4 Global Wheat Trade

K.-D. Schumacher

The international trade in wheat (including durum and flour) reached an average volume of around 107 mio t during the last five years (1999/00 - 2003/04). This compares to 106 mio t during 1989/90 - 1993/94 and 96 mio t in 1979/80 - 1983/84. Accordingly, world trade in wheat increased by just 0.5% per annum during the last 20 years. During the same time, world wheat production showed a growth of approximately 1.4%. As a consequence, the share of world wheat trade expressed as a percentage of worldwide production dropped from 21% in 1979/80 - 1983/84 to 19% in 1979/89 - 83/84 and 1999/00 - 2003/04, respectively. This development demonstrates the efforts of nearly all wheat importing countries to improve their supplies of wheat through a higher domestic production.

Exports of wheat continue to be dominated by the five traditional exporters: the USA, Canada, Argentina, Australia and the EU (Tab. 5). Three quarters of all exports came from these five countries during the most recent five-year average (Fig. 9). 4

The number one exporter continues to be the USA with exports varying between 23 and 31 mio t during the last five years. Canada and Australia continue to fight for the second place. Whereas Canadian exports reached nearly 16 mio t during 1999/00 - 2003/04, Australia's deliveries to the world market stood at 15 mio t. The EU took the fourth place with exports of 13.5 mio t followed by Argentina with 10 mio t. All five countries exported a total of 82 mio t. 5

Tab. 5: World wheat exports [a, e] (million tonnes)

Area	01/02	02/03	03/04	04/05[b]	05/06[c]
USA	26.2	23.1	31.6	28.6	25.9
Canada	16.3	9.4	15.8	15.0	15.5
Australia	16.4	9.1	18.0	16.0	16.5
Argentina	10.1	6.8	9.4	10.5	10.5
EU-25[d]	14.2	19.9	10.9	13.5	16.0
Kazakhstan	4.0	6.2	4.1	2.7	4.0
Russia	4.4	12.6	3.1	6.3	7.0
The Ukraine	5.5	6.6	0.1	3.8	4.0
Others	11.5	14.6	16.5	9.9	8.8
Total	**108.5**	**108.5**	**109.5**	**106.3**	**108.2**

[a] Source: USDA, Washington; IGC
[b] Estimate
[c] Forecast
[d] without intra-trade
[e] incl. durum and flour

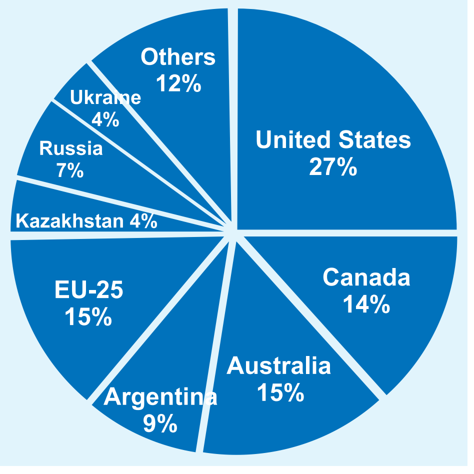

Fig. 9: Shares of annual wheat exports from average 108 million tonnes per year (2001 - 2006)

The remaining quarter of the world wheat export market is more and more dominated by the countries of Central and Eastern Europe, Russia and the Ukraine. The countries of Central and Eastern Europe exported over 3 mio t of wheat on average during the last five marketing years. This group of countries encompasses all the nations that joined the European Union on 1 May 2004 (Poland, Hungary, Czech Republic, Slovak Republic, Slovenia, Lithuania, Latvia, Estonia) or will do so in 2007 or 2008 (Romania, Bulgaria, Croatia). An impressive growth in wheat exports occurred in the Ukraine, where exports jumped from less than 2 mio t in 1999/00 to 5.5 mio t in 2001/02 and nearly 7 mio t in 2002/03. This vigorous growth is attributable to very favourable weather conditions during the period mentioned. In the marketing year 2003/04, the Ukraine turned from a net exporter into a net importer of about 4 mio t of wheat.
The example of the Ukraine describes very well the potential for huge variations in weather and growing conditions in all the grain exporting countries with a continental climate: excellent growing conditions in one year will regularly be followed by adverse weather conditions, resulting in huge yield and production losses. As a consequence, price volatility on the world market for grain has increased significantly in recent years.

Next to the Ukraine, Russia has increased its exports of wheat dramatically during the last few years. Whereas exports in 1999/00 were a mere 500,000 t, they stood at nearly 13 mio t in 2002/03. Russian wheat captured a share of close to 12% of the 2002/03 world wheat trade compared to virtually zero just 3 years before. On average, more than 4 mio t were sold to the world market during the period 1999/00 - 2003/04, allowing Russia to supply 5% to the world import demand for wheat. Accordingly, Russia continues to play a major role on the international wheat market. Whereas the country was the world's leading importer of wheat during most of the last three decades of the 20th century, Russia has now joined the ranks of the leading wheat-exporting countries. However, one should keep in mind the influence of the continental climate with its huge variations in yields and the production of grain. As demonstrated again in 2003/04, adverse weather conditions can quite easily turn Russia from an exporter into a net importer of wheat (with imports expected to reach 3 - 4 mio t).

Whereas exports of wheat continue to be dominated by developed industrialised countries, imports are increasingly dominated by less-developed countries in Asia, Latin America and North Africa (Tab. 6). The most important import region during 1999/00 - 2003/04 was Asia with imports of nearly 23 mio t, equal to over 20% of all wheat trade. The countries of North Africa imported around 17 mio t and Latin American countries bought over 15 mio t of wheat on the world market. The three regions combined accounted for 55 mio t of the international trade in wheat, equal to over half of the total volume traded on average during the last five years.

The EU has been the number-one importer of wheat during 1999/00 - 2003/04, with an average volume of 6.8 mio t. However, the yearly variations have been significant. Whereas EU imports reached only 3.2 mio t in 2000/01, they amounted to nearly 10 mio t in 2001/02 and 12 mio t in 2002/03. In 2003/04 a drop to a maximum of 5 mio t is expected.

Tab. 6: World wheat imports [a, e] (million tonnes)

Area	01/02	02/03	03/04	04/05[b]	05/06[c]
Iran	5.3	2.1	0.8	0.2	0.2
China	1.1	0.4	3.7	7.0	4.0
Brazil	7.0	6.7	5.2	5.0	5.2
Egypt	6.9	6.3	7.3	7.5	7.5
Japan	5.8	5.6	5.8	5.7	5.7
Russia	0.6	1.0	1.0	1.2	1.2
EU-25[d]	10.7	13.9	5.9	6.0	6.0
Algeria	4.6	6.1	3.9	4.3	4.6
Indonesia	3.7	4.0	4.5	4.5	4.5
South Korea	4.0	4.1	3.4	3.8	3.8
Mexico	3.2	3.2	3.6	3.9	3.6
Morocco	3.1	2.7	2.4	2.2	2.7
Nigeria	2.4	2.3	2.4	2.6	2.7
Philippines	2.9	3.2	3.0	2.8	2.8
Others	40.2	39.9	41.7	40.7	41.7
Total	**108.5**	**107.8**	**102.0**	**104.9**	**103.7**

[a] *Source: USDA, Washington; IGC*
[b] *Estimate*
[c] *Forecast*
[d] *without intra-trade*
[e] *incl. durum and flour*

The exceptionally high imports in 2001/02 and 2002/03 were due to the huge supply of very competitively priced wheat from the Ukraine and Russia. The EU reacted to this and implemented tariff rate quotas (TRQs) for wheat from these countries which limit the import volume to 3 mio t. So we have to expect that in years in which the EU has a normal crop, imports of wheat will not exceed 5 mio t, including about 1.5 mio t of durum. The only other industrialised country of major importance for the world wheat market continues to be Japan. However, the import volume has been a constant 6 mio t for many years, with the USA as the main supplier.

All the other major importing countries are developing countries, the most important one being Brazil. Depending on the size of its own crop, imports normally vary between 6 and 7 mio t. Nearly all of this wheat is supplied by Argentina. The other major importer of wheat in Latin America is Mexico, with annual imports of around 3 mio t supplied exclusively by the other NAFTA countries, the USA and Canada.

Egypt regularly competes with Brazil as the world's leading importer of wheat, with annual imports exceeding 6 mio t. Egypt is a perfect example of the still important political dimension of the international grain trade. Most of Egypt's wheat imports have their source in the USA, either as food aid or under long-term credit programmes.

Most of the developing Asian countries depend on imports of wheat, as they do not

Tab. 7: World wheat production[a,e] (million tonnes)

Area	01/02	02/03	03/04	04/05[b]	05/06[c]
China	93.9	90.3	86.5	91.0	93.0
EU-25[d]	113.6	124.8	106.9	136.7	127.5
India	69.7	71.8	65.1	72.1	74.0
Russia	46.9	50.6	34.1	45.3	45.0
Kazakstan	12.7	12.6	11.0	10.0	11.5
The Ukraine	21.3	20.6	3.6	17.5	16.7
USA	53.0	43.7	63.8	58.7	59.5
Canada	20.6	16.2	23.6	25.9	23.5
Australia	24.3	10.1	26.2	21.5	23.0
Argentina	15.5	12.3	14.0	16.0	15.5
Others	109.5	114.4	119.1	130.3	126.1
Total	**580.9**	**567.4**	**553.9**	**624.9**	**615.2**

[a] Source: USDA, Washington; IGC
[b] Estimate
[c] Forecast
[d] without intra-trade
[e] incl. durum and flour

have the agronomic resources of their own to produce sufficient wheat at home. South Korea and Indonesia each take about 4 mio t of wheat annually, whereas imports by the Philippines amount to around 3 mio t.

As yet, China and India do not play a significant role in world wheat trading. In fact both countries were net exporters during recent years because of a high domestic production (Tab. 7) and considerable stocks. However, in the course of time both countries will have to stop exporting and become major importers of wheat, driven by a continuing growth in population and their economies.

Overall, world trade in wheat is expected to show a much more pronounced growth in the years to come than in the last two decades.
According to the projections of the U.S. [7] Department of Agriculture, world trade in wheat will climb to around 130 mio t in 2013, an increase of nearly 20% compared to the 107 mio t traded on average in the marketing years 1999/00 - 2003/04.