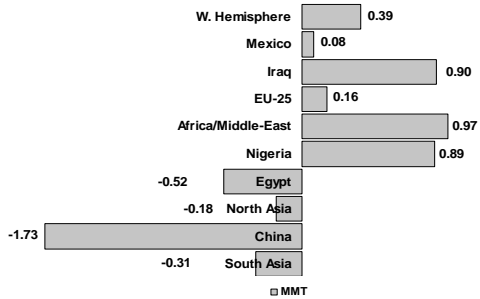
Source: USDA FAS export sales report 10/14/05



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Change in U.S. Wheat Sales 2004/05 vs. 2005/06 (year-to-date)



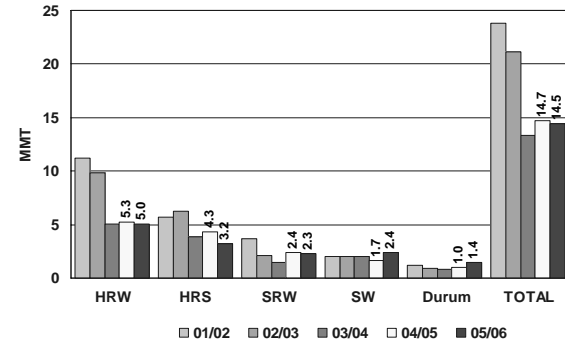
Source: USDA FAS export sales report 10/14/05



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U.S. Wheat Ending Stocks by Class



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U.S. Wheat Supply and Demand

	HRW		HRS		SRW	
	04/05	05/06	04/05	05/06	04/05	05/06
	MMT					
Beginning Stocks	6.2	5.3	4.3	4.3	1.7	2.4
Production	23.3	25.2	14.3	12.7	10.3	8.4
Imports	0.0	0.0	0.2	0.4	0.6	0.6
Supply Total	29.5	30.5	18.8	17.4	12.7	11.4
Domestic Use	13.7	13.9	5.9	6.7	7.0	6.7
Exports	10.6	11.6	8.5	7.5	3.3	2.3
Use Total	24.2	25.4	14.5	14.2	10.3	9.1
Ending Stocks	5.3	5.0	4.3	3.2	2.4	2.3
Stocks-to-Use	22%	20%	30%	23%	23%	26%



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U.S. Wheat Supply and Demand

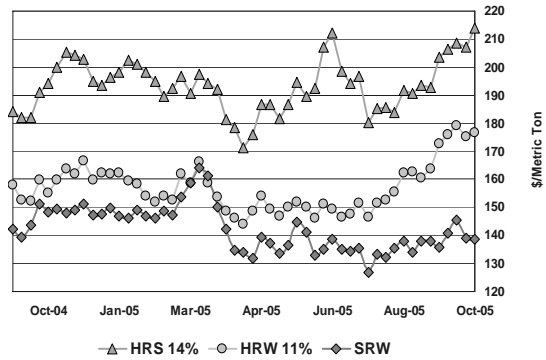
	White		Durum		Total	
	04/05	05/06	04/05	05/06	04/05	05/06
	MMT					
Beginning Stocks	2.0	1.7	0.7	1.0	14.9	14.7
Production	8.3	8.1	2.4	2.7	58.7	57.1
Imports	0.3	0.4	0.8	0.8	1.9	2.2
Supply Total	10.6	10.2	3.9	4.5	75.5	74.0
Domestic Use	3.3	3.0	2.1	2.0	31.9	32.3
Exports	5.6	4.8	0.8	1.1	28.9	27.2
Use Total	8.9	7.8	2.9	3.1	60.8	59.5
Ending Stocks	1.7	2.4	1.0	1.4	14.7	14.4
Stocks-to-Use	19%	31%	35%	46%	24%	24%



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U.S. Wheat Prices (FOB Gulf)



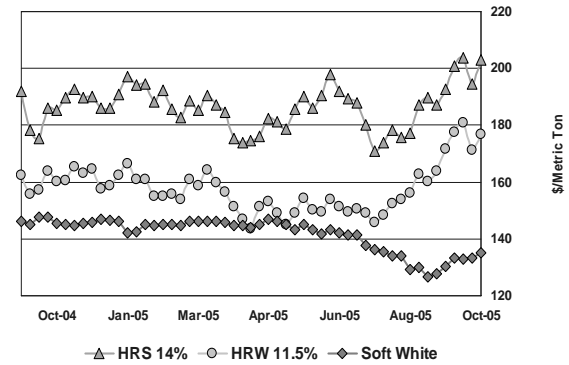
Source: U.S. Wheat Associates, Price Report as of October 14



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U.S. Wheat Prices (FOB PNW)



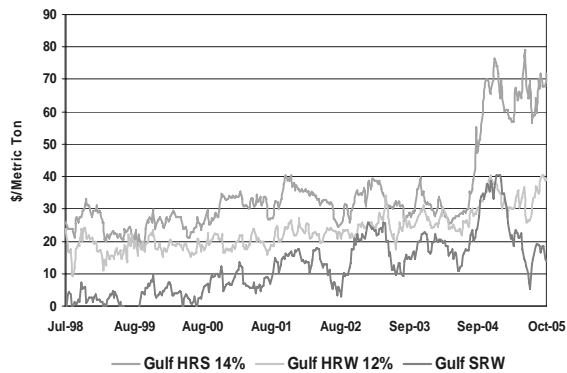
Source: U.S. Wheat Associates, Price Report as of October 14



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U.S. Gulf Basis Prices



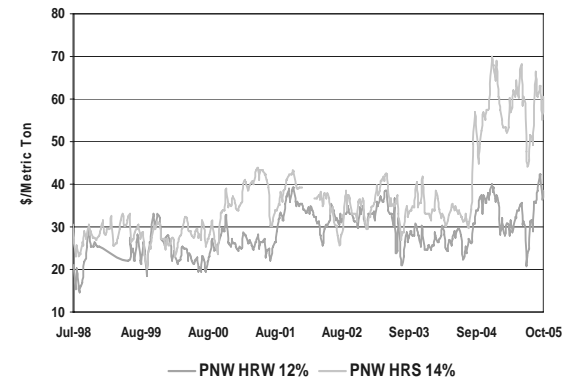
Source: U.S. Wheat Associates, Price Report as of October 14



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U.S. PNW Basis Prices



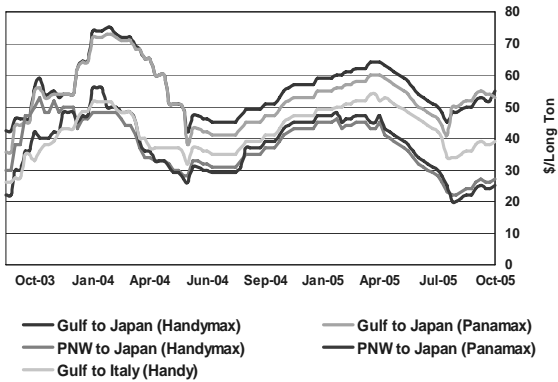
Source: U.S. Wheat Associates, Price Report as of October 14



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Ocean Freight Rates for Grains



Source: U.S. Wheat Associates, Price Report as of October 14



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Summary

- **Global production will be high, the third largest crop in history**
 - Northern Hemisphere - protein content generally high, large percentage of feed-use wheat
 - Southern Hemisphere - growing conditions mixed
 - Australia weather greatly improved
 - Argentina production down by 4.3 MMT
- **Larger stocks held in exporter countries**
 - Production in the FSU-12 very strong
 - EU expansion results in large supplies, expect:
 - Continued export subsidization
 - Increased EU competitiveness in Northern Africa
- **Increased market competition with:**
 - Exports up 1 MMT in Canada and Australia
 - Export increases from Black Sea (5 MMT) and EU-25 (1.5 MMT)
- **World trade to rebound to 110 MMT in 2005/06 although:**
 - U.S. wheat exports to fall 6% (1.7 MMT)
 - U.S. share of world exports from 26 to 25%