



# Wheat Outlook: September 2020

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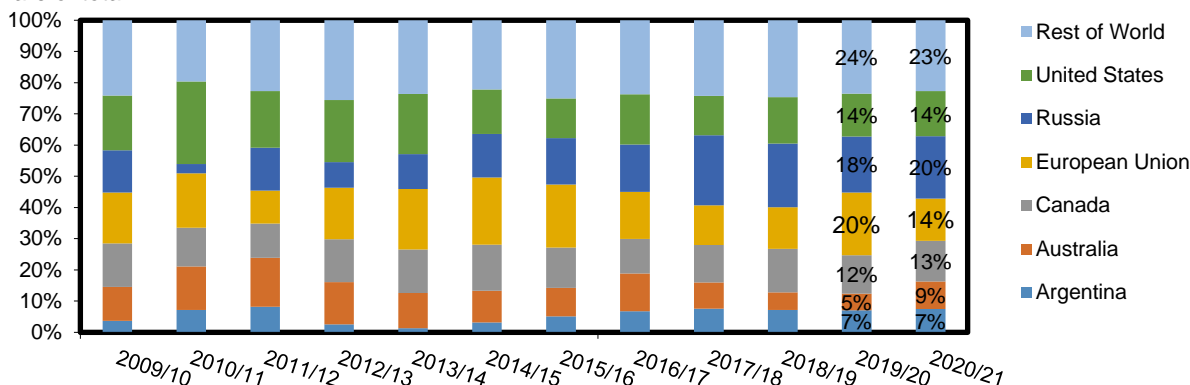
## Larger Crops Forecast for Key Exporting Nations, U.S. Balance Sheet Unchanged

The global outlook for 2020/21 wheat production is raised more than 4 million metric tons this month to 770.4 million on sizable gains for Australia, Canada, and the European Union. Based on production gains that place Canada's estimated 2020/21 wheat crop at near-record size, Canadian exports are projected to be record-high at 25 million metric tons or 13 percent of global exports (fig. 1). The U.S. export forecast is maintained at 27 million metric tons, based on the current estimate for exportable supplies, the pace of sales and commitments to date, relative prices, and expectations for sustained demand. Among key competitors, the U.S. is expected to export the second-greatest volume of wheat in the new marketing year, behind only Russia. At 37.5 million metric tons, Russia is forecast to be the leading global wheat exporter.

Figure 1

### Production boosts help to lift Australia and Canada's share of global exports in 2020/21

Share of total



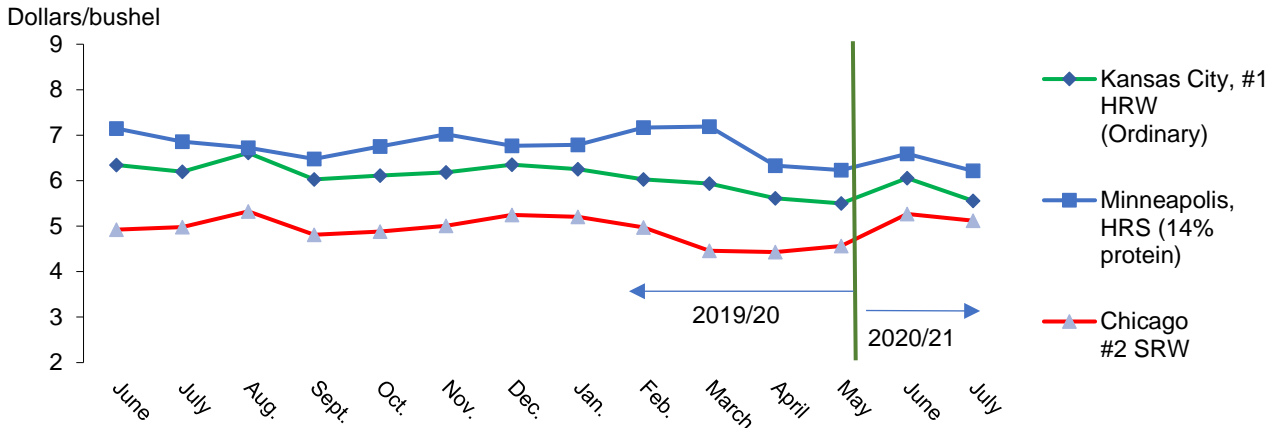
Sources: USDA, Foreign Agricultural Service, Production, Supply, and Distribution database and USDA, Economic Research Service calculations based on USDA, National Agricultural Statistics Service data.

# Domestic Outlook

## Domestic Changes at a Glance:

- The 2020/21 U.S. all wheat supply and demand estimates are unchanged from the August projections.
- The all wheat season-average farm price (SAFP) is unchanged from the previous forecast and remains at \$4.50 per bushel following mixed and mostly offsetting movements for both cash and futures wheat prices (fig 2.).
- As of the week ending September 6, the winter wheat crop was 100 percent harvested while the spring wheat crop was 82 percent harvested and compares with the 5-year average of 87 percent.
- Aided by largely dry conditions, winter wheat planting for 2021/22 is underway in many key States. As of September 13, 10 percent of intended wheat acres in the 18-State reporting area had been planted and compares with 8 percent the year prior.
- On September 30, USDA, National Agricultural Statistics Service (NASS) will release the 2020 *Small Grains Annual* and the *Grain Stocks* report.
  - The *Small Grains Annual* will contain any production revisions for winter, other spring, and durum wheat, as well as wheat-by-class production estimates.
  - The *Grain Stocks* report will provide indications of 2020/21 first quarter wheat disappearance and inform potential updates to quarterly stocks and feed and residual use projections.

Figure 2  
**Wheat by class cash prices mixed in the first months of the new marketing year**



Notes: HRW=hard red winter wheat; HRS=hard red spring wheat; SRW=soft red winter wheat.  
 Source: USDA, Agricultural Marketing Service, *Livestock and Grain Market News Portal*.

**Table 1 - U.S. wheat supply and use at a glance 2020/21, August and September**

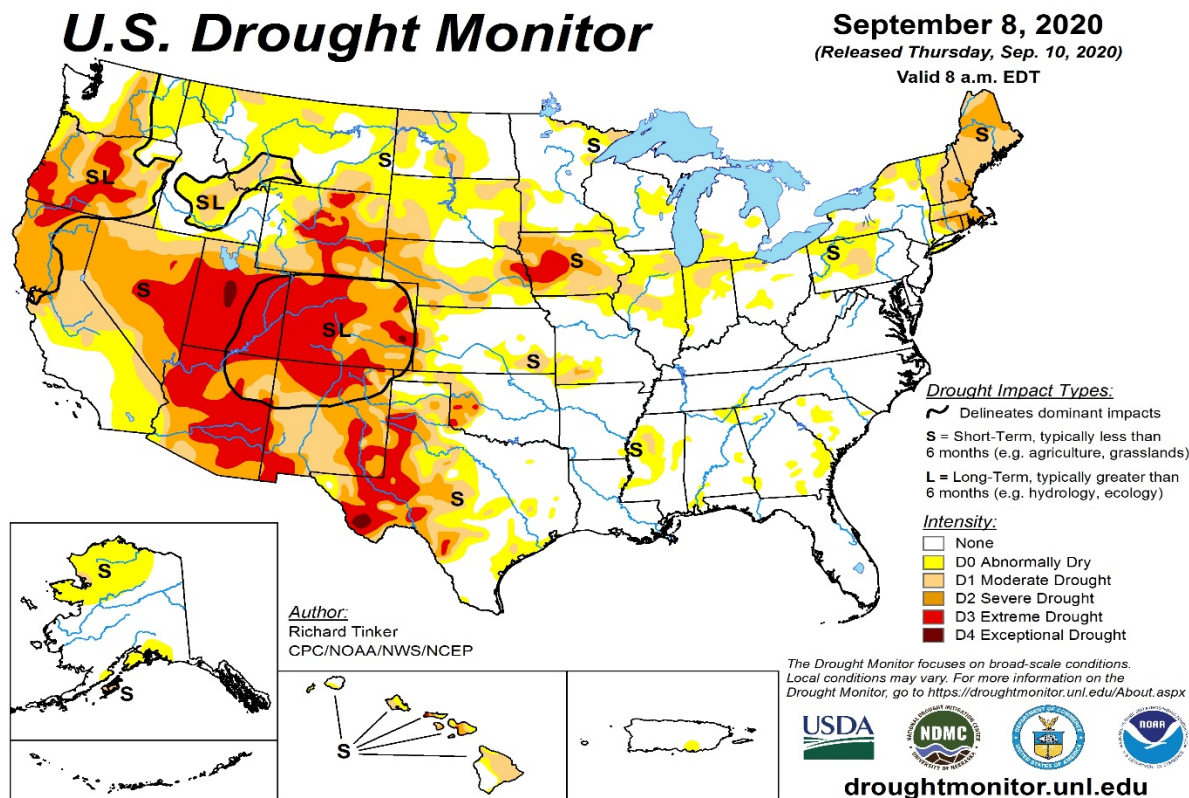
Balance sheet item	2020/21 August	2020/21 September	2020/21 Change from previous month	Comments
<b>Supply, total</b>				<i>May-June Marketing Year (MY)</i>
Beginning stocks	1,044	1,044	0	
Production	1,838	1,838	0	USDA, NASS will release updated 2020/21 harvest data in the September 30 <i>Small Grains Annual</i> report.
Imports	130	130	0	
Supply, total	3,011	3,011	0	
<b>Demand</b>				
Food	960	960	0	
Seed	61	61	0	
Feed and residual	90	90	0	
Domestic, total	1,111	1,111	0	
Exports	975	975	0	The U.S.'s competitive position in global export markets continues to support the current all wheat export forecast. Hard Red Winter wheat exports are raised 5 million bushels while Soft Red Winter wheat is trimmed 5 million.
Use, total	2,086	2,086	0	
Ending stocks	925	925	0	
Season Average Farm Price	\$4.50	\$4.50	0.0	Price movements have been largely mixed with gains in cash and futures wheat prices at the end of August largely offset by recent declines.
Source: USDA, World Agricultural Outlook Board <i>Supply and Demand Estimates</i> .				

## 2020/21 Harvest Nears Completion, Spring Wheat Lags Behind Average Pace

As of the week ending September 6, 2020, the spring wheat harvest was estimated by USDA, NASS to be 82 percent complete—an advance of 13 points from the prior week and 5 points behind the 5-year average pace of 87 percent. Recent dry weather is aiding harvest progress. An early September cold spell is said to have briefly brought temperatures below zero but is not thought to have harmed the mostly mature spring and durum crops. According to the North

Dakota Wheat Commission, the average protein level for the North Dakota spring wheat crop is 14.6 percent and slightly above average, as of September 9, 2020. The Northern Plains durum harvest progresses with North Dakota reporting 71 percent harvested as compared to the weather-delayed harvest of 2019 which saw just 43 percent harvest at the same week. The September *Small Grains Annual* report will provide the next update for other spring and durum production.

Figure 3  
**Dry Conditions in Western U.S. Spreading into High Plains Hard Red Winter Wheat Belt**



Source: U.S. Drought Monitor.

The 2020/21 winter wheat harvest is complete and Plains Grains, Inc. recently released its final HRW harvest summary of the marketing year. Protein levels were unchanged from the previous week and remain at 11.9 percent, above the 11.3 percent estimated for the 2019/20 crop. While the realized protein level is slightly below the target 12 percent, Plains Grains, Inc. reports that water absorption is “exceptionally good.”

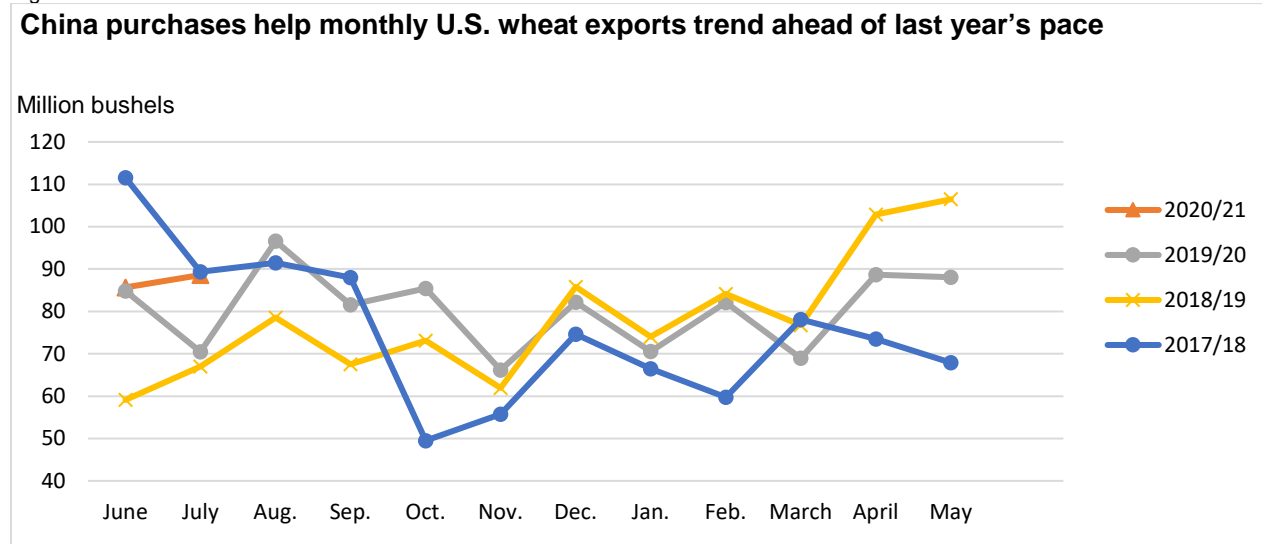
Planting of the 2021/22 winter wheat crop is underway with 10 percent planted as of September 13. In Western Kansas—the heart of the hard red winter wheat production belt, dry conditions persisted through harvest and into field preparation, with drought from the Western U.S. slowly advancing towards the High Plains (fig. 3). However, recent rains—estimated between a quarter

to a half inch—have arrived at the ideal time for wheat planting in Western Kansas. Replenished regional soil moisture levels are expected to aid in the sprouting next year’s dryland wheat crop and temporarily stave off the advancement of drought.

## U.S. Wheat Exports Benefit from Recent Purchases by China

This month, the U.S. Bureau of the Census released trade data through the month of July, indicating wheat exports are up nearly 13 million bushels above the 4-year average. The USDA, Foreign Agricultural Service weekly sales reports further indicate that commitments through the end of August have totaled 45 percent of the marketing year forecast, compared with 42 percent the year prior (fig. 4). While the Philippines is now the number one export market for U.S. wheat, China has been entering the U.S. marketing with significant recent purchases, helping export sales and commitments to exceed last year’s pace.

Figure 4



Source: U.S. Bureau of Census trade data.

U.S. sales have been buoyed by China’s creation of a Tariff Rate Quota (TRQ) for wheat totaling 9.64 million metric tons (354.2 million bushels). This TRQ is not required to be filled with purchases of U.S. wheat, however, calendar year-to-date, China commitments to purchase U.S. wheat have totaled 1.47 million metric tons, second only behind the Philippines. In the 2020/21 marketing year, despite U.S. wheat often not being the most price-competitive, China has continued to make significant purchases. On July 10, China purchased 190,000 metric tons of HRS and 130,000 metric tons of HRW followed by smaller purchases by Chinese Taipei towards the end of both July (98,200 metric tons) and August (net nearly 100,000 metric tons).

## U.S. Wheat Holds Steady on Mixed Price Movements

Weather reports for both the U.S. and other key exporting nations appears to have contributed to mixed export and futures price movements in August and through mid-September (fig. 5). Continued dryness in the European Union and Argentina provided some price support; however, notions of larger crops for Canada, Australia, and possibly Russia, inhibited much upward price movement. Further, cash price movements across the three main classes of wheat have largely been offsetting—providing little support for an upward or downward adjustment. On net, price movements for the previous four weeks have largely been neutral. Accordingly, the season-average farm price (SAFP) is unchanged this month and remains at \$4.50 per bushel and compares with the \$4.58 per bushel that farmers received for their 2019/20 wheat crop.

# International Outlook

## Global Supplies and Trade Raised on Expanded Production

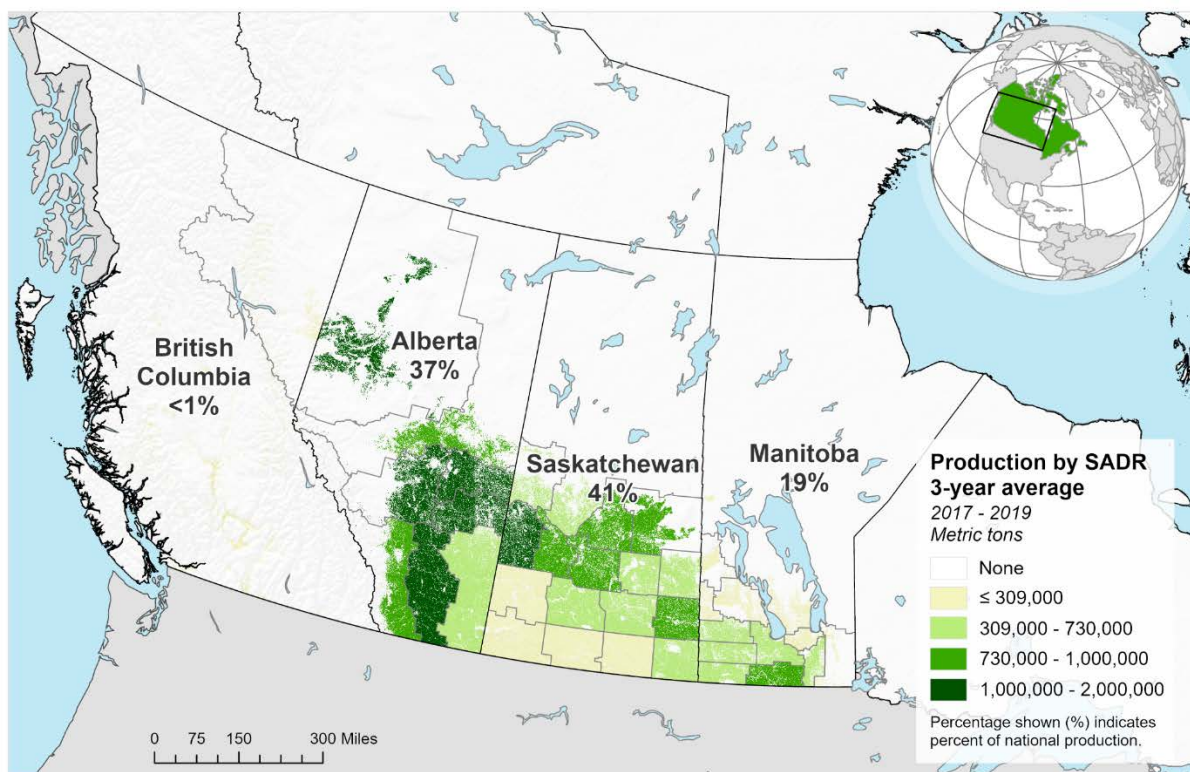
Global wheat supplies are increased 3.3 million metric tons to 1,070.3 million this month, largely on expanded production for Australia, Canada, and the European Union + United Kingdom (EU). Additional month-to-month increases in the 2020/21 South African and Indian wheat crops help to more than offset production cuts for Argentina, Brazil, and Iraq. On net, global production is increased 4.5 million tons from the August forecast to 770.49 million. The present global wheat forecast for 2020/21 is 6.5 million tons greater than the previous record-large 2019/20 wheat crop. Expanded production supports a slight increase in global wheat consumption, raised 0.8 million metric tons this month to 750.9 million. Because of larger crops, feed and residual consumption for Australia and Canada are raised 0.5 and 0.3 million metric tons, respectively. Net increased supplies pave the way for increase global trade, raised 1.5 million metric tons from the August forecast to 189.4 million.

## Revisions for Key Exporters Lift Global Production to New Record High

Sizable increases in estimated wheat production for key exporting countries Australia and Canada contribute to a net increase in global production this month. In Canada, the spring wheat harvest is underway and this year's crop is forecast to be nearly 11 percent larger than for 2019, based on the latest Statistics Canada report. At 36 million metric tons, the 2020/21 Canadian wheat crop is raised 2 million metric tons month to month and is now expected to be the second largest on record and the biggest wheat harvest in 7 years.

Spring wheat production typically accounts for between 70 to 75 percent of Canada's total wheat harvest with production concentrated in the Prairie Provinces of Alberta and Saskatchewan. These Provinces typically account for 37 and 41 percent of the spring wheat harvest, respectively, based on Statistics Canada data from 2017 to 2019 (fig. 5). In the key Prairie wheat-production zone, 2020/21 crop health is described as "normal to much better than normal" leading to a 1-percent gain in production from the previous year, despite a near 4-percent reduction in harvested area. Percentage gains in winter wheat and durum production are more remarkable at near 70 and 40 percent, respectively. However, these wheat classes are forecast to account for less than a third of Canada's total wheat production.

Figure 5  
**Canada's spring wheat production is highly concentrated in Alberta and Saskatchewan**



Source: USDA, Foreign Agricultural Service using data from Statistics Canada and the AgCanada Cropland Inventory.

With a significant expansion in supplies for Canada expected, projected exports for the country are raised 0.5 million metric tons. However, much of the production increase is expected to help bolster domestic Canadian stocks, which, as shown in the latest Statistics Canada *Grain Stocks* report, were well below industry expectations and the lowest in 12 years. Canadian stocks of 2019/20 wheat were drawn down on strong exports in the previous marketing year. A robust outlook for exports in 2020/21 is again forecast for Canada. At 25 million metric tons, Canada is expected to be the fourth largest exporter of wheat in the new marketing year behind Russia, the U.S., and the E.U. Canada is expected to provide intense competition for U.S. wheat in Southeast Asia, China, Japan and other markets that tend to import high-protein and spring wheat. Please see this month's USDA, FAS *Grain Markets and Trade* circular for additional analysis.

In recent weeks, Argentina's 2020/21 wheat crop has experienced both dryness and a freeze event. Wheat that had matured to the vegetative growth stage, when at least a flag leaf is present, is thought to have been most vulnerable to freeze damage that could have caused burned leaf tips. However, much of the Argentine crop was in the tillering stage—when growth is

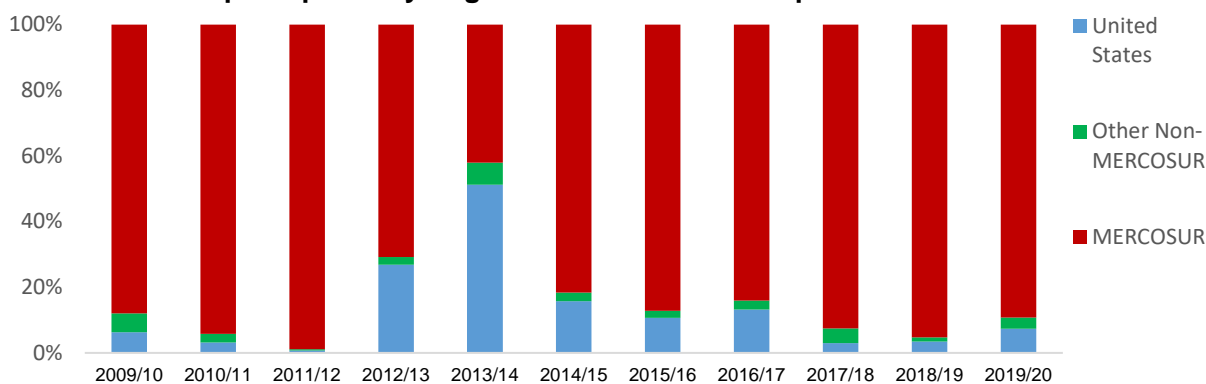


below the soil surface. In this stage, the nascent wheat would have largely been protected from freezing temperatures. Dry conditions and a lack of soil moisture pose a more profound and widespread threat to yields, lowered 0.16 metric tons per hectares this month to 3.07 tons.

In the key wheat production zone of Argentina, the evaporative stress index (ESI) indicates that soil moisture reserves in many areas are presently “insufficient” to support normal crop development leaving some industry outlets to characterize the conditions as the “worst drought in a decade.” Dry conditions are especially pronounced in Argentina’s central province of Cordoba where the ESI shows conditions to be anomalously drier than normal. This month’s reduction for Brazil aligns the USDA estimate with the most recent directional change proposed by the Argentinian Ministry of Agriculture—Bolsa Cereales de Rosario—that proposed a yield decrease with area maintained. On expectations of reduced exportable supplies, the outlook for 2020/21 wheat export from Argentina is revised down 0.5 million metric tons this month to 13.5 million. While lower month to month, the forecast volume of exports remains the second highest on record.

Like neighbor Argentina, Brazil recently experienced a freeze event that is expected to have harmed yields in the Rio Grande do Sul and Parana region. Combined, these areas typically account for about 85 percent of total wheat production. In Parana, the crop was further advanced with much of the wheat reportedly in the cold-sensitive, vegetative growth phase when temperatures dropped below freezing. In Rio Grande do Sul the regional wheat crop was less mature and primarily in the tillering phase—that likely provided some protection from the freezing temperatures. This month, production for Brazil is lowered 0.2 million metric tons (roughly 3 percent) to 6.6 million.

Figure 6  
**Brazil's wheat imports primarily originate from MERCOSUR partners**



Notes: Brazil’s trade year runs October through September. MERCOSUR is a South American trading bloc whose current full members include Argentina, Brazil, Paraguay, and Uruguay.  
 Sources: Trade Data Monitor and USDA, Economic Research Service calculations.

Accordingly, imports for Brazil are raised 0.1 million metric tons to 6.7 million metric tons. The U.S. is expected to benefit from the increased demand for wheat that combines with the recently increased Tariff Rate Quota (TRQ)—now pegged at 750,000, up from 500,000—is expected to benefit non-MERCOSUR trading partners. MERCOSUR is a South American trading bloc. Historically, when Brazil has relaxed import restrictions, the nation has imported sizable quantities of U.S. wheat. However, most of Brazil's wheat imports come from MERCOSUR trading partners—most especially Argentina (fig. 6). For more information, please see the December 2019 *Wheat Outlook* for a feature on Brazil import prospects under the new TRQ.

## Suggested Citation

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