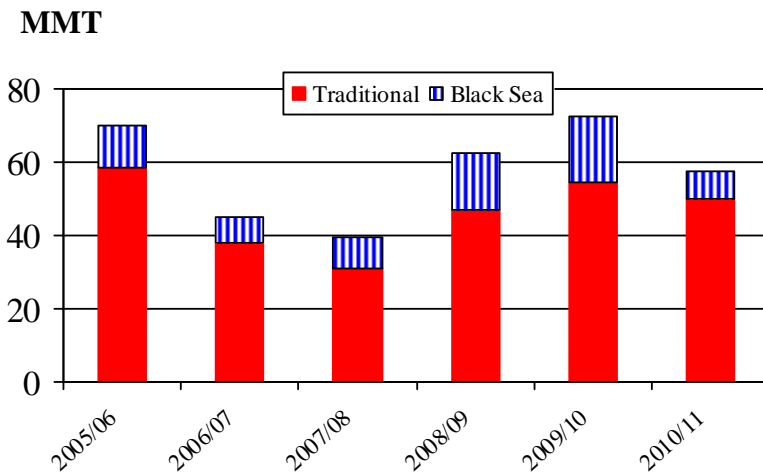


Grain: World Markets and Trade

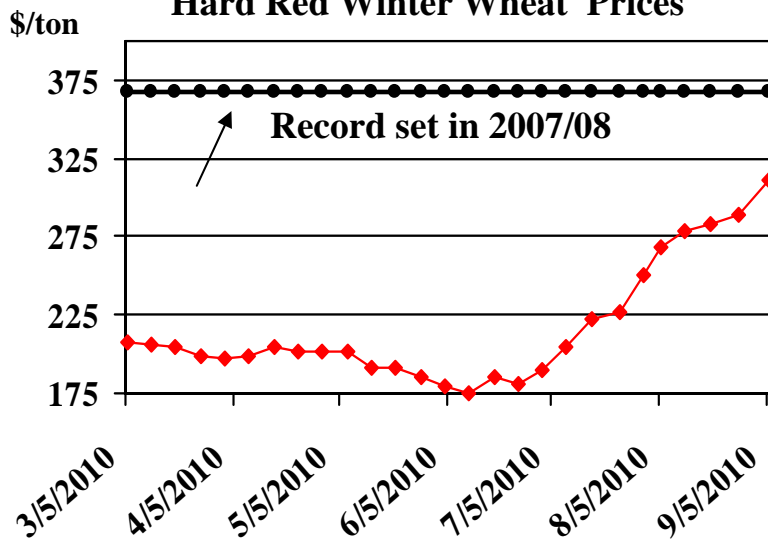
Exporter Wheat Supplies Meet Global Demand, But Prices Surge

Exporter Stocks



Wheat stocks in traditional exporter countries, (Argentina, Australia, Canada, EU and the United States), while lower than last year, are still the second highest in 5 years. Ending stocks are larger this month for several reasons; 1) expanded supplies in Canada, and 2) quality deterioration in the EU means less exports but higher wheat prices increase domestic substitution of other grains in feeding. On the other hand, stocks are expected to decline 1.4 million tons in the United States due to increased export demand.

Hard Red Winter Wheat Prices



Wheat prices have surged 65 percent since the beginning of July, driven mostly by market uncertainty over supplies from the Black Sea region. The wheat crops in both Russia and Kazakhstan have been devastated by drought, while the crop in Ukraine also suffered from adverse weather conditions. Russia's export ban and Ukraine's export slow-down, combined with production shortfalls, have created uncertainty and contributed to market volatility. However, prices are still well below the record average price of \$368/ton, reached in 2007/08.

