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# **U.S. Wheat Associates**

## **World Wheat Supply and Demand Situation January 2008**

Major data source:

*USDA World Agricultural Supply and Demand Estimates  
January 11, 2008*

# Top 10 Factors Affecting the Global Wheat Market



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1. World stocks at 30 year low; major exporter stocks down 29%; stocks-to-use at historic low.
2. U.S. exports up 77% from last year. Exportable supplies this marketing year are dwindling.
3. Import demand explodes, despite record prices
  - Importers remove import restrictions/subsidize consumption
  - Global food use demand sets a new record
4. Exporters impose export restrictions
  - Ukraine/Russia/Argentina impose export restrictions
5. U.S. winter wheat seedings below expectations.
  - Planted area increased for SW and SRW while HRW fell from last year. HRW entered dormancy in very dry conditions.
  - HRS area is also expected to fall while durum is expected to rise. High protein supplies seen limited through 2008/09
6. Global plantings to rise. EU and Black Sea planted area up ~ 20%.
7. Biofuel production strengthens competing crop prices globally.
8. Ocean freight rates falling from record highs
9. 2008/09 beginning stocks at “bin bottoms”
10. Dollar exchange rate plummets



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# Production 2007/08

- **World - 602 MMT, up 2% (9 MMT) from 2006/07**
- **Exporter production diminished by poor weather**
  - **U.S. up 14% (7 MMT) despite freeze and persistent rains in winter wheat regions**
  - **Canadian down: harvest off 21% (5 MMT)**
  - **Australia suffers second year of drought: harvest down 7 MMT from 10-year average.**
  - **Argentina: late season freeze**
- **2008/09 Plantings forecast up**
  - **EU ~ 10%, Black Sea ~ 20%, SW/SRW**
  - **HRS, Canadian CWRS acreage to fall**



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# Consumption and Trade 2007/08

- **World food use sets new record**
  - Up 7 MMT to 518, mainly in developing countries. Not deterred by high prices
  - Feed use down 7% (7 MMT)
- **Exports**
  - Up: US (7 MMT)
  - Down: Canada (-6), EU (-4), Australia (-1)
  - China to export 3 MMT (mostly feed quality)
- **Imports**
  - India down to 2 MMT from 6 MMT last year
  - North African imports up



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# Stocks and Price 2007/08

- **World stocks tighten**
  - Beginning stocks lowest since 1982
  - Stocks to decline 13 MMT this year, lowest level in 30 years
  - Stocks in 5 major exporters to end year 27% (10 MMT) lower than 2006/07
- **U.S. farm gate prices rise**
  - **\$6.45 to \$6.85/bushel (\$237-\$252/MT)\***
    - Record high
    - \$4.26 (\$157/MT) in 2006/07
- **World export prices much stronger**

*\*Average U.S. farm gate price, marketing year weighted average*

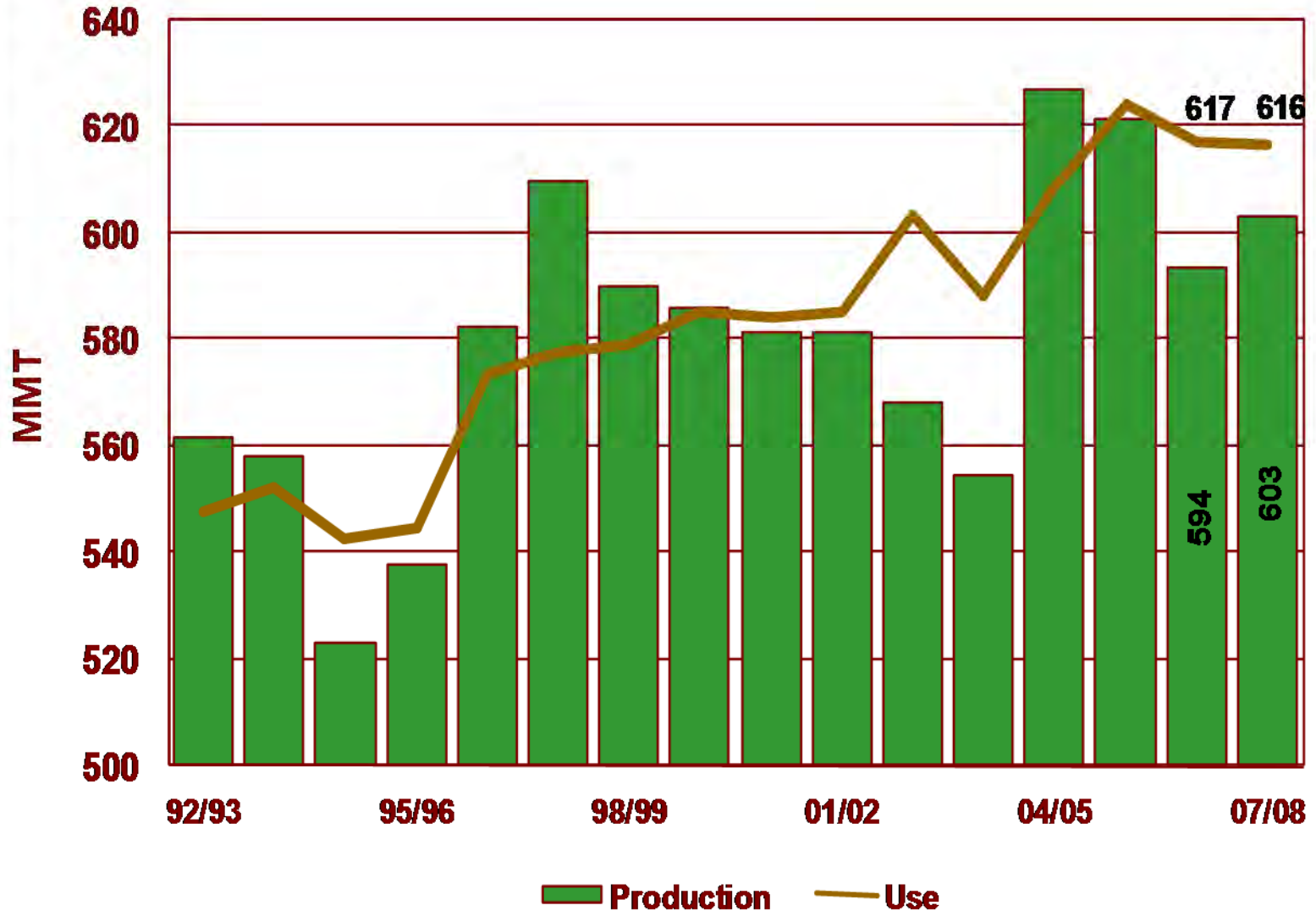


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# World Production and Use



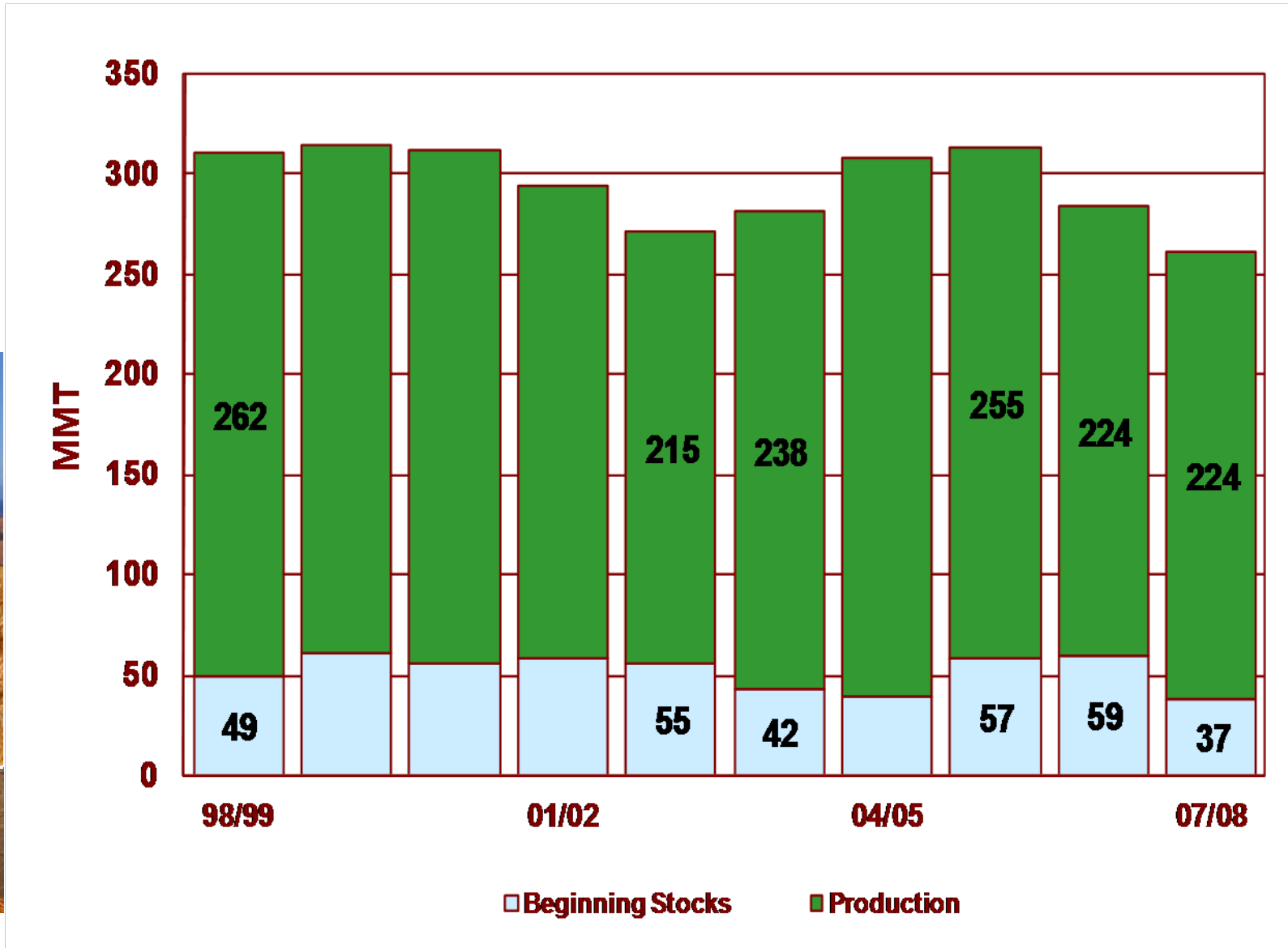


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# Supplies in Top Five Exporting Countries\*



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



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# World Wheat Supply and Demand

	05/06	06/07	07/08
		<i>MMT</i>	
<b>SUPPLY:</b> Beginning Stocks	151	148	124
Production	621	594	603
Supply Total	772	741	727
<b>TRADE:</b> Exports / Imports	116	111	105
<b>DEMAND:</b> Food & Seed	513	511	518
Feed & Residual	111	106	98
Use Total	624	617	616
<b>ENDING STOCKS:</b>	148	124	111

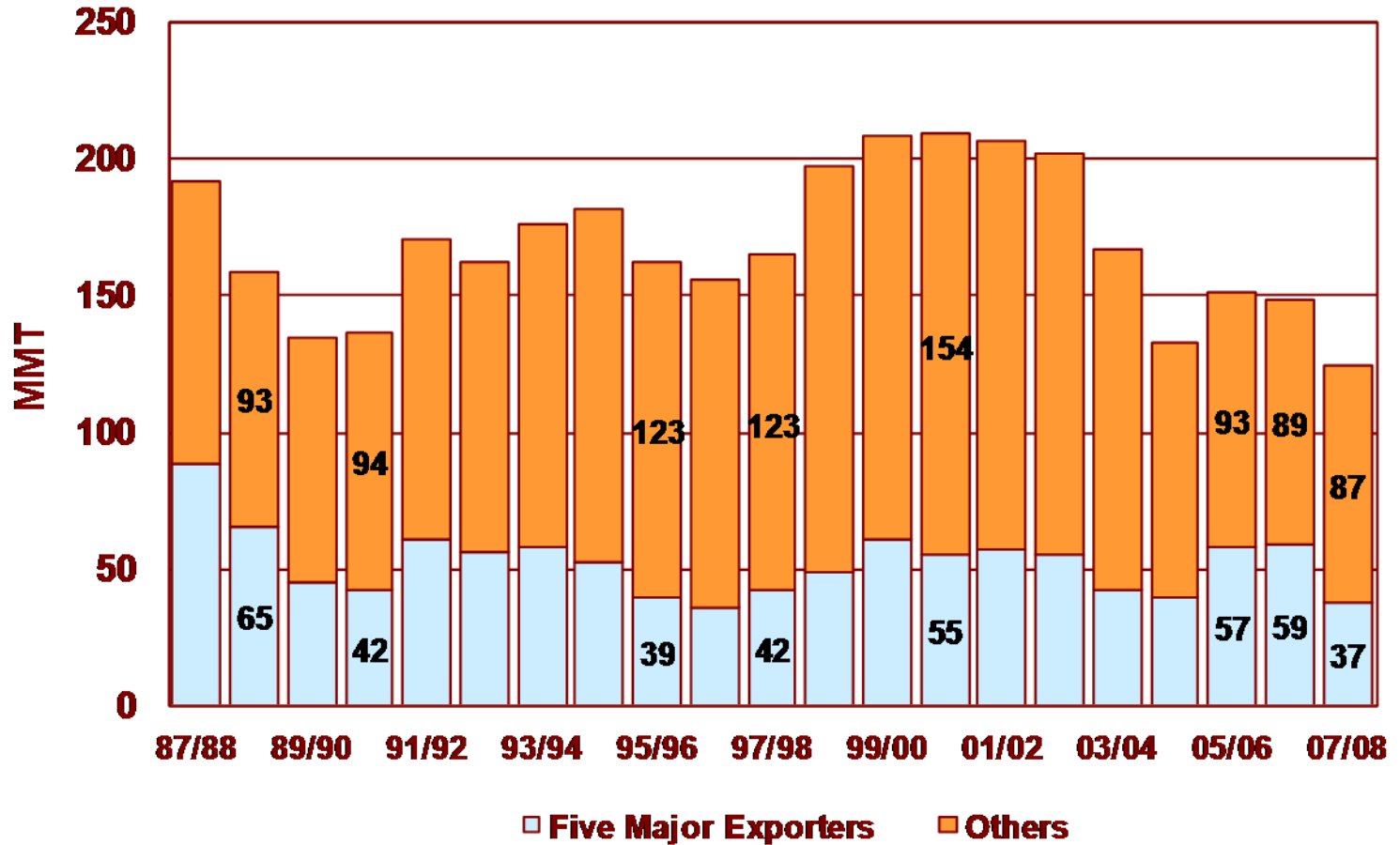
# World Beginning Stocks

- lowest since 1982



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*Five Major Exporters include U.S., Canada, Australia, Argentina, and the EU-25*

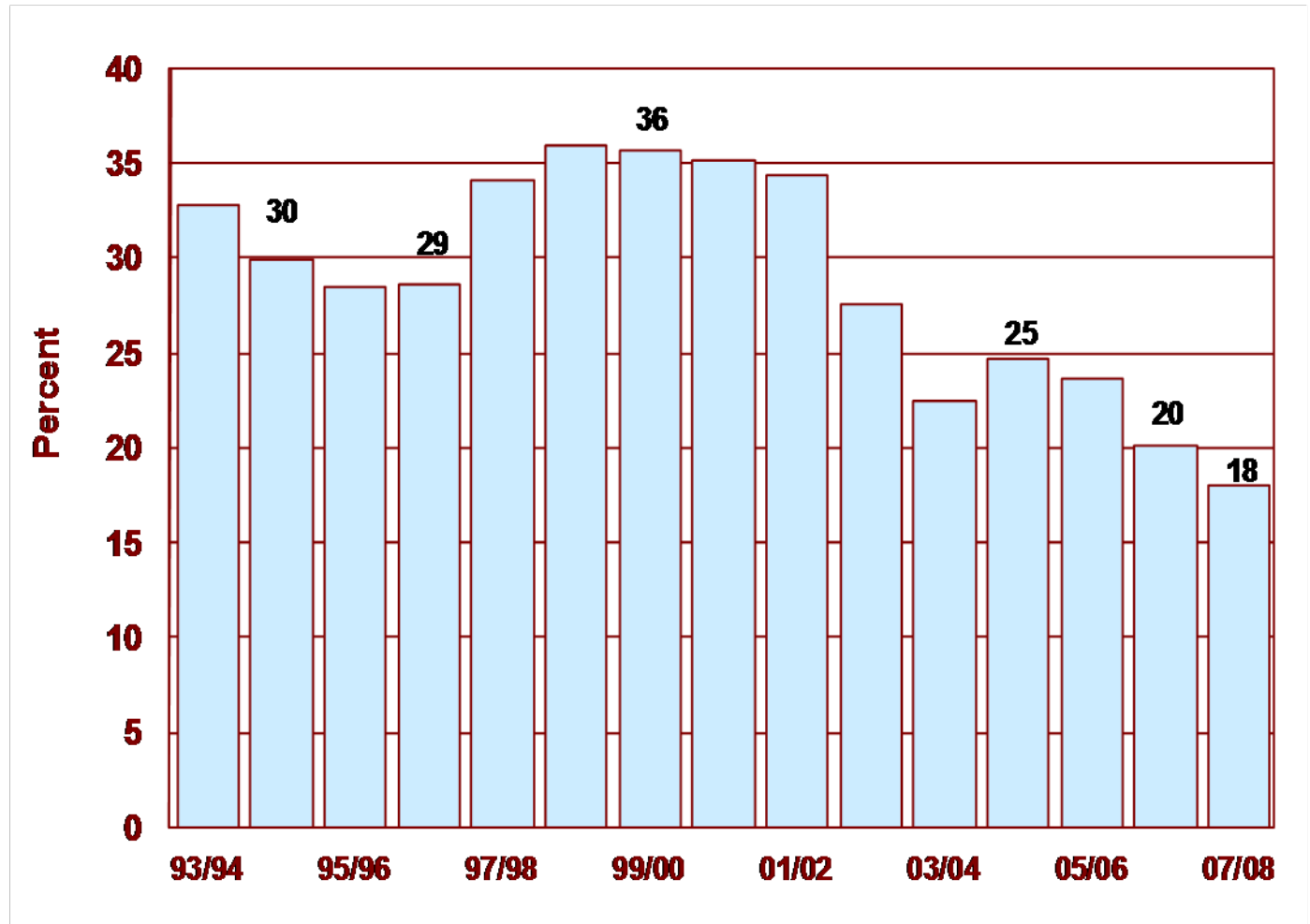


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# Global Stocks\*-to-Use Ratio

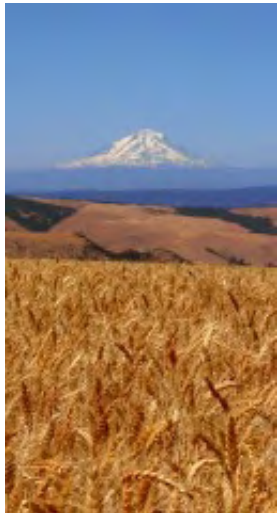


*\*Ending stocks*

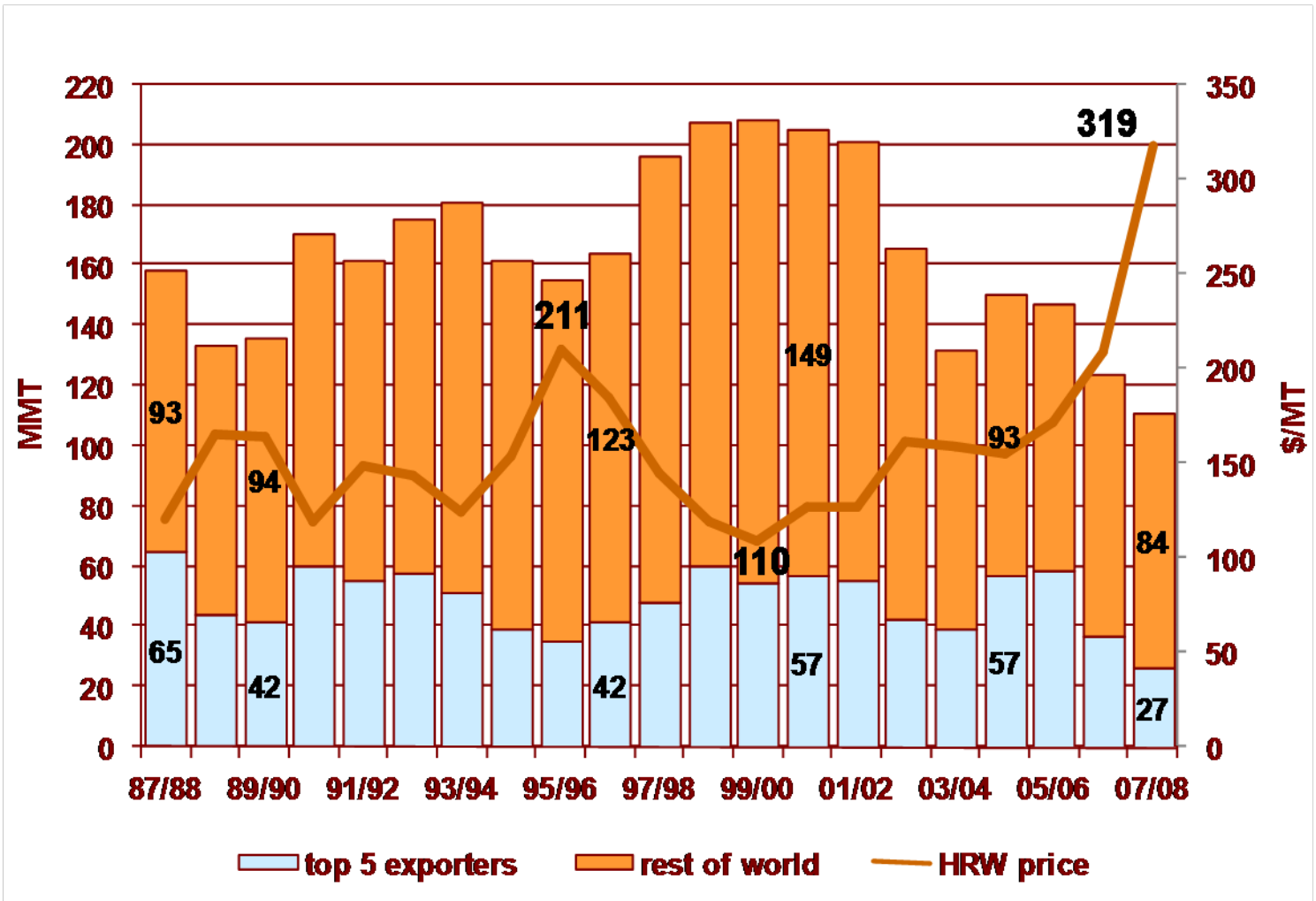


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# World Ending Stocks and Price



*Prices are marketing year averages  
2007/08 current year-to-date average*

Top 5 Exporters include U.S., Canada, Australia, Argentina and EU-25

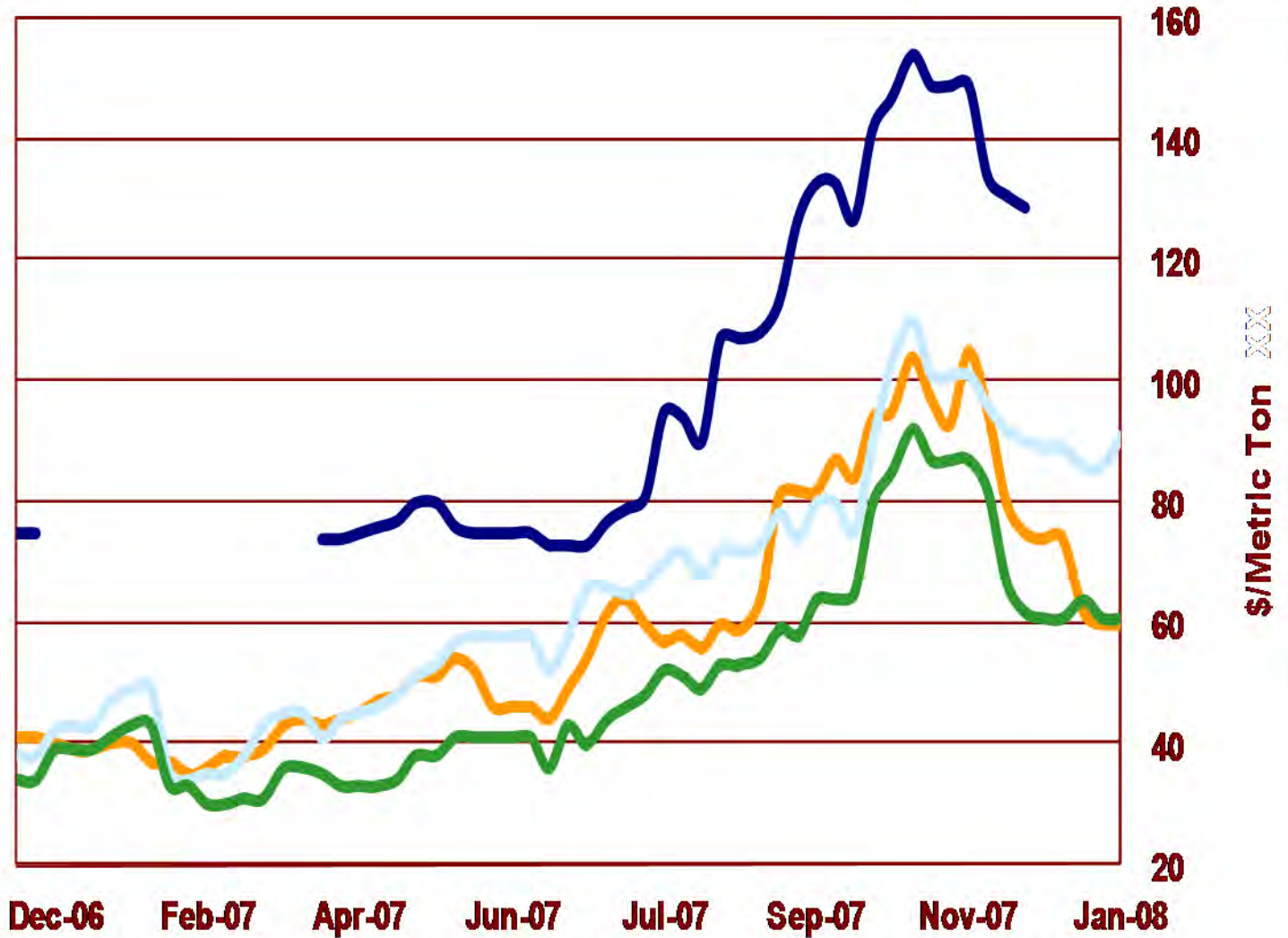


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# Ocean Freight Rates for Grains



— PNW to Japan

— St. Lawrence to Europe/Rotterdam

— US Gulf to Middle East (Egypt)

— Great Lakes to Italy

# Summary



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- **2007/08 global production hurt by weather problems**
  - **Consumption exceeds production again**
- **Stocks, already tight, shrink further**
  - **World stocks-to-use ratio to historic low 18%**
- **Prices strengthen dramatically**
- **World exporters**
  - **Exports fall: Canada, EU-27, Argentina, Black Sea and Australia**
  - **U.S. exports nearly tapped out**
- **2008/09 planted area**
  - **UP: SRW and SW, Europe, Black Sea**
  - **DOWN: HRS and Canada**