



Wheat Outlook

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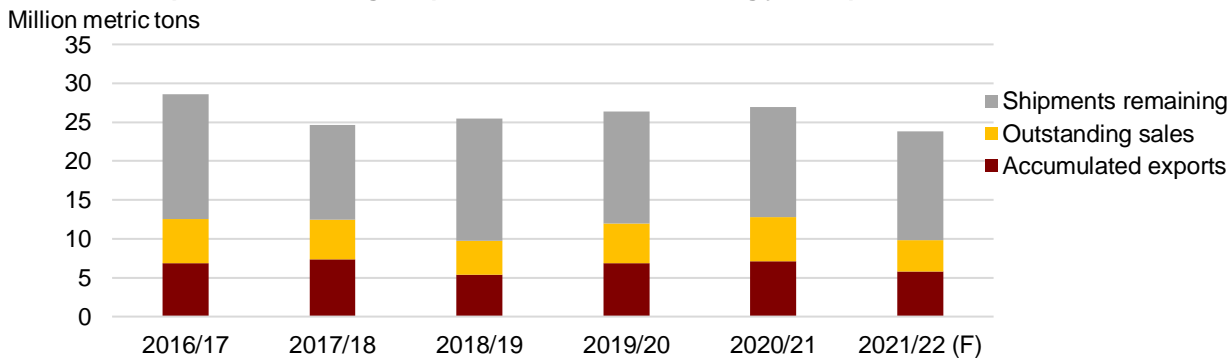
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U.S. Exports Set to Overcome Slow Start

Total U.S. commitments of wheat as of August 2 (week 14) stand at 9.8 million metric tons (MT), the sum of 5.8 million MT accumulated exports and 4.0 million MT outstanding sales, according to USDA’s Foreign Agricultural Service Export Sales Reporting. Total commitments are down 23 percent from the same time last year, but total exports for the full (June-May) marketing year are projected down by only 12 percent. U.S. wheat total export commitments represent only 41 percent of the (projected) marketing year total, which is down from 47 percent last year. Exports are expected to benefit from reduced competition in the second half of the marketing year as competitor supplies become more limited, particularly considering tight supplies in Canada and uncertainty regarding Russia’s export tax. A similar situation emerged in 2018/19, when total export commitments as of week 14 represented only 38 percent of the marketing year total. Shipments that year surged in the second half as exports from Russia tapered off and U.S. wheat became more competitively priced in key markets.

Figure 1
Cumulative exports sales through September 2 and full marketing year exports



Note: Accumulated exports and outstanding sales are as of week 14, exact dates vary by year. Shipments remaining is the difference between total commitments as of that date and the full marketing year shipments (which is a forecast for 2021/22).
 Source: USDA, Foreign Agricultural Service, Export Sales Reporting; USDA, Economic Research Service calculations.

Domestic Outlook

Domestic Changes at a Glance:

- U.S. wheat production is unchanged this month. USDA's National Agricultural Statistics Service (NASS) will update U.S. wheat production in the September 30 *Small Grains Summary* report.
- According to the September 7 NASS *Crop Progress* report, the spring wheat harvest in the primary 6 states is 95 percent complete as of September 5, ahead of last year (80 percent) and the recent 5-year average (83 percent). Winter wheat plantings for 2022/23 have begun, with seeding estimated to be 5 percent complete in the primary 18 producing States. This compares with 5 percent last year and a 5-year average of 3 percent.
- Food use for 2020/21 is revised upward by 2 million bushels to 961 million with a larger first quarter estimate of nonmilled food use. The additional consumption is accounted for by hard red winter (HRW) wheat. With stocks and total consumption unchanged, feed and residual is adjusted lower to offset.
- Total wheat food use is adjusted higher in 2021/22 to maintain a similar growth trajectory in the coming year. HRW food use is boosted 4 million bushels to 400 million, while durum food use is cut 2 million bushels to 82 million, partly driven by the slow pace of durum imports. Durum use is projected to return to a normal level after spiking in the past year because of strong consumer demand for pasta products during the COVID-19 pandemic. High durum prices also contribute to the expectation of reduced consumption of that class.
- The 2021/22 all-wheat export forecast is unchanged at 875 million bushels, but there are offsetting changes to individual classes. HRW exports are cut 5 million bushels to 355 million based on a slow pace of export sales, while soft red winter (SRW) wheat is boosted 5 million to 120 million. Exports of both HRW and SRW are projected up from last year.
- The 2021/22 all-wheat import forecast is reduced 10 million bushels to 135 million on the pace of trade. Hard red spring (HRS) and durum are reduced by 5 million bushels to 65 million and 55 million bushels, respectively. Both the HRS and durum crops were significantly impacted by drought in the Northern Plains this year, resulting in tight supplies and higher prices. However, imports in June and July were limited for both classes as production in Canada, the main supplier, was also impacted by drought.

- According to USDA's Foreign Agricultural Service Export Sales data (as of September 2), total U.S. commitments—accumulated exports plus outstanding sales—are approximately 9.8 million metric tons, down 23 percent from last year. Exports for the full June-May marketing year, at 875 million bushels, are projected down 12 percent from the previous year. The pace of shipments and sales has lagged somewhat in the early months of 2021/22 but is expected to pick up later in the marketing year with more buyers anticipated to return to U.S. wheat as competitor supplies become tighter.
- The 2021/22 Season-Average Farm Price (SAFP) is reduced \$0.10 per bushel to \$6.60 based on lower-than-expected farmgate prices as reported in the August 31 NASS *Agricultural Prices* report. The July 2021 all-wheat farmgate price was estimated at \$6.26, which is up from \$6.24 in June 2021 and substantially above the \$4.54 in July 2020. Although futures prices remain robust and future months are expected to show larger farmgate prices, July is typically the largest month of wheat marketing, which makes it unlikely that the SAFP will reach the previously estimated target.
- The major changes to the U.S. all-wheat balance sheet are summarized in table 1.

Table 1 - U.S. wheat supply and use at a glance 2021/22 (in million bushels)

Balance sheet item	2020/21 September	2021/22 August	2021/22 September	2021/22 Change month to month	Comments
Supply, total					<i>June-May Marketing Year (MY)</i>
Beginning stocks	1,028	844	844	0	
Production	1,826	1,697	1,697	0	No update until September 30.
Imports	100	145	135	-10	Durum and Hard Red Spring both reduced by 5 million bushels on pace of trade.
Supply, total	2,954	2,686	2,676	-10	
Demand					
Food	961	962	964	+2	Food use expectations raised on revision to 2020/21. Hard Red Winter raised 4 million bushels, while durum is lowered 2 million.
Seed	61	62.0	62.0	0	
Feed and residual	97	160	160	0	
Domestic, total	1,119	1,184	1,186	+2	
Exports	992	875	875	0	Offsetting revisions to Hard Red Winter (-5 million bushels) and Soft Red Winter (+5 million bushels).
Use, total	2,110	2,059	2,061	+2	
Ending stocks	844	627	615	-12	Ending stocks still projected to be the lowest in 8 years.
Season-Average Farm Price (SAFP)	\$5.05	\$6.70	\$6.60	-\$0.10	Weaker-than-expected cash prices in the month of July.

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

International Outlook

2021/22 Global Wheat Production Remains at Record

Global wheat production is revised up 3.4 million metric tons (MT) to 780.3 million, driven entirely by larger foreign wheat production, with the U.S. crop still estimated at 46.2 million MT. **Australia** and **India** lead the increase with 1.5 million MT adjustments to both countries based on updated estimates from their statistical agencies.

Production in **Canada** is lowered 1 million MT to 23.0 million. This is based on a decrease in yield of 0.11 metric ton per hectare (MT/ha) to 2.5, driven by updated estimates from Statistics Canada. An increase in rainfall in late August in the Prairies has stalled the spring wheat harvest. While this rain replenished soil moisture for next year, it could further degrade the quality of the current spring wheat crop.

Argentina sees a decrease in production (-500,000 MT) as dry conditions during emergence and booting (last stage prior to head emergence and flowering) led to a lower yield estimate (down 0.07 MT/ha to 3.08). While east and south Argentina received rains, they are not enough to sustain an optimal wheat crop. Timely rains could help keep production in Argentina at a record of 20.0 million MT.

Offsetting these reductions, production in **Australia** is revised upwards to 31.5 million based on a yield increase (0.13 MT/ha to 2.41 MT/ha), which more than offsets a reduction to harvested area (-100,000 hectares to 13.1 million). The Normalized Difference Vegetation Index is reading average to above average for the month of August. As the crop approaches flowering stages, September precipitation will be pivotal for yield potential as areas that received below average precipitation in August will need a boost in soil moisture.

In Europe, Balkan states led the upward revisions to production with **Germany** partially offsetting these revisions. Production estimates increase to new records in **Bulgaria** (+650,000 MT to 6.7 million) and **Romania** (+300,000 MT to 10.3 million) on upward revisions to yield expectations. **Germany** saw a downward revision in production of 500,000 MT to 22.1 million based on lower yield expectations (-0.17 MT/ha to 7.62). Overall, the **European Union (EU)** production estimate increases by 400,000 MT to 139.0 million. The yield estimate for the EU is revised up to 5.81 MT/ha and remains short of the record. Production in **Serbia** is anticipated to

match the current record of 3.2 million MT (up 300,000 MT from the previous month) based on higher anticipated yields (5.33 MT/ha).

Outside the major exporters, production in **India** is revised upward to 109.5 million MT with a yield increase (+0.09 MT/ha to 3.46) more than offsetting a reduction in harvested area (-385,000 hectares to 31.6 million). Based on updated official data, **China** production is revised up 900,000 MT to 136.9 million with higher harvested area more than offsetting a lower yield. **South Africa** has received above average rain during May through July leading to a production increase of 200,000 MT to 2.1 million. Yield expectations are just short of the record at 4.02 MT/ha, up 0.33 MT/ha month-to-month. For an overview of all 2021/22 marketing year revisions, see table 2.

Table 2 - Wheat production at a glance (2021/22), September 2021				
Country or region	Marketing year	Production	Month-to-month change	
		Million tons		
World		780.3	↑	3.4
Foreign		734.1	↑	3.4
United States	<i>June-May</i>	46.2	→	-
Argentina	<i>December-November</i>	20.0	↓	(0.5)
Australia	<i>October-September</i>	31.5	↑	1.5
Canada	<i>August-July</i>	23.0	↓	(1.0)
China	<i>July-June</i>	136.9	↑	0.9
European Union	<i>July-June</i>	139.0	↑	0.4
India	<i>April-March</i>	109.5	↑	1.5
Serbia	<i>July-June</i>	3.2	↑	0.3
South Africa	<i>October-September</i>	2.1	↑	0.2

Source: USDA, Economic Research Service; USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

Global Wheat Consumption Increase Led by Feed and Residual Use

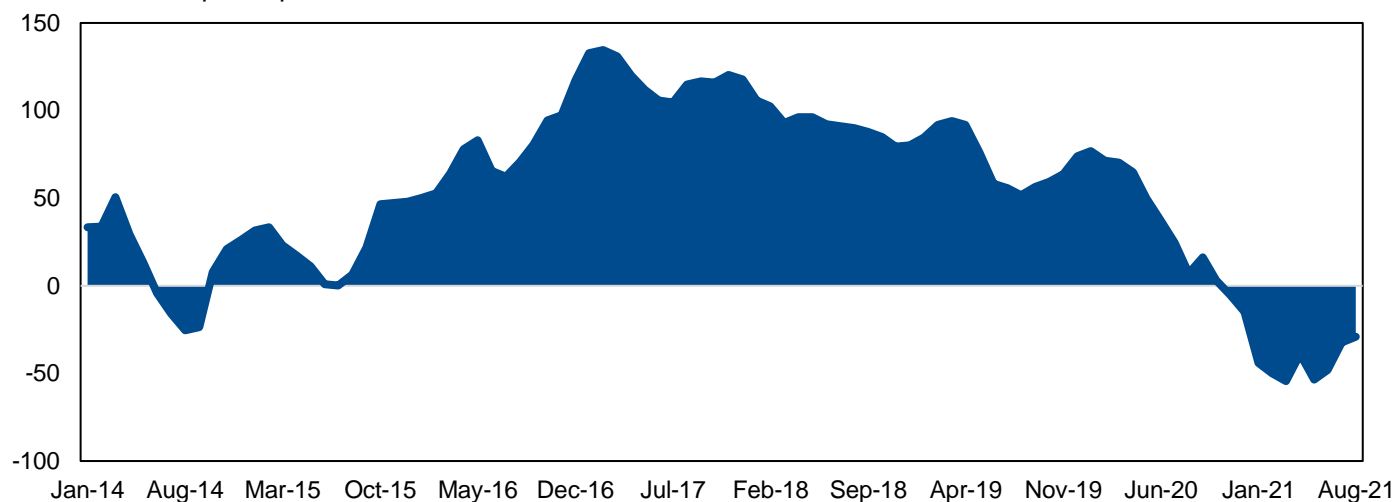
The global wheat consumption forecast in 2021/22 increased by 2.1 million MT to 786.9 million. This increase is largely due to an upward revision to feed and residual of 1.8 million MT to 159.2 million, which if realized will be a new record in 2021/22. **China** and **Australia** see an upward revision to feed and residual because of larger crops. China is revised up 1 million MT to 36.0 million and Australia is revised up 200,000 MT to 4.7 million. While the discount for wheat relative to corn in China (measured by the national average price), has decreased since May 2021, wheat remains competitive in feed rations (figure 2). **Kazakhstan** and **Pakistan** see an

increase in feed and residual use of 200,000 MT to 1.5 million and 1.2 million, respectively. For 2020/21, feed and residual is down 619,000 MT with a reduction to **Canada** (-780,000 MT) partially offset by an increase to **Bangladesh** (+100,000 MT).

Figure 2

China wheat-corn domestic price spread in 2021 remains low

Wheat-to-corn price spread in U.S. dollars



Notes: This price spread indicates the gap between the wholesale national average for wheat and maize. Prices used in wheat-to-corn price spread are reported as U.S. dollars per metric ton.

Source: Food and Agriculture Organization of the United Nations, Global Information and Early Warning System.

Food, seed, and industrial (FSI) consumption remains steady month to month with only a 239,000 MT upward revision to 627.7 million. For 2020/21, FSI consumption is revised downward by 916,000 MT to 618.2 million. **India** is projected smaller by 802,000 MT to 95.8 million based on an upward revision to ending stocks.

A slight adjustment is also made to total consumption based on the local marketing year (MY) trade adjustments for 2021/22. The unaccounted trade is increased by about 900,000 MT to 2.7 million as a result of MY exports being lowered more than MY imports. By adding this to total consumption, the total adjusted consumption in 2021/22 is projected at 789.6 million MT.

Global Wheat Trade Marginally Higher for 2021/22

Global wheat trade is raised slightly month to month. July-June Trade Year (TY) exports increase by 1.1 million MT to 200.9 million with stronger exports for **Australia** and **India**. Australia sees an increase in exports of 500,000 MT to 24.0 million because of larger anticipated production. India is revised upwards by 900,000 MT to 3.5 million based on abundant supplies and competitive prices to nearby markets, such as Bangladesh. Partially

offsetting these upward revisions is a decrease in exports for **Canada** (-500,000 MT to 17.0 million) as difficult growing conditions continue to diminish crop prospects. Several countries saw adjustments to the 2020/21 trade year exports due to finalized trade data. Most notably, the **EU** was revised down 1.1 million due to lower-than-expected shipments in the month of June. See table 3 below for a summary of the major export changes this month.

Table 3 - Summary of export adjustments, September 2021 ¹				
Country or region	2020/21 Adjustments		2021/2022 Adjustments	
	September estimate	Change	September estimate	Change
	1,000 metric tons		1,000 metric tons	
World	197,679	↓ (477)	200,923	↑ 1,105
United States	26,702		24,500	
Australia	19,782		24,000	↑ 500
Canada	27,706		17,000	↓ (500)
European Union	29,623	↓ (1,127)	35,000	
India	3,450	↑ 350	3,500	↑ 900
Kazakhstan	8,128	↑ 128	7,200	
Nigeria	600		500	↑ 100
Russia	38,500		35,000	
Serbia	961	↑ 21	1,000	↑ 100
Ukraine	165,851	↑ 101	23,500	

¹Month-over-month changes to the July/June Trade Year. Changes less than 100,000 metric tons are not included.
Source: USDA, Economic Research Service; USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

Imports in 2021/22 are marginally revised upward by 910,000 MT to 197.1 million. The largest revisions are to **Iran**, **Kazakhstan**, and **Bangladesh**. Iran and Kazakhstan are both projected to import more wheat due to lower production year over year, with Russia the major supplier in both cases. Bangladesh is revised upward by 300,000 MT to 7.2 million based on consumption growth in prior years. Imports in 2020/21 remain steady with offsetting reductions. See table 4 for a summary of major import adjustments for 2020/21 and 2021/22 trade year.

Table 4 - Summary of import adjustments, September, 2021 ¹				
Country or region	2020/21 Adjustments		2021/2022 Adjustments	
	September estimate	Change	September estimate	Change
	1,000 metric tons		1,000 metric tons	
World	194,348	↑ 2	197,079	↑ 910
United States	2,689		3,700	
Algeria	7,519	↓ (119)	7,150	
Bangladesh	7,150	↑ 450	7,200	↑ 300
Belarus	81		100	↓ (100)
Chile	1,558	↑ 108	1,500	↑ 100
Egypt	12,149	↓ (351)	13,000	
European Union	5,373	↓ (17)	5,400	
Indonesia	10,350	↑ 150	10,400	
Iran	2,200		2,500	↑ 400
Iraq	2,713	↓ (127)	2,800	
Israel	1,629	↓ (171)	1,800	
Kazakhstan	800	↑ 200	800	↑ 300
Morocco	5,191	↓ (209)	4,500	
Nigeria	6,586	↑ 86	5,800	↑ 200
Saudi Arabia	2,816	↓ (184)	3,200	
South Africa	1,819	↑ 22	1,900	↓ (200)
Switzerland	480	↓ (20)	500	↓ (100)
Uzbekistan	3,758	↑ 258	3,200	

¹Month-over-month changes to the July/June Trade Year. Changes less than 100,000 metric tons are not included.
Source: USDA, Economic Research Service; USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

Mild Relief for Global Ending Stocks in 2020/21 and 2021/22

Global ending stocks are revised up by 3.7 million MT to 292.6 million for 2020/21. Most of this upward revision is due to **Canada** and the **EU**. Statistics Canada released an updated ending stocks figure for 2020/21 of 5.7 million MT, which is up 1.9 million MT from the USDA August estimate. For the EU, their 2020/21 ending stocks are revised up 1 million MT to 10.1 million due to the slower pace of exports at the end of the marketing year.

For 2021/22, global ending stocks are revised up 4.2 million MT to 283.2 million. Most of this change is based on higher beginning stocks anticipated for 2021/22. A few countries saw

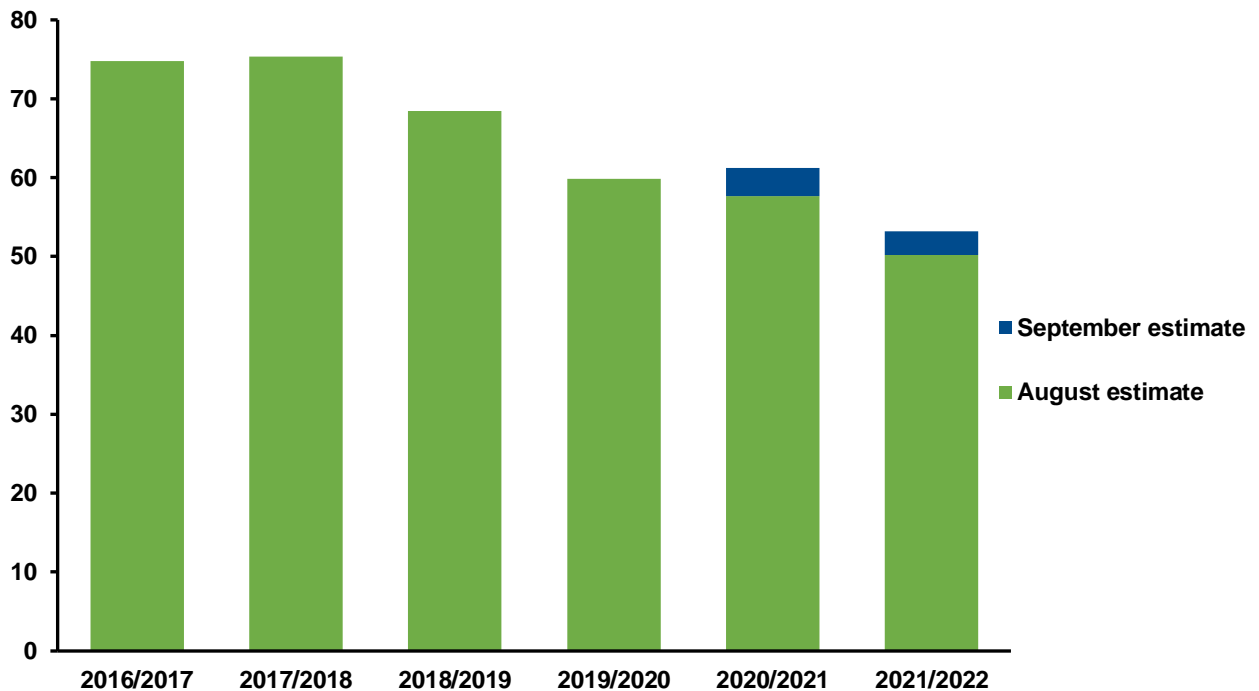
upward revisions due to larger forecasts for production: **India** (1.4 million MT to 28.8 million), **Australia** (300,000 MT to 4.9 million), the **EU** (1.4 million MT to 11.0 million).

Figure 3 shows the month-to-month change for ending stocks of the major exporters. While ending stocks are still tight compared to recent years, these revisions have provided some relief to global stocks.

Figure 3

Major exporters' ending stocks revised up for 2020/21 and 2021/22

Million metric tons (MMT)



Note: Major exporters include Argentina, Australia, Canada, the EU, Kazakhstan, Russia, Ukraine, and the United States

Source: USDA, Economic Research Service; USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

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