



Wheat Outlook: December 2020

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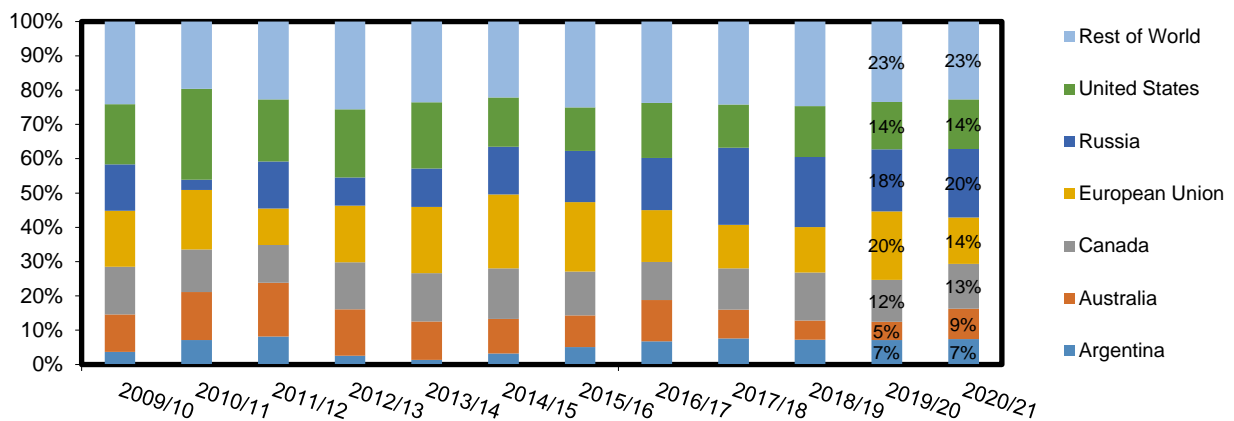
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Global exports raised to record-high 194 million metric tons; U.S. exports lifted 0.5 million

Production increases for key exporting nations Australia, Russia, and Canada lift the 2020/21 global wheat harvest by nearly 1.3 million tons and bolster exportable supplies. Expanded availability and strong import demand helps to lift global consumption and contributes to a more than 2.8-million-ton increase in global exports. With global exports record high at 193.6 million tons, the U.S. is expected to benefit modestly from the uptick in demand for wheat. The U.S. all-wheat export forecast is raised 0.3 million tons this month to 26.8 million, largely on the strength of demand for white wheat from markets in Asia. Following the change, the U.S. remains the second-largest exporter of wheat, behind only Russia (fig. 1).

Figure 1:
On brisk pace of white wheat exports, U.S. share of global wheat exports gains ground

Share of total



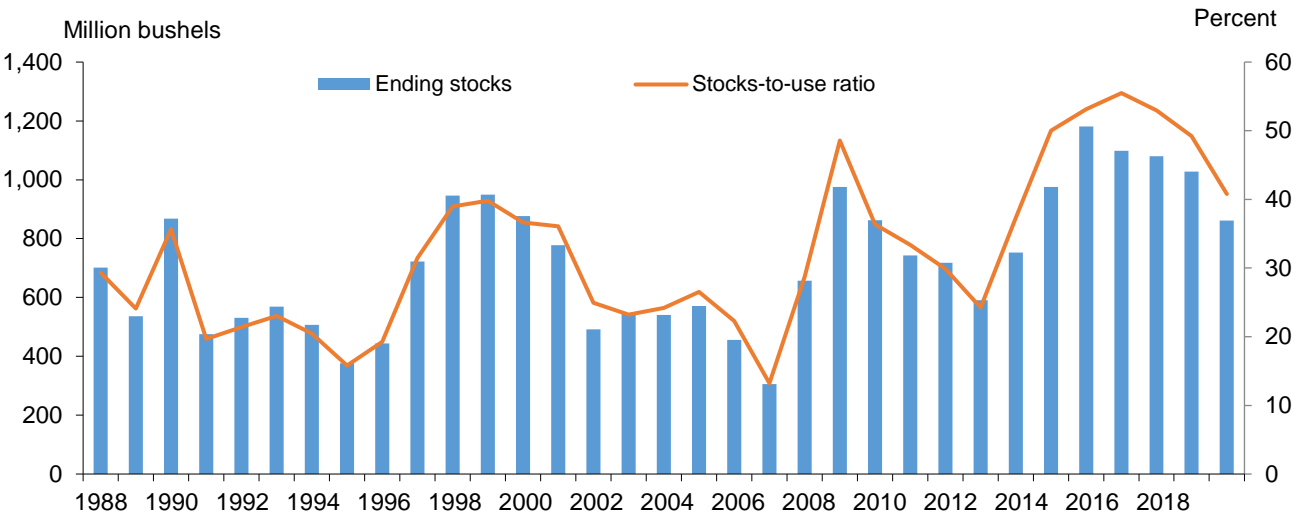
Sources: USDA, Foreign Agricultural Service, Production, Supply, and Distribution database and Economic Research Service calculations based on USDA, National Agricultural Statistics Service data. Note: totals may not sum to 100 due to rounding.

Domestic Outlook

Domestic Changes at a Glance:

- U.S. ending stocks are lowered 15 million bushels, to 862 million, on reduced supplies and higher export use.
 - The stock-to-use ratio is now 41 percent and compares to 49 percent for the 2019/20 marketing year (fig. 2).
 - The current ratio is the tightest in six years; in 2014/15 the stocks-to-use ratio was 37 percent and supported a \$5.99 per bushel all-wheat season-average farm price.
 - U.S. exports increased by 10 million bushels to 985 million, mainly on the strength of white wheat exports through the first half of the marketing year, coinciding with increased global imports.
- All-wheat imports are trimmed 5 million bushels on a slower-than-expected pace of durum imports from Canada, down 3 million bushels, and a slight reduction of 2 million bushels in Soft Red Winter (SRW) wheat purchases.
- The 2020/21 season-average farm price is unchanged from the November forecast and remains at \$4.70 per bushel.
- Three key wheat-related reports will be released in January by USDA, National Agricultural Statistics Service (NASS): *Crop Production*, *Grain Stocks*, and *Winter Wheat and Canola Seedings*.

Figure 2:
U.S. wheat ending stocks tighten further, stocks-to-use ratio lowest since 2014/15



2020 Sources: USDA, World Agricultural Outlook Board and Economic Research Service calculations.

Table 1 - U.S. wheat supply and use 2019/20 and 2020/21

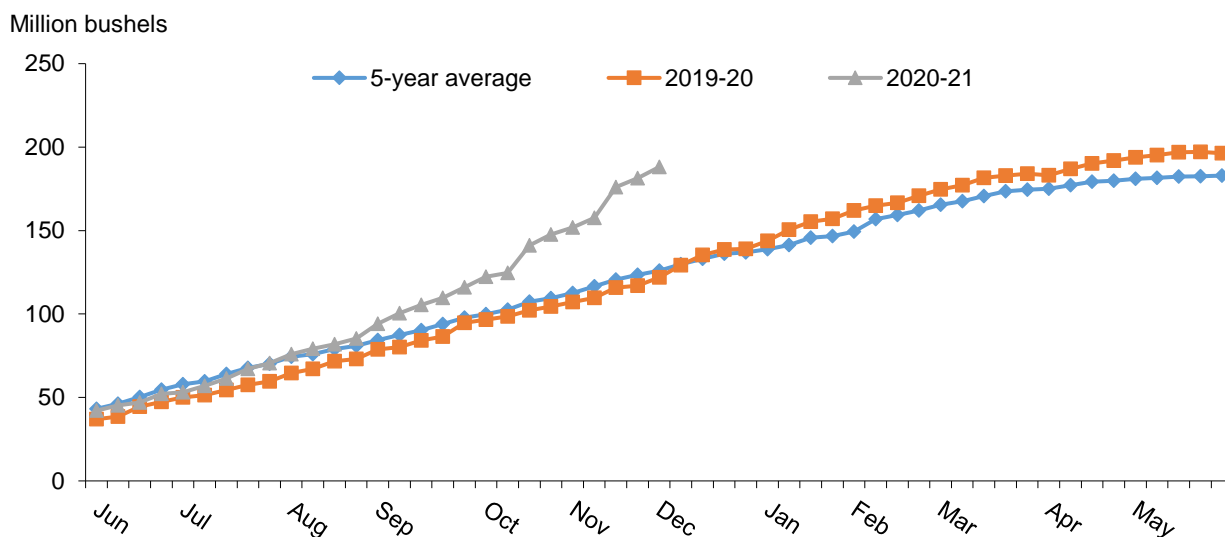
Balance sheet item	2020/21 November	2020/21 December	2020/21 Change from previous month	Comments
Supply, total				<i>May-June Marketing Year (MY)</i>
Beginning stocks	1,028	1,028	0	
Production	1,826	1,826	0	
Imports	125	120	-5	Based on the pace of shipments to date, aggregate wheat imports are lowered from the previous month. By class, Soft Red Winter wheat is down 2 million bushels and Durum wheat is down 3 million bushels.
Supply, total	2,979	2,974	-5	Supply is down 5 million bushels on lower imports.
Demand				
Food	965	965	0	
Seed	62	62	0	
Feed and residual	100	100	0	
Domestic, total	1,127	1,127	0	
Exports	975	985	10	Based on the pace of purchases and exports to date, all-wheat exports increased from the previous month. By class, white wheat increased by 20 million bushels and HRW wheat decreased by 10 million bushels.
Use, total	2,102	2,112	10	With only no domestic changes, export changes account for a modest increase in total use.
Ending stocks	877	862	-15	With a slight drop in imports and increased exports, ending stocks are drawn down a further 15 million bushels and remain at the lowest level since 2014/15.
Season Average Farm Price	\$4.70	\$4.70	\$0.00	With the majority of the crop marketed, recent price movements are not sufficient to alter the season average farm price.

Source: USDA, World Agricultural Outlook Board *Supply and Demand Estimates*.

December Brings Minimal Changes to the U.S. Domestic Balance Sheet

December lacked major changes to the all-wheat balance sheet for the United States with the only modest changes made to 2020/21 trade and carryout. A slight decline in imports—from 125 to 120 million bushels—combines with an increase in exports of 10 million to modestly tighten the balance sheet. With the majority of the 2020/21 crop marketed, recent tightening of carryout does not alter the season farm average price (SAFP) outlook. The effects of rising cash prices for some wheat classes and grades, particularly for West Coast white wheat is reflected in the current all-wheat SAFP forecast of \$4.70 per bushel. Cash prices for Portland soft white wheat have risen in recent months on the strength of very strong export sale to East Asia (fig. 3). USDA, Agricultural Marketing Service recorded average monthly cash prices for soft white within the Portland area during November at \$6.20 per bushel, 24 cents higher than November 2019 and only 4 cents below February’s price of \$6.24. Historically, February prices for Portland soft white wheat tend to represent a seasonal high.

Figure 3:
U.S. white wheat export commitments well ahead of 2019/20, 5-year average pace to date



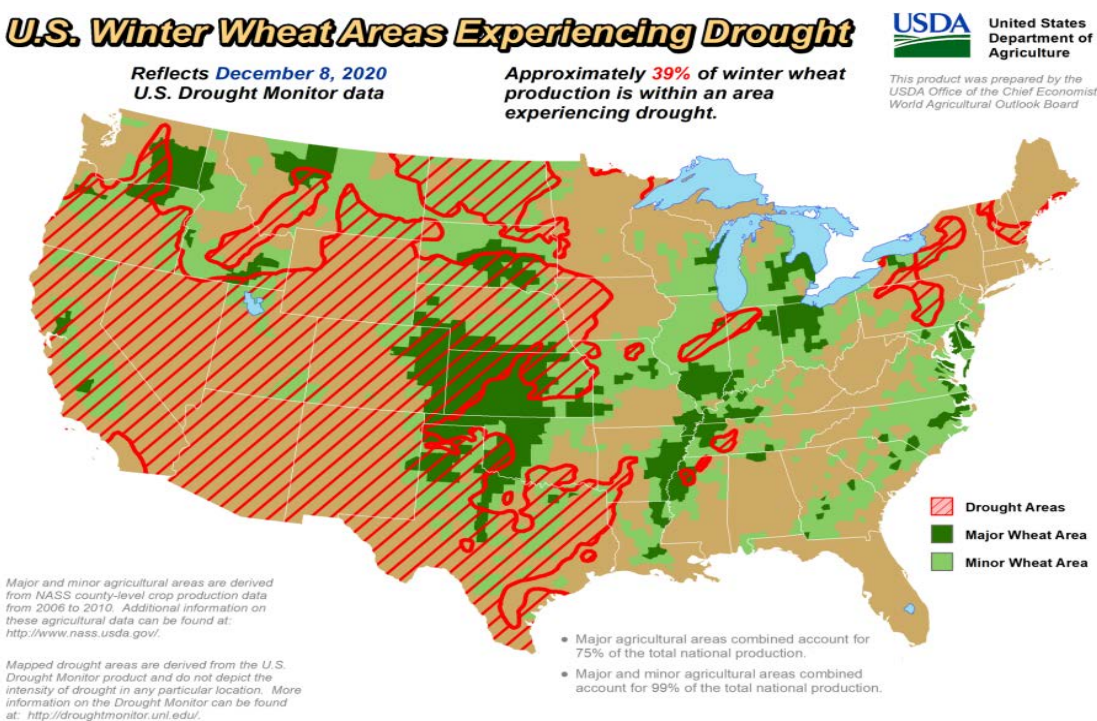
Source: U.S. Department of Commerce, Bureau of the Census.

U.S. all-wheat exports for 2020/21 marketing increased by 10 million bushels to 985 million bushels. Strong sales in white wheat offset a slower pace to hard red winter wheat sales. White wheat total commitments through December 3 sit at 188 million bushels, according to USDA, Foreign Agricultural Service export sales data, up 66 million bushels from last year.

Winter Wheat Conditions Fall as Drought Conditions Persist

Ahead of the January release of USDA, NASS's *Crop Production, Grain Stocks, and Winter Wheat and Canola Seedings* reports, the the final NASS Crop Conditions and Progress report of 2020 indicated some winter wheat was stressed. While condition ratings are not highly predictive of final yields at the current stage, crop condition showed a large portion of winter wheat resides within regions currently experiencing prolong dry and drought conditions (fig. 4).

Figure 4:
Significant portion of U.S. winter wheat crop entering dormancy in drought conditions



Source: USDA, Weekly Weather and Crop Bulletin.

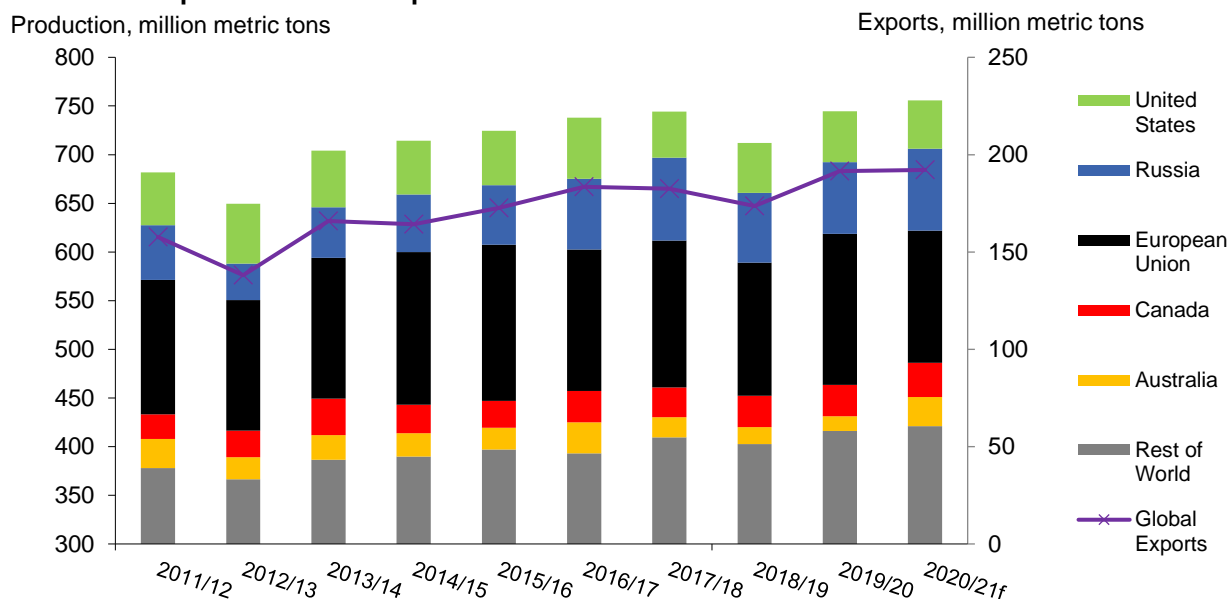
In the November 30 NASS crop progress report, the percentage of winter wheat rated poor or very poor increased 4 percent from the previous year to 18 percent while the percentage of winter wheat rated excellent or good decreased 9 percent to 43 percent over the same period. Texas, Colorado, and North Dakota experienced the worst conditions with a full 17 percent of Colorado wheat rated very poor by NASS. Despite the current, drier-than-normal conditions for winter wheat, emergence remains in line with previous years. The NASS January 2021 *Winter Wheat and Canola Seedings* report will confirm early expectations about planted area and provide greater clarity on size of the 2021/22 winter wheat crop.

International Outlook

Global Wheat Supplies Swell on Harvest Augmentations for Key Exporters

This month, production advancements for key global exporters **Australia**, **Russia**, and **Canada** combine to further lift the 2020/21 global harvest estimate. Record-large global supplies are further augmented based on the production increases. After this month's 1.2-million-ton lift, 2020/21 supplies are estimated at 1,074.3 million. The new record supplies exceed the previous record, set in 2019/20 and continue a multi-year trend of increased wheat availability which in turn fuels trade growth (fig. 5). Much of the wheat production that contributes to wheat supplies are produced by the top five wheat exporting countries with the European Union typically harvesting a plurality of wheat, followed by Russia, the U.S., Canada, and Australia.

Figure 5:
Global wheat production and exports raised from November forecasts



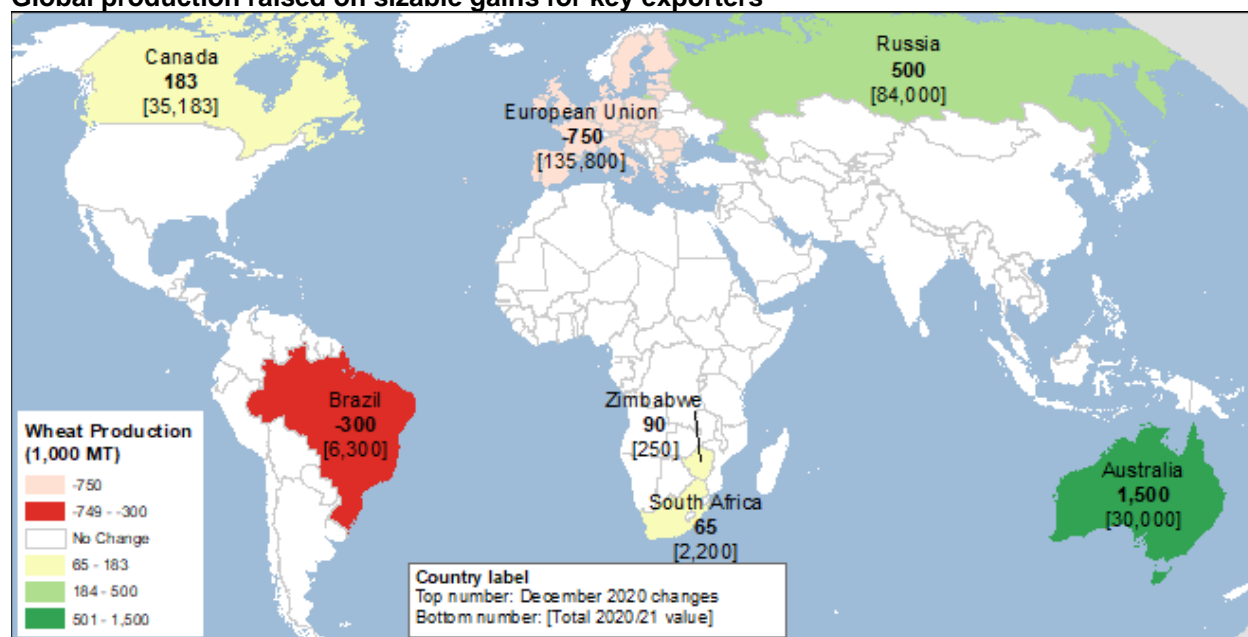
Source: USDA Foreign Agricultural Service, *Production, Supply, and Distribution* database. 2020/21 production is forecast (f).

After consecutive years of drought led to anemic harvests, much improved soil moisture levels helped **Australia's** wheat production to rebound significantly in 2020/21. The current marketing year's output is more than twice that of the 2019/20 harvest. This month, Australia's wheat crop is raised 1.5 million tons to 30 million, based in part on the latest Australian Bureau of Agriculture and Resource Economics and Sciences (ABARES) production forecast and USDA Normalized Difference Vegetation Index (NDVI) analysis. Wheat harvested area is unchanged from the previous estimate and remains at 13 million hectares. Australian wheat yields,

however, are raised 5 percent from last month to 2.31 million tons. Vastly improved year-to-year rainfall helped to boost yields by nearly 55 percent from the previous year. Improvements were particularly profound in key wheat-producing regions—New South Wales and Victoria (in the Southern region of Australia)—where conditions are described as being “ideal” in this month’s USDA, Foreign Agricultural Service *World Agricultural Production* report.

With **Russia’s** spring wheat harvest complete (winter wheat concluded in mid-summer) an improved picture of the size of combined production is clearer. Recently released official data—which does not differentiate between spring and winter crops and excludes Crimea—indicates that better-than-expected wheat yields were realized towards the end of the harvest period, helping to lift the all-wheat production forecast by 0.5 million tons to 84 million (fig. 5). While not record-high, the 2020/21 Russia wheat harvest is second only in size to the record 2017/18 harvest that was nearly 85.2 million tons. For the current marketing year, and on greater exportable supplies, the Russian export forecast is advanced 0.5 million tons this month to 40 million. Russia is projected to remain the top wheat-exporting nation in the current marketing year, exceeding the second-largest exporter, the United States, by more than 13 million tons.

Figure 6:
Global production raised on sizable gains for key exporters



Source: USDA, Foreign Agricultural Service Production Supply and Distribution database and USDA, Economic Research Service calculations

Statistics **Canada** released its most recent estimate of 2020/21 wheat production in early December, updating the previous forecast released in September. After the publication of the December farmer survey-based estimate of the wheat harvest, production is raised a scant 0.2 million tons from USDA’s November forecast bringing the 2020/21 total to 35.2 million—the

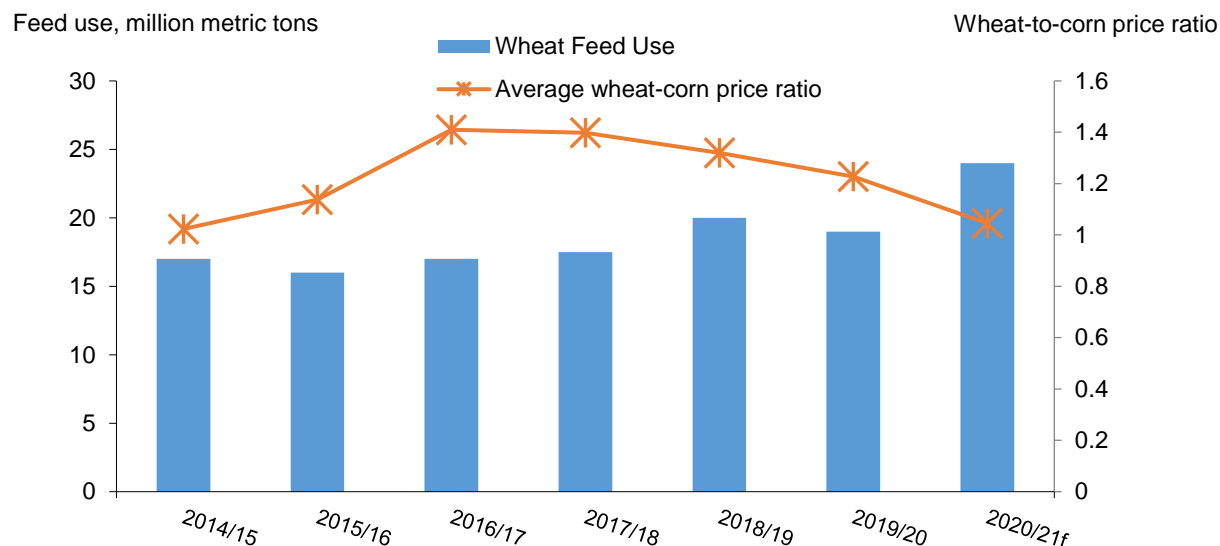
second highest Canadian wheat crop on record and an increase of nearly 8 percent from the year prior. Yields for spring wheat, the primary variety grown in Canada, are reported to be record large at an average of 53.6 bushels per acre. The next Statistics Canada update for 2020/21 wheat is scheduled for August 2021.

Consumption Lifts on Improved Wheat Feeding Prospects

Global wheat consumption is lifted 5.1 million tons to 757.8 million on higher feed and residual, principally on an increase for **China**. Feed and residual use for China is raised 3 million tons from the November forecast to 24 million. Government auction activity over the last several months suggests efforts to liquidate stocks of old-crop wheat. An uptick in auction sales and a corresponding weakening of the wheat price, relative to corn, point strongly towards increased use of old-crop stocks wheat for feed use. Multiple industry reports note that feed compounders are seeking to increase the proportion of barley, sorghum, and wheat in feed mixes following a lower-than-expected domestic corn harvest. Rising imports of corn, priced below domestic production, further suggest that China's corn stocks are tight and are increasingly favorable for wheat incorporation into feed rations (fig. 7).

Figure 7:

Prospects for China's 2020/21 wheat feeding raised on highly competitive relative wheat prices^{1/}



Source: USDA Foreign Agricultural Service, *Production, Supply, and Distribution* database. 2020/21 production is forecast (f). ^{1/}Wheat and corn prices are reported on marketing years.

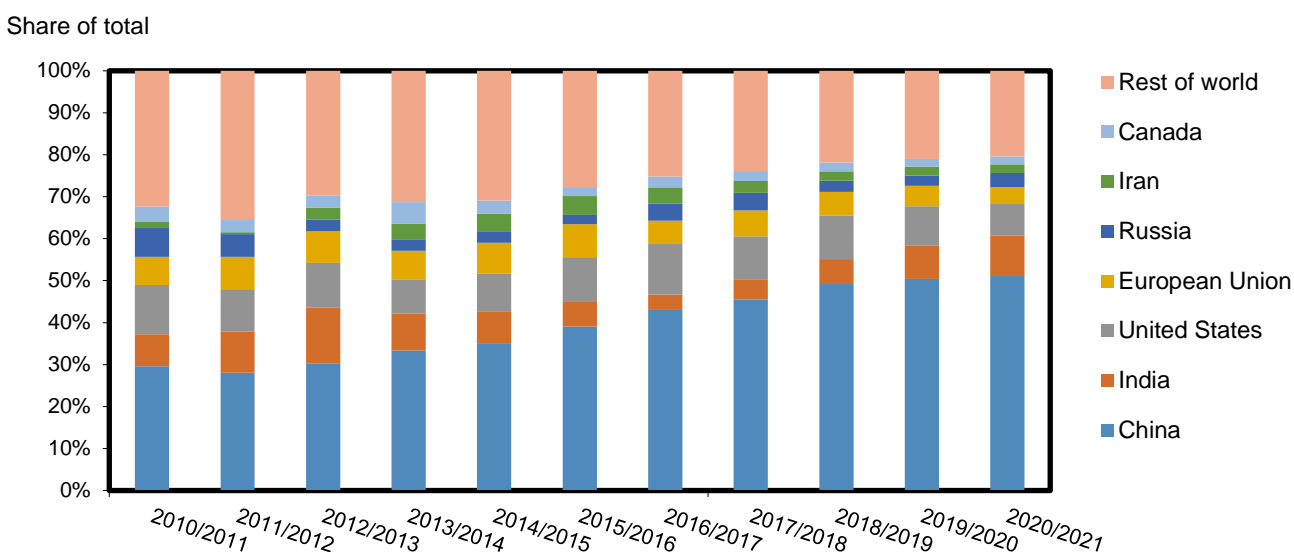
Government auctions of corn have been held to bridge the gap in demand, as have increased corn imports; however, corn prices continue to remain high.

Overall feed use in China is expected to recover through the balance of the marketing year as the swine herd rebounds following a period of contraction brought about by the African Swine Flu, continuing a trend started in early 2020.

Global Trade Raised on Export Surge and Brisk Import Pace

Bolstered exports for **Australia, Canada, Russia,** and the **United States** combine to lift global trade an additional 2.9 million tons to 193.7 million. Month-to-month increases in production help to expand exportable supplies whereas on the demand side, increased imports for **China** and **Pakistan** help to pull production into global trade markets. China's demand for high-quality imported wheat is particularly notable. This month the nation's 2020/21 wheat import forecast is raised 0.5 million tons to 8.5 million, up from 5.38 million the prior year and the highest since 1995/96 when 12.5 million tons were imported. While some of the recent demand increase is attributable to the implementation of the Phase One trade agreement with China, demand has also been stimulated by a smaller-than-expected and relatively lower-quality of the 2020/21 domestic wheat harvest. China's rising demand for imported wheat and the current pace of purchases from **Canada,** are significant factors in this month's 1 million ton increase in Canada wheat exports. Imports for **Pakistan** are raised 0.5 million tons on government efforts to replenish grain stocks and to temper escalating food price inflation. **Turkey** continues to demand wheat imports, pushing the 2020/21 forecast to 8 million tons but below the 2019/20 record.

Figure 8:
China's share of global stocks have steadily risen in recent years, 2010-20



Sources: USDA Foreign Agricultural Service, Production, Supply, and Distribution database and USDA Economic Research Service calculations based on USDA National Agricultural Statistics Service data.

On net, global ending stocks are lowered 3.9 million tons this month to 316.5 million as increased use more than offsets supply gains. While smaller month to month, stocks remain record high. Recent auction activity notwithstanding, China is estimated to hold the majority (51 percent) of global wheat stocks (fig. 8).

Suggested Citation

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