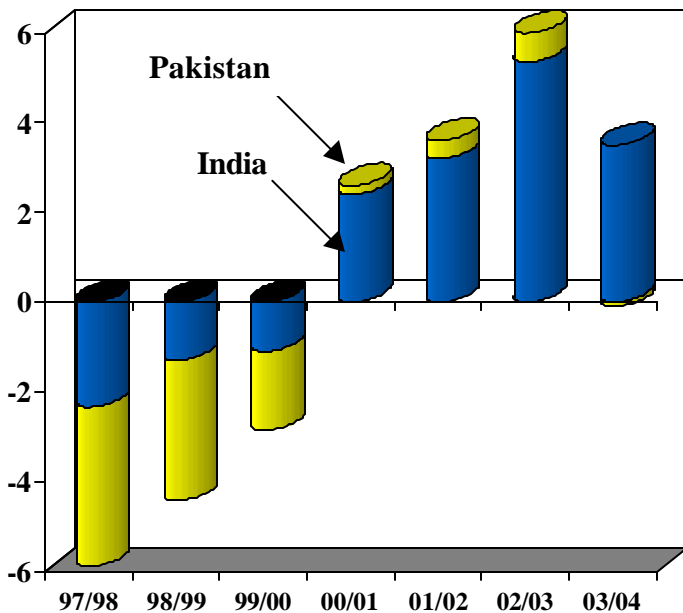




INTERNATIONAL MARKET ANALYSIS

Wheat Trade Patterns Shift in South Asia

Net Exports



With lower wheat production and shrinking stocks, this year's trade patterns for India and Pakistan have shifted - reversing a trend of greater self-sufficiency and expanding exports. In the late 1990s, both had been significant net importers with volumes as high as 2 million tons by India and 4 million tons by Pakistan. Record harvests in the region during the start of this decade, however, allowed them to become self-sufficient and even become wheat exporters. Last year Pakistan exported a record 1.2 million tons and India 5.3 million tons, also a record. However, those large export programs combined with smaller crops to shrink stocks dramatically over the past two years, causing Pakistan to import wheat and India to begin scaling back exports.

The changing trade patterns are expected to have the biggest effect on the United States and

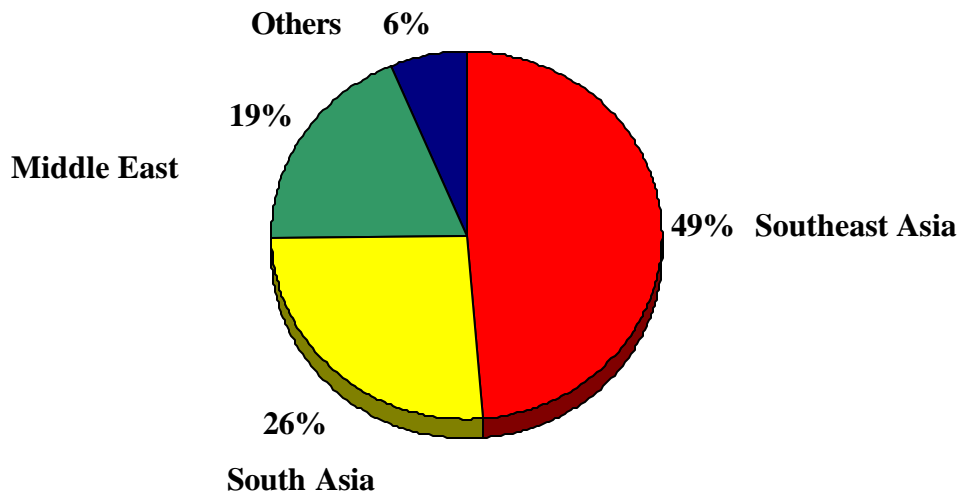
Australia. As both of these countries had been major suppliers of wheat to Pakistan in the late 1990s, with annual volumes frequently in excess of 1 million tons, Pakistan's return to the import market could have important implications. Although imports this year remain modest compared to historic levels, if stocks continue to shrink it could eventually force Pakistan to return to larger imports. The dearth of Pakistani exports this year could also open up market opportunities for Australia in East Africa, Pakistan's major market last year.

The future of Indian exports is also important to the United States and Australia, as expanding Indian sales into South and Southeast Asia have hurt their exports to the region. Almost half of all Indian wheat exports last year went to Southeast Asia. This has contributed in part to SRW exports to Asia plummeting from 1.2 million tons just 4 years ago to less than 100,000 tons last year. The largest SRW markets, Sri Lanka and the Philippines, have turned to nearby Indian

wheat due to its much lower landed price. For Australia, Indian exports have increased competition into the Gulf states as well as into Australia's largest market - Indonesia.

This year, with the lowest production in five years, tighter supplies are causing Indian exports to fall. The government discontinued allocation of wheat for export in August 2003. Although exports in the July through December period were strong as heavy shipments continued against outstanding contracts, the second half of this year should see a significant slowdown in exports as these contracts are fulfilled. As a result, U.S. and Australian wheat exports will likely increase to Asian markets. U.S. corn could also gain as feed compounders must switch from feed-quality wheat imports to more coarse grains. However, these benefits could be temporary, as India faces favorable crop prospects due to a beneficial monsoon - although it is still uncertain whether government policy will encourage exports next year.

Indian 2002/2003 Wheat Exports



For more information, contact Levin Flake at (202-720-4258) or Levin.Flake@usda.gov