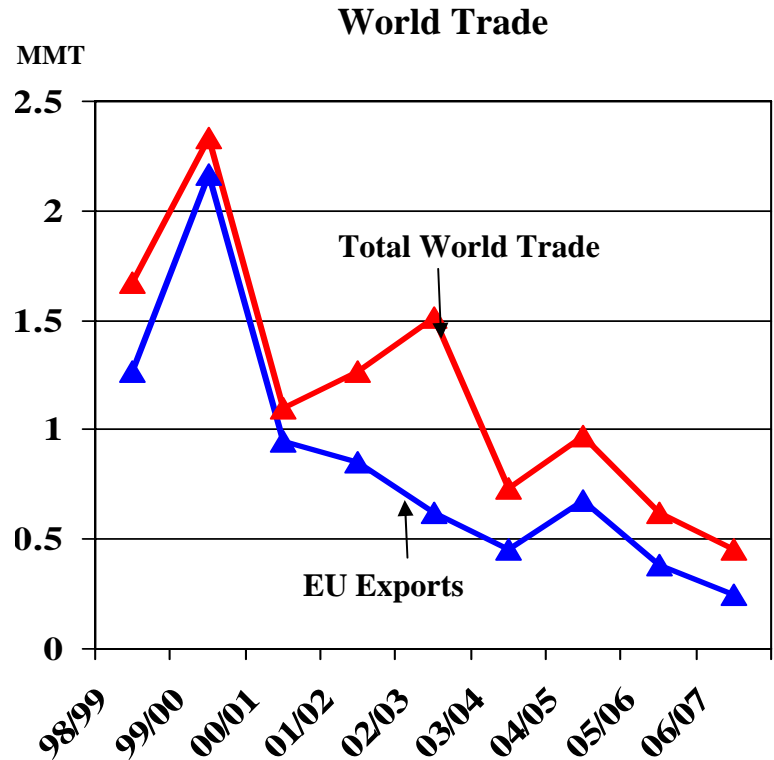
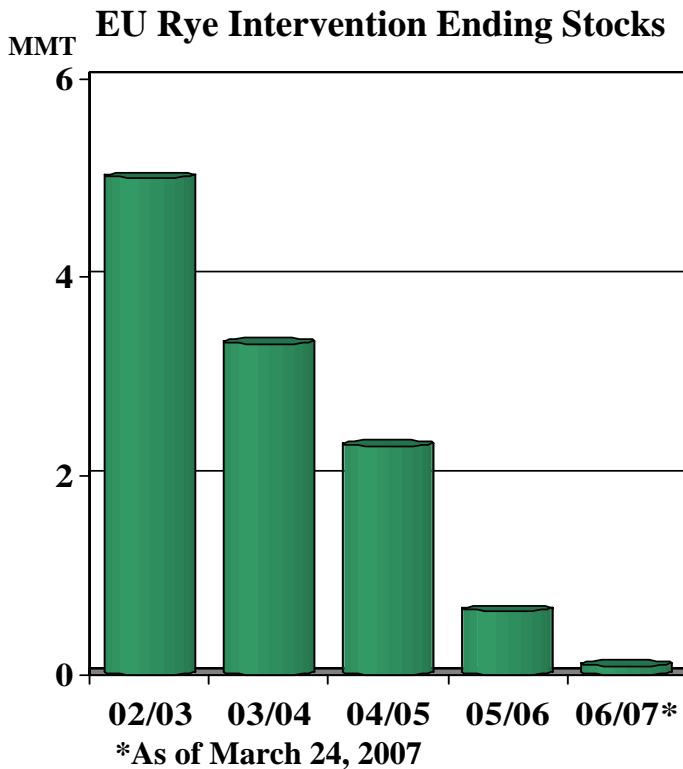




# Grain: World Markets and Trade

## World Rye Trade Dwindles



World rye trade is expected to fall to a 30-year low this year as a dearth of intervention stocks has restricted EU exports. These intervention stockpiles had swelled to over 5 million tons in recent years as the European Union bought excess rye production at an attractive guaranteed price of 101 euros per ton. However, in 2003/04, the Commission discontinued intervention purchases for rye and became aggressive in trying to liquidate these stocks. One of the major methods to accomplish that goal was to sell for export, often at only half the acquisition cost. Those sales typically accounted for nearly all of EU exports and a large portion of world trade.

Now, with intervention stocks effectively at zero, this source for exports is no longer an option and free-market supplies are unlikely to fill this void because of a number of factors. First, some EU farmers have shifted out of rye production, reducing the surplus available for export. For example, EU production this year was the lowest on record, with area down by half from 10 years ago. Second, the building of ethanol plants that use rye as a feedstock have created an additional market opportunity for producers. And third, without the bargain prices, there is little incentive for foreign markets such as Japan and South Korea to buy rye when other grains offer more feed value. Because of this, EU exports, and thus world rye trade, is likely to continue to remain at low levels.











































































































































