



Wheat Outlook: October 2021

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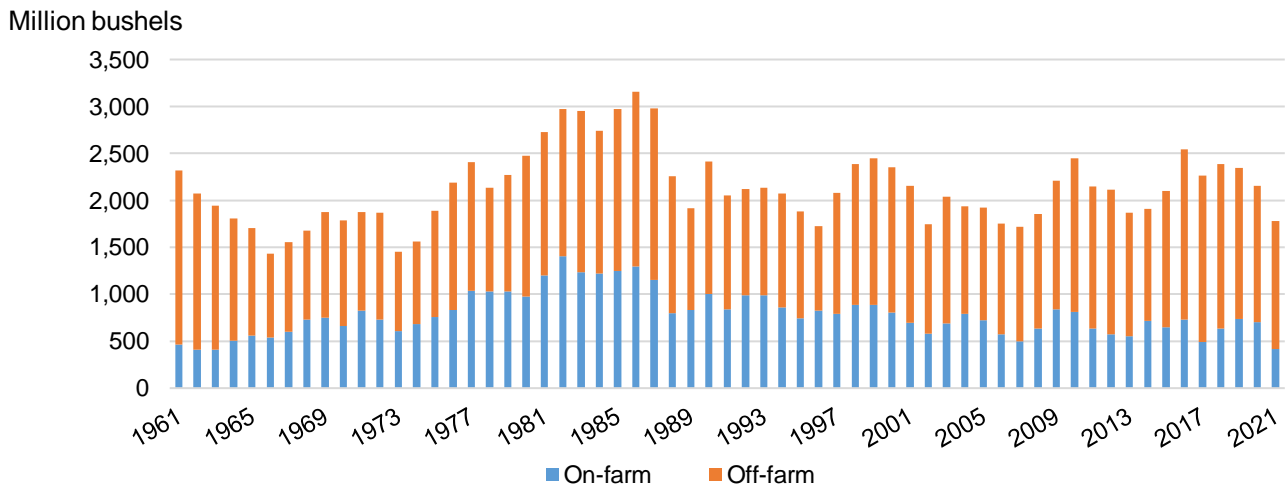
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U.S. September 1 Stocks Lowest in 14 Years

USDA’s National Agricultural Statistics Service (NASS) published its *Grain Stocks* report on September 30, which indicated that wheat stocks as of September 1 this year were the lowest for that date since 2007. Stocks this year are especially tight based on a smaller crop, as indicated in the NASS *Small Grains Annual Summary* report, published concurrently with the stocks report. Estimated disappearance during the marketing year first quarter (June-August) is actually smaller than previously anticipated. It is also noteworthy that on-farm stocks are estimated at the lowest level since 1963 (figure 1). This statistic suggests that with favorable pricing and limited supplies overall, producers have already delivered much of this year’s crop. Notably, the season-average farm price for 2021/22 is now projected at \$6.70, which would be up 33 percent from last year and the highest since 2013/14.

Figure 1
September 1 U.S. stocks, on-farm and off-farm



Source: USDA, National Agricultural Statistics Service.

Domestic Outlook

Domestic Changes at a Glance:

- U.S. wheat production is lowered this month based on revised figures from the September 30 *Small Grains Summary* report published by USDA's National Agricultural Statistics Service (NASS).
 - Hard Red Winter (HRW) production is estimated down 27 million bushels to 749 million based on lower estimated yield.
 - Soft Red Winter (SRW) production is estimated 5 million bushels lower at 361 million with reductions to both area harvested and yield.
 - Hard Red Spring (HRS) is lowered 8 million bushels to 297 million as reduced area harvested more than offsets the impact of a higher yield. The harvested-to-planted ratio for HRS is estimated at 89 percent, which is much smaller than usual as drought conditions resulted in historically large abandonment for this class.
 - White wheat is lowered 13 million bushels to 201 million with lower yield more than offsetting a slight increase to area harvested.
 - Durum production is raised slightly (3 million bushels) to 37 million, but is still the lowest since 1961. Area harvested and yields are both increased marginally.
- According to the latest NASS *Crop Progress* report, winter wheat plantings for 2022/23 have begun, with seeding estimated to be 60 percent complete in the primary 18 producing States, as of October 10. This is equal to the planting pace for the recent 5-year average and slightly behind the 66 percent planted at the same point last year.
- Seed use for 2020/21 is revised upward by 3 million bushels to 64 million with HRS accounting for most of the change, while other classes were revised only slightly higher. With stocks and total consumption unchanged, feed and residual is adjusted lower to offset.
- Feed and residual use for 2021/22 is lowered by 25 million bushels to 135 million based on lower-than-expected disappearance during the marketing year first quarter (June-August), as implied by the NASS *Grain Stocks* report. Also supporting the lower feed and residual estimate for the marketing year is the smaller production figure provided by NASS as well as expectations that wheat will largely be priced out of feed rations for the remainder of the marketing year based on uncompetitive forward pricing relative to corn.

- The 2021/22 all-wheat export forecast is unchanged at 875 million bushels, but there are offsetting changes to individual classes. HRW exports are raised 5 million bushels to 360 million based on a strong pace of export sales and tight competitor supplies. On the other hand, White wheat exports are reduced 5 million bushels to 155 million based on a weak pace of export sales and historically tight supplies. Indonesia's recent willingness to purchase SRW instead of Soft White is an indication of some price elasticity in White wheat export demand.
- The 2021/22 all-wheat import forecast is reduced 10 million bushels to 125 million on the pace of trade. HRS and Durum are each reduced by 5 million bushels to 60 million and 50 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 the first quarter of the marketing year (June through August) were limited for both classes as production in Canada, the main supplier, was also impacted by drought.
- First quarter (June-August) exports totaled 250 million bushels, down 9 percent from the first quarter of last year. According to USDA's Foreign Agricultural Service Export Sales data (as of September 30), total U.S. commitments—accumulated exports plus outstanding sales—are approximately 11.4 million metric tons, down 21 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 raised \$0.10 per bushel to \$6.70 based on stronger-than-expected farmgate prices as reported in the September 30 NASS *Agricultural Prices* report. The August 2021 all-wheat farmgate price was estimated at \$7.13, which is up from \$6.26 in July 2021 and substantially above the \$4.54 in August 2020. Stronger futures prices in the last month also contribute to expectations that the farmgate wheat price in the coming months will continue to be robust.
- 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 October	2021/22 September	2021/22 October	2021/22 Change month to month	Comments
Supply, total					<i>June-May Marketing Year (MY)</i>
Beginning stocks	1,028	844	845	+1	Revised figure
Production	1,828	1,697	1,646	-51	Reduced production estimate according to USDA's National Agricultural Statistics Service (NASS)
Imports	100	135	125	-10	Lower projected imports of durum and Hard Red Spring (HRS) on pace of trade
Supply, total	2,957	2,676	2,616	-60	
Demand					
Food	961	964	964	0	
Seed	64	62	62	0	2020/21 seed use revised up
Feed and residual	95	160	135	-25	Smaller than expected production and stocks reported by USDA/NASS
Domestic, total	1,120	1,186	1,161	-25	
Exports	992	875	875	0	Larger Hard Red Winter (HRW) exports more than offset smaller projected White wheat exports
Use, total	2,111	2,061	2,036	-25	
Ending stocks	845	615	580	-35	Stocks at the lowest level since 2007/08
Season-Average Farm Price (SAFP)	\$5.05	\$6.60	\$6.70	+\$0.10	Stronger farm gate prices as reported by USDA/NASS as well as higher futures prices
Source: USDA, World Agricultural Outlook Board <i>World Agricultural Supply and Demand Estimates</i> .					

International Outlook

2021/22 Global Wheat Production Declines Month-to-Month

Global wheat production is revised downward by 4.4 million metric tons (MT) to 775.9 million. This revision is led by significant production cuts for **Canada**, **Iran**, and the **United States** with a partially offsetting upward revision to the **European Union (EU)**. All production adjustments for 2021/22 are displayed in table 2.

Country or region	Marketing year	Production	Month-to-month change
		Million tons	
World		775.9	↓ (4.4)
Foreign		731.1	↓ (3.0)
United States	<i>June-May</i>	44.8	↓ (1.4)
Brazil	<i>October-September</i>	7.9	↑ 0.2
Canada	<i>August-July</i>	21.0	↓ (2.0)
European Union	<i>July-June</i>	139.4	↑ 0.4
Iran	<i>April-March</i>	13.5	↓ (1.5)
Japan	<i>July-June</i>	1.1	↑ 0.1
Kazakhstan	<i>September-August</i>	12.0	↓ (0.5)
Mexico	<i>July-June</i>	3.2	↑ 0.1
Serbia	<i>July-June</i>	3.3	↑ 0.1

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

Canada continues to see cuts to production (-2.0 million MT to 21.0 million) due to hot and dry weather conditions during the growing season. Area harvested reaches the lowest since 2010 at 8.5 million hectares based on a higher abandonment rate. Yield is down slightly month-to-month at 2.47 metric tons per hectare (MT/ha), 26 percent below the 3-year average. With harvest almost complete, **Kazakhstan** is expected to produce 12.0 million MT of wheat. This reduction is driven by a decrease in yield of 0.03 MT/ha to 0.95 due to hot and dry conditions.

Production in the **EU** is expected to be up 400,000 MT to 139.4 million mainly driven by a slight increase in area harvested (+50,000 hectares). Higher production is expected in **Bulgaria** (+400,000 MT to 7.1 million), **Romania** (+250,000 MT to 10.5 million), and **Czech Republic** (+345,000 MT to 4.9 million). The Normalized Difference Vegetation Index for Bulgaria and

Romania showed average to above average conditions warranting an increase in expected yield. This is partially offset by a reduction in **France** (-595,000 MT to 37.7 million) based on updated data from the Ministry of Agriculture.

Outside the major exporters, **Iran** saw a decline in production (table 3) that was partially offset with upward revisions to **Japan**, **Mexico**, and **Brazil**. A 10-percent reduction in production compared to the previous marketing year is expected for Iran. Drought conditions have resulted in a lower yield, tighter domestic production, and large imports. Japan has experienced favorable weather conditions in main producing regions. The expected yield is just short of the record at 5.16 MT/ha, up 0.65 month to month. Production and yields in Mexico are revised upwards as drought conditions have subsided during the monsoon season. The impacts of Hurricane Grace in the Puebla and Tlaxcala regions are currently unknown. Production in Brazil reaches 7.9 million MT as they have experienced mild temperatures coupled with sufficient moisture during the growing season. Yield is expected to reach the second highest on record at 2.93 MT/ha.

Table 3: By country balance sheet for Iran, October 2021

Attribute	Unit	Official marketing year estimates					Marketing year revisions		
		2017/18	2018/19	2019/20	2020/21	2021/22	2019/20 change	2020/21 change	2021/22 change
Beginning stocks	Million metric tons	10.4	6.8	4.9	4.0	3.9	(1.3)	(2.6)	(3.6)
Area harvested	Million hectares	6.5	6.7	6.2	6.0	6.4	(0.5)	(0.7)	(0.3)
Yield	Metric ton/hectare	1.95	2.16	2.51	2.50	2.11	-	-	(0.13)
Production	Million metric tons	12.7	14.5	15.6	15.0	13.5	(1.3)	(1.8)	(1.5)
Trade year imports	Million metric tons	0.2	0.2	2.0	2.2	4.5	-	-	2.0
Total supply	Million metric tons	23.3	21.4	21.7	21.0	21.9	(2.6)	(4.3)	(3.1)
Feed and residual use	Million metric tons	1.5	1.5	2.0	1.5	2.0	-	(0.5)	-
FSI consumption ¹	Million metric tons	14.4	14.6	15.2	15.4	15.6	-	(0.2)	(0.1)
Total consumption	Million metric tons	15.9	16.1	17.2	16.9	17.6	-	(0.7)	(0.1)
Trade year exports	Million metric tons	0.7	0.3	0.5	0.3	0.3	-	-	-
Ending stocks	Million metric tons	6.8	4.9	4.0	3.9	4.0	(2.6)	(3.6)	(3.0)

¹ Food, seed, and industrial consumption.
Source: USDA, Economic Research Service; USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

A multi-year revision was made for Iran that resulted in a tighter country balance sheet (table 3). **Iranian** supplies in 2020/21 are now estimated to be at the lowest level in nearly a decade. 2020/21 production in **Belarus** was also revised up by 548,000 MT to 2.8 million based on finalized production data.

Downward Revision to 2021/22 Global Wheat Consumption

Global wheat consumption is revised downwards by 1.5 million MT to 785.5 million due to cuts to both feed and residual use and food, seed, and industrial (FSI) consumption. FSI

consumption leads this downward revision with a 939,000 MT cut to 626.8 million based on cuts to **Canada** and **India**. Based on tighter domestic supplies, Canadian FSI consumption decreases by 100,000 MT to 5.1 million. India sees a 500,000 MT cut to FSI consumption as they continue to have a competitive edge to export to nearby markets. **Sudan** and **Iran** both see a 100,000 MT decrease to 2.8 million and 15.6 million, respectively. **Bangladesh** partially offsets these revisions with a 100,000 MT increase to 7.9 million. 2020/21 FSI consumption is adjusted down 1.2 million to 617.1 million led by revisions for Canada (-251,000 MT to 4.9 million) and Iran (-200,000 MT to 15.4 million).

Feed and residual use is adjusted down slightly based on tighter stocks as well as general expectations of a large price premium for wheat relative to corn. The most notable revisions were cuts to **Kazakhstan** (-250,000 MT to 1.3 million) and the **United States** (-680,000 MT to 3.7 million) due to tighter domestic supplies. These were partially offset with an increase to **Russia** (+500,000 MT to 17.5 million) that offsets the reduction to Russia's coarse grain feed use. For 2020/21 feed and residual use, **Iran** is adjusted downward by 500,000 MT to 1.5 million based on lower domestic production. **Australia** feed and residual use in 2020/21 is also revised down 500,000 MT to 4.5 million as exports remain robust.

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 lowered by about 1.1 million MT to 1.6 million as a result of MY exports decreasing slightly while MY imports are adjusted higher. By adding this updated calculation of unaccounted trade to total consumption, the total adjusted consumption in 2021/22 is projected at 787.1 million MT.

Global Wheat Trade Higher Despite Decline in Production

Global wheat trade remains robust as wheat continues to be traded despite production concerns and higher export prices. July-June trade year (TY) exports increase by 890,000 MT to 201.8 million with stronger exports for **Australia**, the **EU**, and **India**. Ample supplies, at attractive prices, allows Australia to export to additional markets and become the third-largest exporter. For more detail, see this month's *Grain: World Markets and Trade* published by the Foreign Agricultural Service. India is projected to have the largest exports since 2013/14 as global prices and demand remain strong. Partially offsetting this increase is a downward revision to Canadian exports due to production shortfalls. Canadian exports are revised down 1.5 million MT to 15.5 million, the lowest since 2004/05.

TY imports in 2021/22 are revised up by 1.1 million MT to 198.1 million this month due to a large revision for **Iran**. Iran received a surge of imports from Russia in 2020/21 and is expected to be continue large imports in 2021/22 due to smaller domestic production. The 2.0 million MT increase in Iranian imports is partially offset by decreases to **Algeria**, the **EU**, and the **United States**. Algerian imports are revised down 150,000 MT to 7.0 million MT due to lower available reductions to Canadian supplies of durum. A summary of 2021/22 trade adjustments is available in table 4.

Country or region	Trade year exports		Trade year imports	
	October estimate	Change	October estimate	Change
	1,000 metric tons		1,000 metric tons	
World	201,813	↑ 890	198,144	↑ 1,065
United States	24,500		3,500	↓ (200)
Algeria	10		7,000	↓ (150)
Australia	24,500	↑ 500	200	
Bangladesh			7,400	↑ 200
Canada	15,500	↓ (1,500)	700	
Chile	15		1,600	↑ 100
European Union	35,500	↑ 500	5,300	↓ (100)
India	4,500	↑ 1,000	25	
Iran	250		4,500	↑ 2,000
Iraq			2,600	↓ (200)
Japan	300		5,600	↓ (100)
Mexico	800	↑ 100	5,100	
Phillipines	70		6,400	↓ (100)
Saudi Arabia	150		3,000	↓ (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.

Global Ending Stocks Projected to be the Lowest Since 2016/17

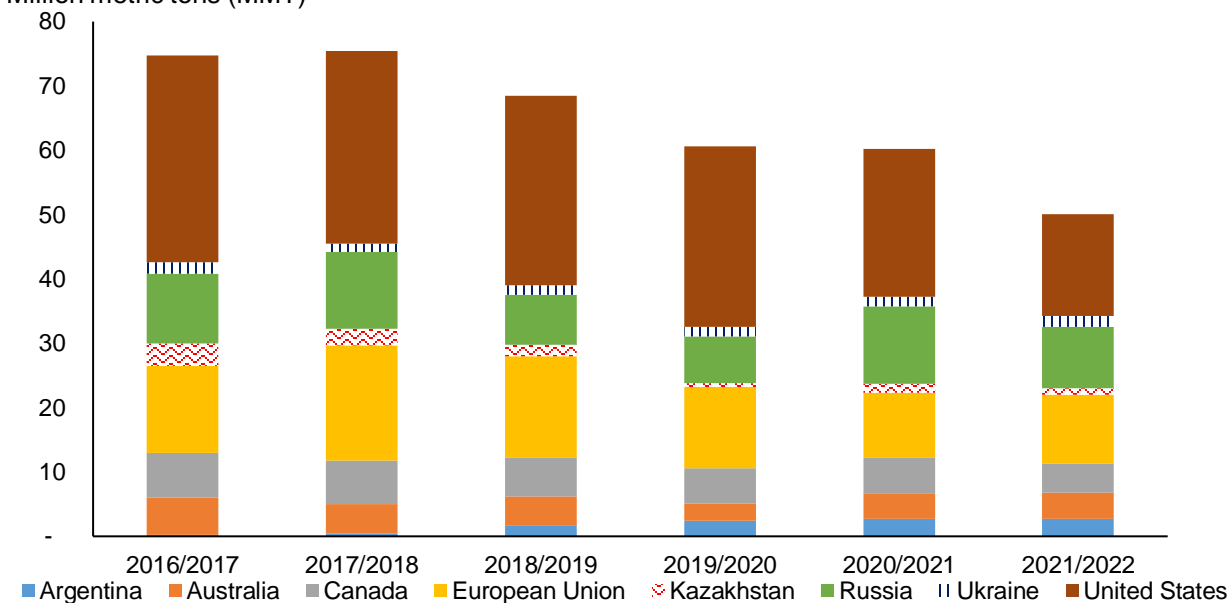
Global ending stocks are projected to be down 6.0 million MT to 277.2 million in 2021/22. This is the lowest since 2016/17 and is largely driven by a 3.2 million MT decrease to major exporters' ending stocks. Major exporters' 2021/22 ending stocks are expected to be 33-percent lower than 2016/17 at 50 million MT (figure 2). Tighter ending stocks are expected for **Australia** (-800,000 MT to 4.1 million) and the **EU** (-248,000 MT to 10.7 million) due to higher exports. Due

to lower beginning stocks, **Argentina** ending stocks are revised down 500,000 MT to 2.7 million. **Russia** also sees a 500,000 MT downward revision to 9.5 million due to higher anticipated feed and residual use. Ending stocks held by exporters are typically considered a relevant metric for measuring supplies that are available to the world market. Outside of the major exporters, **Iran** is expected to have 4.0 million MT in ending stocks at the end of 2021/22, down 3 million MT compared to September estimates. This makes Iran's 2021/22 ending stocks the tightest in 10 years.

Figure 2

Major exporters' ending stocks, 2016/17 to 2021/22

Million metric tons (MMT)



Note: Major Exporters include Argentina, Australia, Canada, the EU, Kazakhstan, Russia, Ukraine, the United States
Source: USDA, Economic Research Service; USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

2020/21 global ending stocks are also expected to be tighter by 4.2 million MT to 288.4 million largely due to the multi-year revision to Iran (table 3). Iran 2020/21 ending stocks are nearly cut in half to 3.9 million MT. Argentina and Australia's 2020/21 ending stocks are revised down 500,000 MT each due to robust exports.

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