



Wheat Outlook

In this report:

- [Domestic Outlook](#)
- [International Outlook](#)

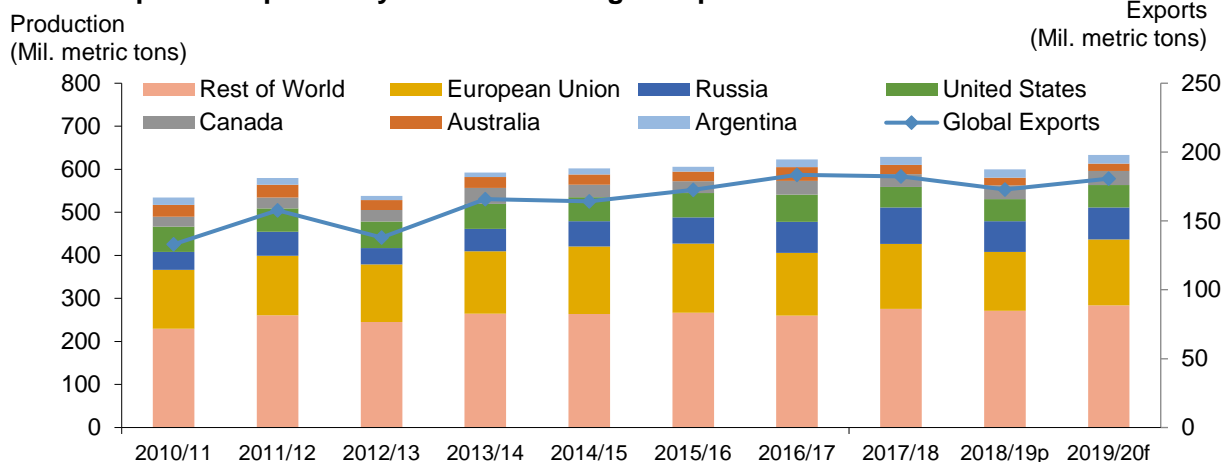
Jennifer K. Bond
Olga Liefert

Wheat Outlook monthly tables, in excel format, can be found on the Wheat Outlook report page on USDA's Economic Research Service website.

Production Cuts for U.S. More than Offset by Gains for EU and Russia, Global Exports Lifted

Challenging weather has impacted the 2019 wheat production forecast for several key exporting countries. In the U.S., early winter weather cut into harvested area estimates, lowering all wheat production by more than 1 million metric tons. Ongoing dry conditions have led to further production cuts for Argentina and Australia, down 0.5 and 0.8 million metric tons, respectively. However, an improved outlook for 2019 wheat production in the European Union (up 1.0 million metric tons) and Russia (up 1.5 million) more than offset reduced production elsewhere. Aggregate global production is raised about 0.3 million metric tons this month and supports a one million metric ton increase in projected global exports for 2019/20 (fig. 1).

Figure 1:
Global exports are positively correlated with global production



Note: 2018/19 is projected (p) and 2019/20 is forecast (f).

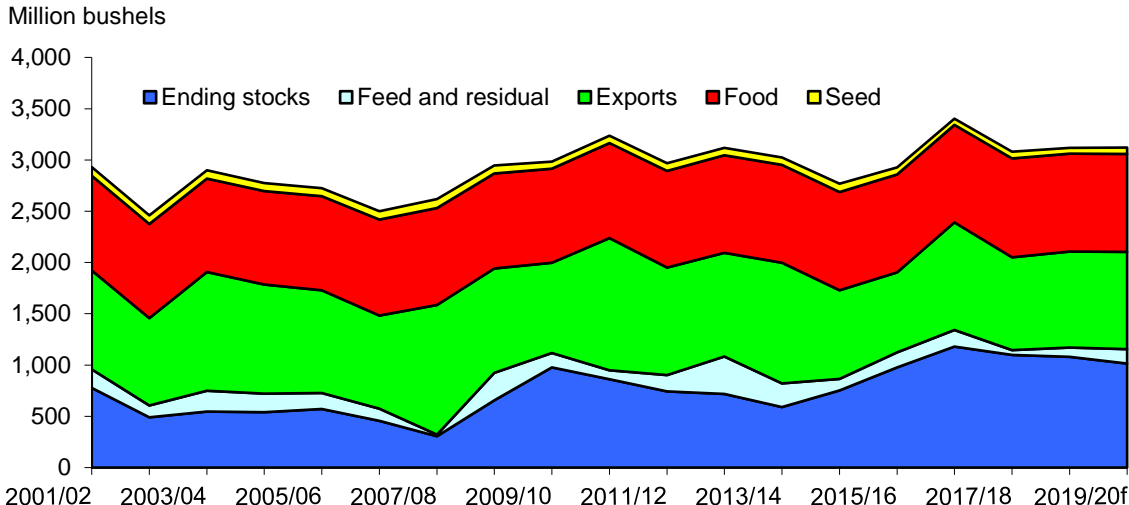
Sources: USDA Foreign Agricultural Service, Production, Supply, and Distribution database.

Domestic Outlook

Domestic Changes at a Glance:

- On November 1, USDA, National Agricultural Statistics Service (NASS) released the quarterly *Flour Milling Products* report, which provides flour production data through the first 4 months of the 2019/20 (June/July) marketing year.
 - Through September, estimated food use fell below the pace expected to achieve the 960 million bushels forecast. Based on current and projected use, food use for 2019/20 is cut 5 million bushels to 955 million, on par with the 2018/19 use.
- Wheat by class production estimates released in the September 30 *Small Grains Annual* report were updated in the November 8 *Crop Production* report.
 - On lower other spring wheat and durum production, all wheat production is lowered nearly 42 million bushels for the 2019/20 marketing year.
- For 2020/21, USDA is projecting all-wheat planted area at 45 million acres.
 - Based on the current 2020/21 planted area projection, seed use for the 2019/20 marketing year is lowered 7 million bushels to 61 million.
- Reduced 2019/20 domestic use (food and seed) is offset by lower production resulting in a net 30-million-bushel reduction in ending stocks (fig. 2).
- Despite a tightening balance sheet, lackluster demand and limited prospects for price improvement support a 10-cent-per-bushel reduction in the all-wheat season average farm price to \$4.60 per bushel.

Figure 2:
Outlook for U.S. domestic utilization lowered, exports remain stable



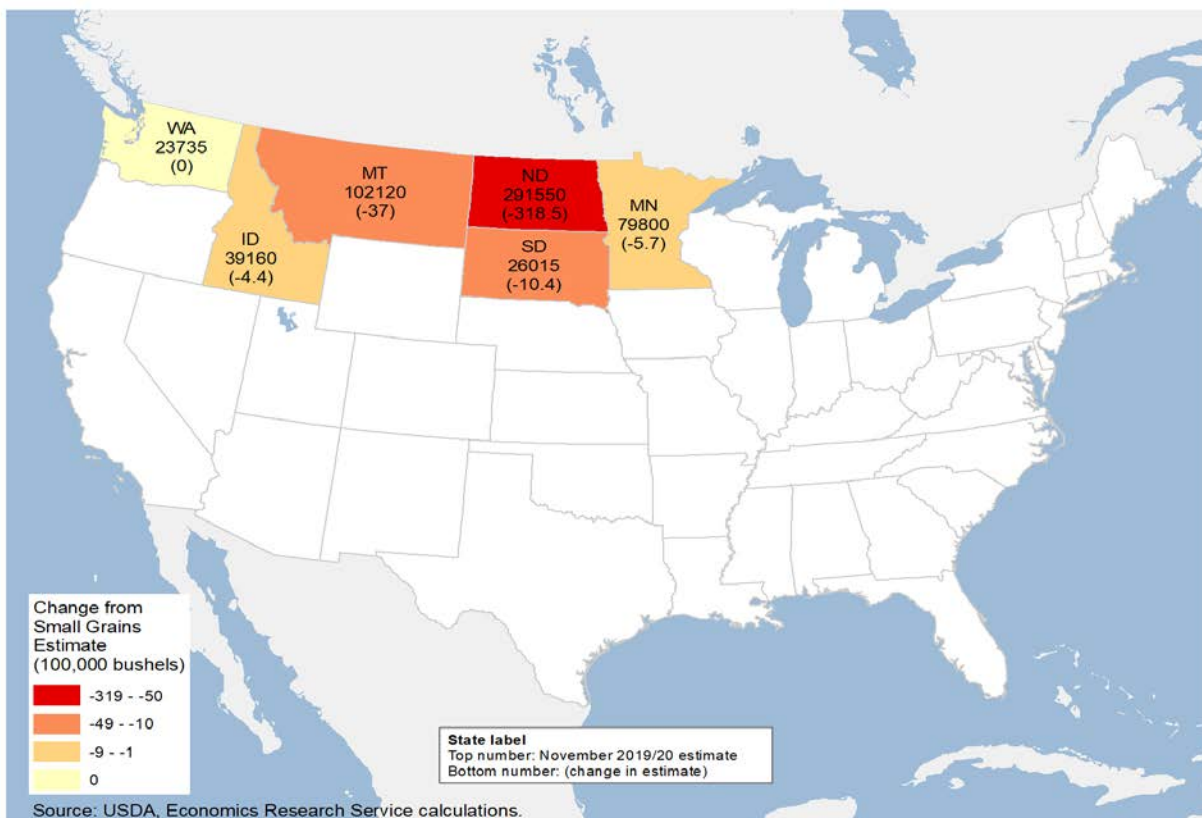
Note: 2019/20 utilization is forecast (f).
 Source: USDA, World Agricultural Outlook Board, WASDE.

Balance sheet item	2019/20 October	2019/20 November	Change from previous month	Comments
Supply, total				<i>May-June Marketing Year (MY)</i>
Beginning stocks	1,079.8	1,079.8	0.0	
Production	1,961.7	1,920.1	-41.6	Based on the USDA, NASS re-estimate of spring wheat, all wheat production is cut nearly 42 million bushels on a 4-million-bushel cut to durum and a 37 million cut to hard red spring wheat.
Imports	120.0	120.0	0.0	
Supply, total	3,161.5	3,119.9	-41.6	On ample stock of new and old crop spring wheat, imports are unchanged and total supplies for 2019/20 are reduced by an equivalent amount to the production change.
Demand				
Food	960.0	955.0	-5.0	On the pace of food use through the first 4 months of the 2019/20 marketing year, food use is trimmed 5 million bushels.
Seed	68.0	61.0	-7.0	Based on expected planted area of 45 million acres in 2020/21, seed use for 2019/20 is reduced 7 million bushels to 61 million.
Feed and residual	140.0	140.0	0.0	
Domestic, total	1,168.0	1,156.0	-12.0	On lower food and seed use, domestic use is cut 12 million bushels.
Exports	950.0	950.0	0.0	Unchanged on strong pace to date. Increased production forecasts for key competitors stifles potential gains.
Use, total	2,118.0	2,106.0	-12.0	With no change to exports this month, total use is lowered on reduced domestic use.
Ending stocks	1,043.5	1,013.9	-29.6	Ending stocks are cut nearly 30 million bushels on a significant cut to 2019/20 production which more than offsets a modest cut in domestic use.
Season Average Farm Price	\$4.70	\$4.60	-\$0.1	The all-wheat season average farm price is lowered 10 cents on NASS prices to date and expectations for modest price recovery through rest of 2019/20.
Source: USDA, World Agricultural Outlook Board <i>Supply and Demand Estimates</i> .				

Delayed Harvest Contributes to Collective 42-Million-Bushel Cut to Other Spring and Durum Wheat Production

USDA, NASS released revised estimates of spring wheat production in the November 8 *Crop Production* report—an update to the usually “final” production forecast published in the late September *Small Grains 2019 Summary* report. Significant late season precipitation, including deep snow and freezing temperatures in the Northern Plains halted harvest in a number of other spring and durum wheat-producing States and necessitated a re-survey. Based on the re-survey of spring wheat farmers, other spring wheat (principally hard red spring wheat) area harvested estimates were reduced from the September 30 *Small Grains Annual* report for all surveyed states except Washington (fig. 3). In combination with lower projected yields for South Dakota, other spring wheat production is lowered more than 6 percent from the previous estimate.

Figure 3:
Final USDA, NASS other spring wheat forecast reveals cuts for most States



As with other spring wheat, late season weather events prohibited harvesting of a sizable portion of the U.S. durum crop, compelling USDA, NASS to resurvey famers. Based on the re-survey results, durum production is lowered about 4 million bushels and nearly 7 percent from the previous estimate. U.S. durum production for 2019/20 is currently forecast at 53.8 million

bushels, the lowest since 2006, when slightly less than 53.5 million bushels of durum were harvested. On both reduced durum and other spring wheat production, U.S. all wheat production is lowered 42 million bushels to 1,920 million, a 2 percent cut from the previous forecast.

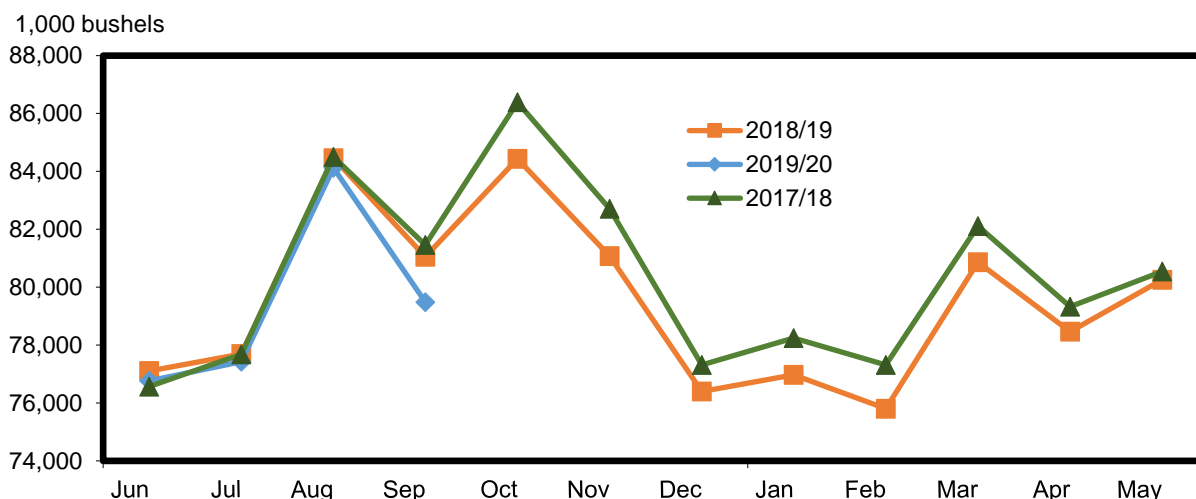
Unharvested area is a component in USDA, NASS' estimates of on-farm stocks, previously reported in the September 30 *Grain Stocks* report. The revised forecast for spring wheat production results in an update to the September 1 grain stocks, now forecast at 2,343.6 million bushels. Stocks are reduced in proportion to reductions in production of hard red spring, white spring, and durum wheat.

Wheat Food Use Lowered on Lethargic Pace; Below-Average Extraction Rate

The November 1 release of the USDA, NASS *Flour Milling Products* report facilitated the calculation of monthly grain-equivalent wheat for food use through September 2019. The report indicated that flour production through the first 4 months of the 2019/20 marketing year were weaker than previously expected and supportive of a 5-million-bushel-cut to the all-wheat food-use estimate (fig. 4). In each month of the new marketing year, monthly food use estimates were below those for the corresponding month, a year prior. For 2018/19, aggregate food use was just shy of 955 million bushels. Based on the pace to date, food use will have to accelerate in coming months to be on par with the prior year's forecast. From June through September, monthly wheat flour extraction rates have trended below both last year's average and the 5-year average rates. Were extraction rates to rise to parity with 2018/19 levels, the aggregate food use figure for 2019/20 is likely to face further downward pressure. The next *Flour Milling Products* report will be release in early February 2020.

Figure 4:

Food use in each of the first 4 months of 2019/20 is below 2018/19 estimates



Source: ERS calculations based on USDA, National Agricultural Statistics Service data.

Exports Hold Steady at 950 Million Bushels

The U.S. all-wheat export figure for 2019/20 is unchanged this month and remains at 950 million bushels. The U.S. export pace to date is off to a faster start than last year with total commitments (accumulated exports and outstanding sales) up 11 percent from the same point in 2018 based on improved price competitiveness and abundant exportable stocks. This pace is especially notable in light of the near month-long closure of a major artery for wheat exports out of the Pacific Northwest. For most of September, barge traffic along the Columbia-Snake River System was halted while the U.S. Army Corp of Engineers replaced a cracked sill at the Bonneville Dam.

Tight supplies among competitors, including Argentina, Australia, and Russia, have also aided U.S. exports prospects as prices for these nations have trended higher. However, expansion of U.S. exports during the balance of the marketing year are inhibited by multiple factors, including expectations for sustained exports from Russia, expanding shipments from Argentina as a large (though recently shrinking) wheat crop is harvested, and a maintained and robust pace of exports from the European Union and the Ukraine. For more information, please see the USDA, Foreign Agricultural Services' *Grain: World Markets and Trade* report.

Wheat Balance Sheet Projections to 2029 Released

All-wheat planted balance sheet projections for marketing years 2020/21 to 2029/30 were released in the late October publication of the *USDA Agricultural Projections to 2029* tables. For the outyear, 45 million acres of wheat are projected to be planted, based on market information available as of early-October. Using this planted area forecast and a standard wheat seeding rate per acre, by class estimate, seed use for the 2019/20 marketing year is projected at 61 million bushels, down 7 million from the previous estimate. Possible revisions to the 2019/20 seed use estimate will be evaluated with the release of the USDA, NASS *Winter Wheat and Canola Seedings* report in mid-January.

Balance sheet projections for the full 10-year projection period are available on the USDA, Office of the Chief Economist website. A companion piece to the *USDA Agricultural Projections to 2028* (last year's long term projection tables) was released in late October on the USDA, Economic Research Service website. This internationally-focused report features commentary on the rationale behind projections for major row crops, including wheat.

Wheat Price Inches Lower, Despite Tighter Balance Sheet

The all-wheat season average farm price (SAFP) is lowered 10 cents this month to \$4.60 per bushel on weaker-than-expected seasonal price recovery. In recent weeks, wheat prices have improved from seasonal lows and generally improved across all classes. Hard red spring wheat and durum prices were aided by expectations of a forthcoming cut to other spring and durum production. However, the *Grain Stocks* report revealed abundant stocks of spring wheat and tempered potential price recovery efforts. With the majority of the 2019/20 wheat crop marketed by the end of October, significant monthly price recovery is needed in order to substantially improve the all wheat SAFP.

International Outlook

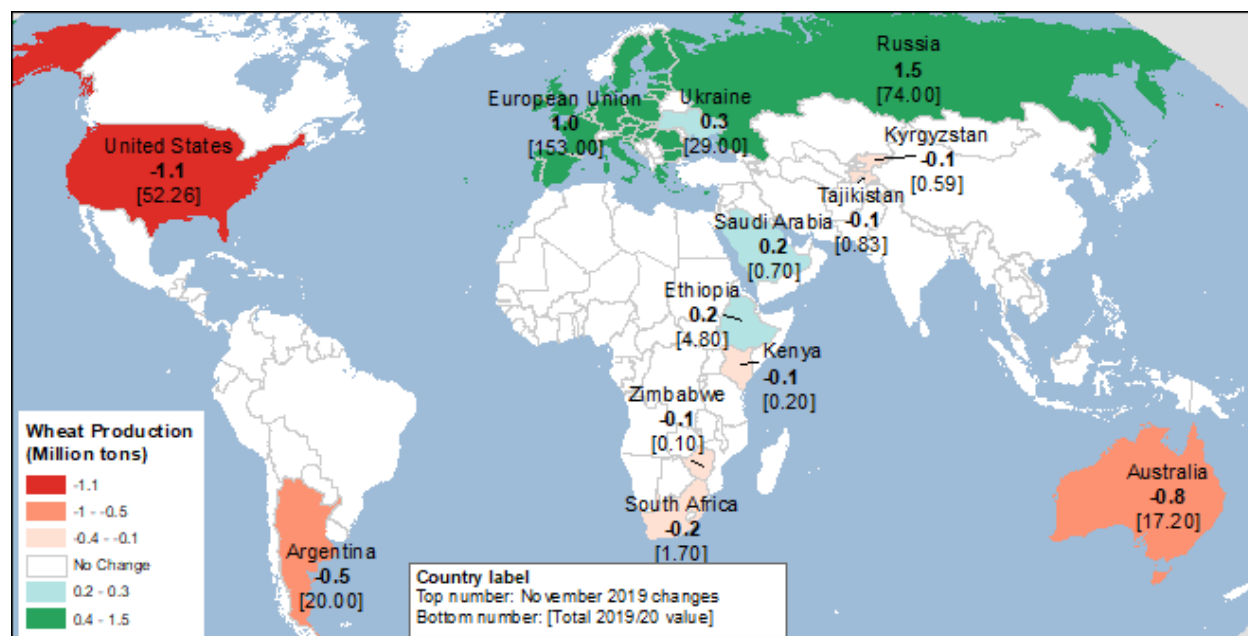
Foreign Wheat Output Projected Higher

Global wheat production for 2019/20 is fractionally higher (0.3 million tons) this month, as an increase in foreign wheat output is mostly offset by a decline in U.S. wheat. This month, production prospects are revised, among several others, for six major wheat exporters—**Australia, Argentina, European Union (EU), Russia, Ukraine, and the United States.**

Changes for the countries of the Northern Hemisphere, such as Russia, EU, and Ukraine, where the wheat harvest has been either fully or nearly completed, are based on official harvest reports from those countries. In the countries of the Southern Hemisphere—Australia, Argentina, and South Africa—wheat harvesting is just starting, and new production estimates are based mainly on the analysis of precipitation patterns and temperatures using Vegetation Health Index (VHI) and yield models.

For a visual display of the changes made this month, see *map A*. For information on this month's main wheat production changes—global, foreign, and by country—see *table A* below.

Map A – Wheat production changes for 2019/20, November 2019



Source: USDA, Foreign Agricultural Service, Production, Supply and Distribution database.

	Country or region	Crop year	Production	Change from previous month ¹	YoY ² change	Comments
			<i>Million tons</i>			
↑	World	<i>Various</i>	765.6	+0.3	+34.3	
↑	Foreign	<i>Various</i>	713.3	+1.4	+33.3	Higher projected output in Russia, EU, Ukraine and Saudi Arabia is partly offset by reductions in Australia, Argentina, and South Africa.
↓	United States	<i>June-May</i>	52.3	-1.1	+1.0	See section on U.S. domestic wheat.
↑	Russia	<i>Jul-Jun</i>	74.0	+1.5	+2.3	Harvest is nearly complete in Russia, and harvest progress reports indicate a larger wheat crop, as precipitation and temperatures were mostly favorable. The reports also suggest a slightly higher harvested wheat area.
↑	EU³	<i>July-June</i>	153.0	+1.0	+16.1	Harvest results in many countries of the region suggest an upward adjustment of the aggregate yield and output. Revisions are made for 3 countries of the region. The largest change is France, with smaller changes for the United Kingdom and Sweden. The changes are based on higher reported yields.
↑	Ukraine	<i>July-June</i>	29.0	+0.3	+3.9	The increase is based on the report by the State Statistical Committee of Ukraine, with the added wheat output of Crimea.
↑	Saudi Arabia	<i>July-June</i>	0.7	+0.2	+0.2	Updated Government information indicates the end of a 4-year long moratorium for wheat planting. Wheat area and output are updated for both 2018/19 and 2019/20.
↓	Australia	<i>Oct-Sep</i>	17.2	-0.8	-0.1	Projected wheat harvested area is reduced 0.1 million hectares, as more drought-damaged fields are expected to be cut for hay in the eastern part of the country. The average national wheat yield is reduced to 1.62 tons per hectare, as yield-based model displays worsening crop conditions. Wheat output is lowered 0.8 million tons to 17.2 million, almost on par with last year (which also experienced drought).
↓	Argentina	<i>Dec-Nov</i>	20.0	-0.5	+0.5	Dryness persisted through the winter into the spring in the western parts of major crop areas during the grain-filling stage of development. Potential losses in yields are exacerbated by the incidents of frost and hail. However, soil moisture in drought-affected areas was very good at the beginning of the season and is expected to limit the decline in production prospects.
↓	South Africa	<i>Oct-Sep</i>	1.7	-0.2	-0.2	Below-average rainfall since August in the Western Cape and Free State—the main wheat-producing areas—during grain-filling stages is limiting yield potential.
↓	Sub-Saharan Africa (SSA)	<i>Various</i>	7.9	-0.1	-0.4	As a result of a biannual SSA review, wheat output in each country of the region is revised. In addition to South Africa (see above), production is adjusted for Ethiopia, Kenya, and several other countries.

¹Change from previous month's forecast. Changes of less than 0.1 million tons are also made for several countries; see map A.
²YoY: year-over-year changes. ³ EU: European Union.
Source: USDA, Foreign Agricultural Service, Production, Supply and Distribution online database.

Global Wheat Trade Up on Stronger Demand from Turkey

The forecast for 2019/20 global wheat trade is raised one million tons from the October forecast to 180.68 million, primarily on increased import demand from **Turkey**. Imports for Turkey are raised 0.7 million tons to 6.7 million on the surging pace of trade in recent months. Turkey is both a notable importer of wheat and key exporter of wheat food products to other countries in the region. In Turkey, a shift in away from wheat plantings and into vegetable cultivation is supportive of rising demand for imported wheat, even as production is forecast to be on par with the prior year's estimate. Increased demand from **South Africa** contributes a further 0.2 million metric tons to forecast global imports. South African demand for wheat imports are raised on expectations for a smaller domestic crop with production lowered 0.2 million tons to 1.7 million as the country remains in the grip of a widespread drought that has sapped reservoir water levels.

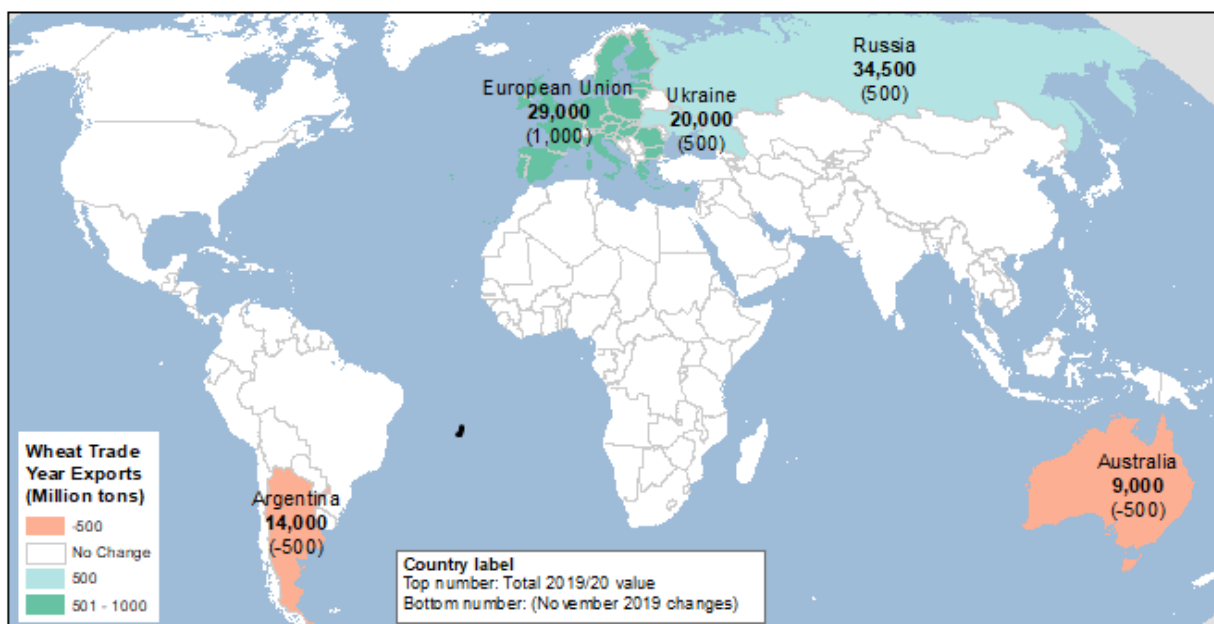
Global wheat exports for 2019/20 are now forecast to exceed last year's export estimate by nearly 7.8 million tons. Back year exports were lowered one million tons this month to 172.9 million. Back year changes reflected in the USDA, Foreign Agricultural Services' *Production, Distribution, and Supply* database are based on updates to trade data and include a 0.440 million ton increase in 2018/19 **Russia** exports along with 0.282 million and 0.324 million ton increases in imports for **Bangladesh** and **Kenya**, respectively. Import adjustments for the latter two countries are attributable to enhanced data on Argentine exports which provides greater detail on shipment destinations.

Current marketing year exports from **Argentina** are cut 0.5 million tons this month on expectations for reduced production. Dry conditions have reduced the yield forecast by 2 percent from the October projection. However, the Argentine wheat crop is still expected to be record-large and 3 percent higher than the previous year. At 14.0 million tons, the Argentine wheat export forecast for 2019/20 is 2 million tons above the 2018/19 estimate. As the sizable Argentine crop is harvested, prices are expected to continue to weaken, hastening the country's wheat exports and supporting the current projection. Exports for **Australia** are lowered this month, principally on reduced exportable supplies. Production for the country is lowered 4 percent and 0.8 million metric tons from the October forecast on cuts to both harvested area and yields as the wheat crop faces deteriorating conditions. Export prices for Australian wheat reflect challenging cultivation conditions that have reduced the country's competitiveness in global wheat markets.

Expectations for larger crops help to lift forecasts for EU and Russia 2019/20 wheat exports. EU wheat exports are raised a full one million tons on a similar increase in production. Prices for EU

wheat have become increasingly competitive and help to fuel growth in export prospects. Official Ministry of Agriculture data supports a 2 percent and 1.5 million metric ton month-to-month increase in Russia wheat production, more than offsetting reduced carry-in from the 2018/19 crop. On greater exportable supplies, Russian wheat exports are raised 0.5 million metric tons with the balance of the increase in supplies left to augment ending stocks. For a visual display of the major global export changes made this month, see map B.

Map B – Major global wheat export changes for 2019/20, November 2019



Source: USDA, Foreign Agricultural Service, Production, Supply and Distribution database.

Global Carryout Raised on More Abundant Supplies

With net increased global supplies (up 1.4 million tons) more than offsetting a very slight uptick in global consumption, carryout for 2019/20 is raised about 0.5 million tons from the October forecast. Global ending stock are now forecast at 288.3 million tons, a new record high. By far, **China** holds the vast majority, more than 51 percent, of global wheat stocks. Following revisions to the U.S. all-wheat production estimate and associated ending stocks for the 2019/20 marketing year, U.S. carryout is cut more than 0.8 million tons. However, production gains elsewhere in the world help to lift aggregate foreign ending stocks by 1.3 million tons, more than offsetting reduced U.S. carryout in the global balance sheet. Gains in ending stocks among major exporters are greatest for **Russia**, raised nearly 0.6 million bushels from the October estimate. Among major importers, a rise in carry-in contributes to increased stocks for **Bangladesh**, up 0.3 million tons this month to 0.84 million. Carryout for **Turkey** is raised 0.7 million tons, offsetting tighter stocks for neighbors and supporting a 0.4 million ton increase in ending stocks for Select Middle East countries.

Suggested Citation

Bond, Jennifer K., and Olga Liefert. *Wheat Outlook*, WHS-19k, U.S. Department of Agriculture, Economic Research Service, November 13, 2019

Use of commercial and trade names does not imply approval or constitute endorsement by USDA.

To ensure the quality of its research reports and satisfy governmentwide standards, ERS requires that all research reports with substantively new material be reviewed by qualified technical research peers. This technical peer review process, coordinated by ERS' Peer Review Coordinating Council, allows experts who possess the technical background, perspective, and expertise to provide an objective and meaningful assessment of the output's substantive content and clarity of communication during the publication's review.

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [How to File a Program Discrimination Complaint](#) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.