



Wheat Outlook: April 2021

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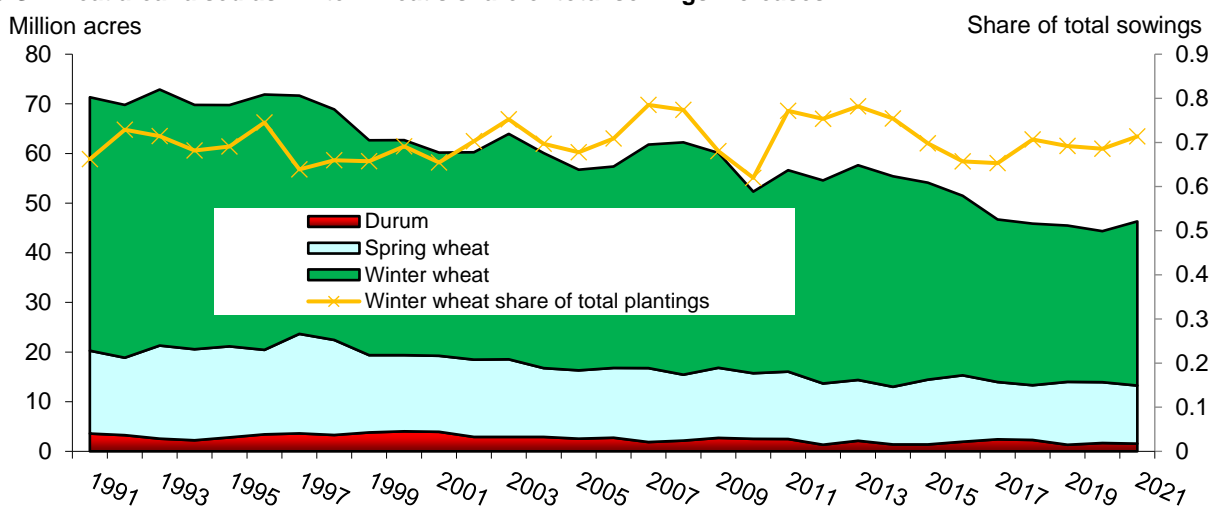
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U.S. Planted Area Up on Winter Wheat

In the March 31, 2021 USDA, National Agricultural Statistics Service's (NASS) *Prospective Plantings* report, U.S. wheat planted area was estimated at 46.4 million acres, up 5 percent from 2020 and 1.4 million acres above the previous 2021/22 forecast of 45 million made at the USDA Agricultural Outlook Forum. Gains in planted area are largely attributable to a 3 percent increase in winter wheat plantings, relative to the forecast released in NASS' *Winter Wheat and Canola Seedings* report. At 33.1 million acres, winter wheat sowings are estimated to be up 9 percent from last year and represent more than 71 percent of total plantings compared with 68 percent in 2020 (figure 1). Strong competition from corn and soybeans in the Northern Plains is expected to contribute to reduced other spring and Durum wheat acres in 2021/22.

Figure 1
U.S. wheat area raised as winter wheat's share of total sowings increases

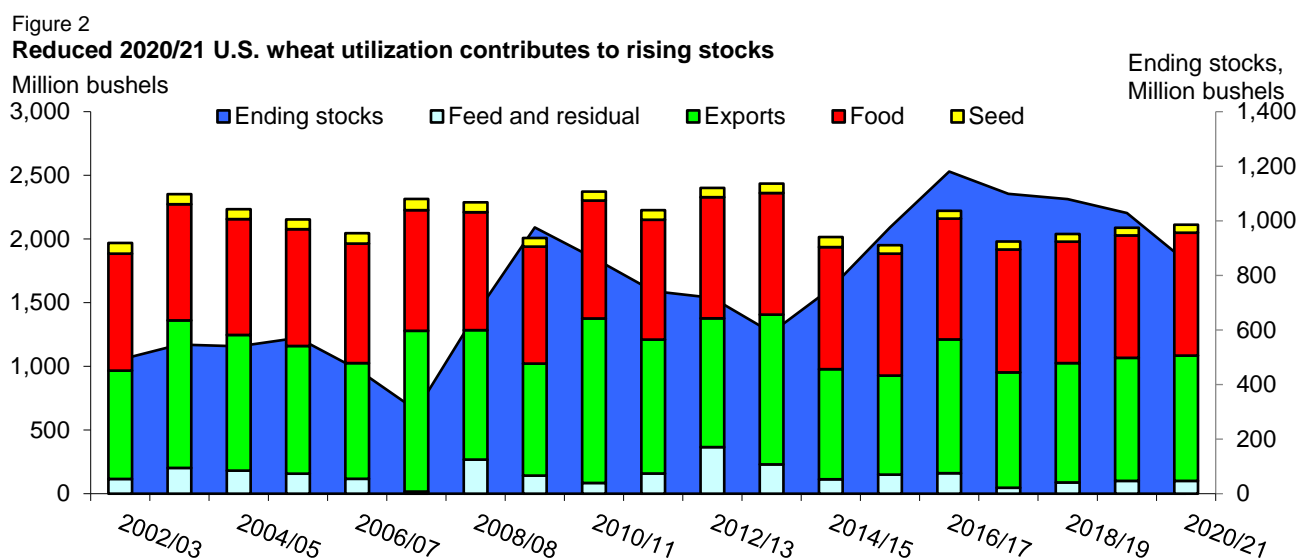


Source: USDA, National Agricultural Statistics Service, Quickstats database.

Domestic Outlook

Domestic Changes at a Glance:

- U.S. wheat imports are lowered 10 million bushels to 110 million based on the slowing pace of wheat imports, primarily from Canada, in recent months (figure 2).
- U.S. wheat feed and residual use is lowered 25 million bushels to 100 million based on lower than expected second and third quarter disappearance, as indicated in the most recent NASS *Grain Stocks* report.
 - Combined with a slight reduction in seed use, domestic use is cut 25.5 million bushels to 1,127.5 million.
- Based on revised projections for 2021/22 U.S. wheat planted area, seed use is lowered 0.5 million bushels to 61.5 million.
 - The latest *Prospective Plantings* report indicates that U.S. wheat planted area is estimated to be the fourth lowest-planted area since records began in 1919.
- Total 2020/21 exports are unchanged this month but with offsetting by-class changes.
 - Hard Red Winter wheat exports are lowered 50 million bushels on reduced export demand from Western Hemisphere markets.
 - White wheat exports are raised 35 million bushels on a continuation of robust East Asian demand, especially from China.
- Carryout for the current marketing year is raised 15.5 million bushels to 852.
 - While higher this month, ending stocks are 17 percent lower than in 2019/20.



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

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

Balance sheet item	2020/21 March	2020/21 April	2020/21 Change from previous month	Comments
Supply, total				<i>June-May Marketing Year (MY)</i>
Beginning stocks	1,028	1,028	0	
Production	1,826	1,826	0	
Imports	120	110	-10	Imports of hard red spring and durum wheat have slowed in recent months, resulting in respective 9-million and 1-million-bushel reductions.
Supply, total	2,974	2,964	-10	Supply is trimmed 10 million bushels to the lowest level since 2015/16.
Demand				
Food	965	965	0	Food use in aggregate and by class will be assessed next month following the release of the USDA, NASS <i>Flour Milling Products</i> report.
Seed	63.0	62.5	-0.5	While planted area for 2021/22 is raised from the February forecast, proportionally fewer plantings of relatively less seed-intensive spring and durum wheat result in a slight downward adjustment to aggregate 2020/21 seed use estimate.
Feed and residual	125	100	-25	Significantly higher than expected third quarter stocks combine with an upward revision to second quarter carryout to support a 25-million-bushel reduction in 2020/21 feed and residual use.
Domestic, total	1,153	1,127.5	-25.5	
Exports	985	985	0	Offsetting by class changes are made for hard red winter (-50 million bushels), white wheat (+35 million bushels), and hard red spring (+15 million bushels).
Use, total	2,138	2,112.5	-25.5	
Ending stocks	836	851.3	15.5	Reduced supplies offset the effects of lower use, resulting in a 15.5-million-bushel increase in ending stocks. While higher month-to-month, at 40.3 percent, the current stocks-to-use ratio is significantly lower than last year's 49.2 percent. This supports maintenance of the 2020/21 season average farm price.
Season Average Farm Price	\$5.00	\$5.00	\$0.00	

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

International Outlook

Global Production Marginally Lower, but Still at Record

Global 2020/21 wheat production remains record larger, even though it is lowered marginally this month to 776.5 million tons. Downward revisions to **Ethiopia**, the **European Union**, **Japan**, and **Saudi Arabia** more than offset increases for **Argentina** and **Serbia**. **Ethiopia's** production is lowered 200,000 tons to 5.1 million based on desert locust infestations that caused damage to both the quality and quantity of output. For more detail, see the Grain and Feed Annual report published by USDA's Foreign Agricultural Service (FAS) in its Global Agricultural Information Network (GAIN). Production for the **European Union** is reduced by 200,000 tons to 135.6 million with a downward revision to area harvested. **EU** wheat production for 2019/20 is also revised lower by 169,000 tons, which is reflected in lower yield. Member States production included a variety of offsetting changes, highlighted by a 200,000-ton reduction to Bulgaria. **Japan's** production was reduced based on lower projected yield. **Saudi Arabia's** production was adjusted lower based on purchase data from the Saudi Grains Organization (SAGO). **Argentina's** crop is estimated up by 430,000 tons to 17.63 million based on the latest data from the Ministry of Agriculture. **Serbia's** production is estimated up 100,000 tons to 2.7 million with larger projected yields implied.

Global Consumption Raised on China Feeding

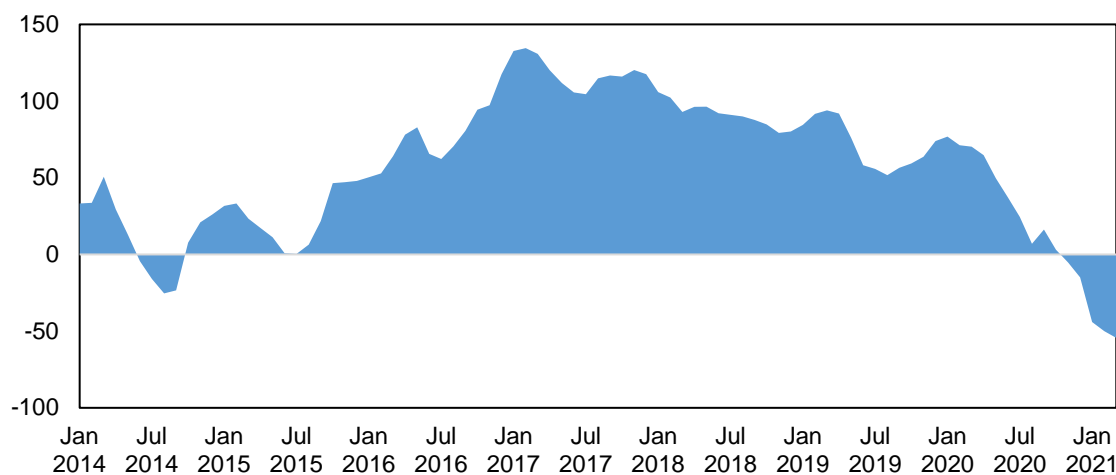
Global consumption is boosted 5.1 million tons to a record 781 million tons, with **China** driving most of the revision. **China's** feed and residual is raised 5 million tons to 40 million, its largest total on record. Government auctions of wheat continue to be large, driven by robust feed demand and high domestic corn prices. During the month of March, China's internal price of wheat declined more substantially than corn, resulting in a widening price discount for wheat (figure 3).

Partly offsetting the increase to China's consumption, feed (and residual) use for the **European Union** is projected 1 million tons lower at 48 million as tightening supplies of old-crop wheat are expected to entice a shift towards consumption of alternative grains. Feed and residual use for the **United States** is also projected down by 680,000 tons to 2.722 million as larger-than-expected March 1 and December 1 stocks were reported in the latest USDA/National Agricultural Statistics Service (NASS) *Grain Stocks* report. U.S. food, seed, and industrial (FSI) use was trimmed slightly based on a revised seed-use estimate.

Figure 3

China wheat-corn domestic price spread at historic low

Wheat-to-corn price spread



Notes: This price spread indicates the gap between wholesale national average prices for wheat and maize. Prices used in wheat-to-corn price spread are reported as US Dollars per metric ton
 Source: Food and Agriculture Organization of the United Nations, Global Information and Early Warning System.

Feed use was boosted by 100,000 tons in **Japan** based on the increased cost efficiency of wheat in feed rations. Feed use in **Serbia** is also projected up 100,000 tons based on larger supplies. **Sri Lanka's** total wheat consumption was boosted 280,000 tons to 1.15 million with upward revisions to both feed and FSI use. Sri Lanka's consumption was revised higher for several years as a result of a multi-year trade adjustment. **Argentina's** FSI consumption was raised by 200,000 tons to 6.2 million partly based on larger supplies. FSI consumption was reduced by 100,000 tons each in **Ethiopia, Mexico,** and the **Philippines** based on tighter supplies in those countries. Conversely, **Mongolia's** total consumption is projected up by 130,000 this month with larger imports. **Saudi Arabia's** FSI is boosted 100,000 tons to 3.5 million based on purchase data provided by SAGO. Further detail on the Saudi Arabia change is available in the Grain and Feed Annual report published in the FAS/GAIN system.

Global Trade Raised Marginally

Global trade is boosted slightly to 196.3 million for the July/June trade year (TY) as stronger exports for the **European Union** and **Russia** more than offset a reduction for **Argentina**. Exports for the **European Union** are raised 500,000 tons to 27.5 million based on a continued strong pace of exports and competitive pricing. **Russia's** exports are also boosted 500,000 tons to 39.5 million on a faster-than-expected pace of shipments to date. Exports were robust prior to the initiation of the export duties on February 15 (and subsequent increase from March 1). **Russia's** exports have remained relatively competitive since those measures were put into

place and shipments have not dropped off as significantly as previously expected. **Argentina's** TY exports are reduced 500,000 tons to 10.5 million. With a larger crop and a longer time window to ship, Argentina's exports for its December-November local marketing year were not adjusted. **India's** exports are also adjusted higher by 200,000 tons to 2.7 million on continued competitive pricing to nearby markets.

Imports for **Sri Lanka** are raised by 300,000 tons to 1.3 million tons reflecting a change in its trade data source. USDA previously derived Sri Lanka wheat imports using exporter data, but USDA data now reflects Sri Lankan customs data back to the 2015/16 marketing year. The higher imports from this data revision are primarily accounted for with larger consumption.

U.S. TY imports are lowered 200,000 tons to 3.1 million reflecting slow trade from Canada. Similarly, imports for **Mexico**, the **Philippines**, and **Thailand** are all reduced by 100,000 tons each based on trade to-date. Imports are boosted for **Azerbaijan** (+100), **Georgia** (+150), and **Mongolia** (+130) based on pace of trade.

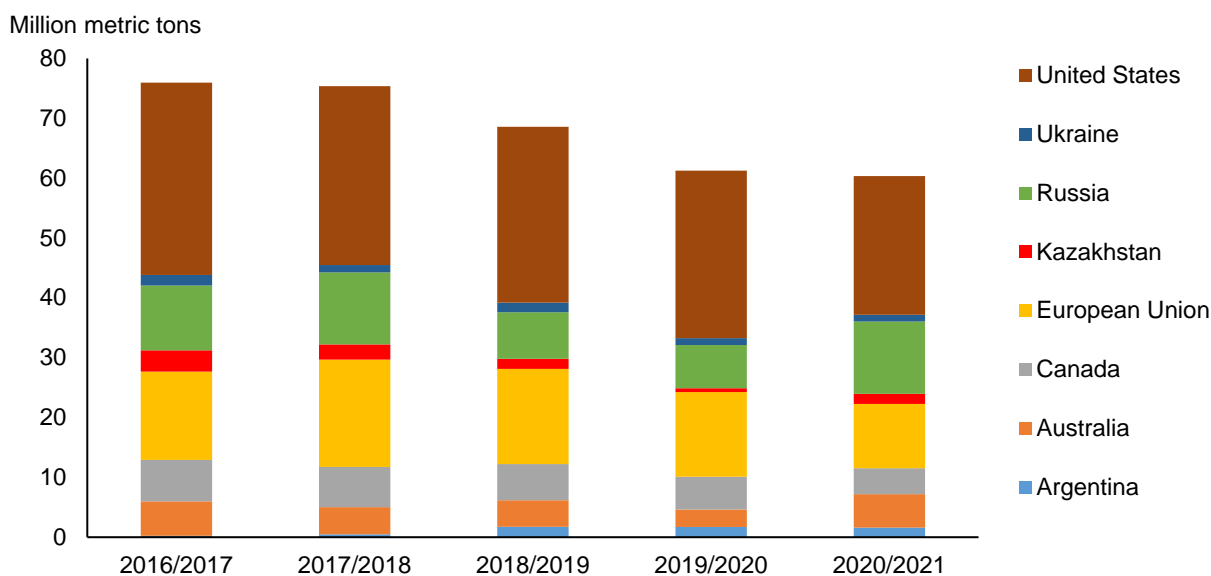
Global Stocks Projected Lower

Global stocks are reduced this month by 5.7 million tons to 295.5 million, primarily driven by stronger wheat feed and residual use in **China**. Global stocks are now projected down 4.5 million from the previous year's record high. **China's** stocks are forecast down 5.0 million from the previous month to 145.4 million tons, representing slightly less than half (49 percent) of the world total. **India**, the world's second largest stockholder, is projected to hold 27.3 million tons, down 200,000 from the previous month based on the upward revision to its exports. Stocks in **Japan** are projected 210,000 tons lower based on larger consumption and a smaller crop. Similarly, **Saudi Arabia's** stocks are forecast down 241,000 tons with reduced supply and larger reported use. Despite smaller consumption, **Ethiopia's** stocks are lowered by 100,000 tons based on a smaller crop. Stocks in **Thailand** are projected down 100,000 tons on decreased imports. Given the relatively low prices for new-crop wheat, some major importing countries may be slowing purchases and allowing stocks to tighten until the next crop is available.

Stocks held by major exporters are often considered a relevant point of analysis as these are the stocks that are more accessible to the world market and thereby more readily affect prices. To that end, 2020/21 ending stocks held by the top 8 exporters are forecast marginally higher than last month, but still the lowest level since 2013/14 (figure 4). Notably, stocks for the **United**

States are projected up 422,000 tons to 23.2 million mainly because of larger-than-expected estimated quarterly stock, which implied smaller domestic disappearance. U.S. ending stocks are projected to be the tightest since 2014/15. **Argentina's** stocks are projected up 230,000 tons to 1.6 million based on a larger crop. **EU** stocks are forecast up 131,000 tons to 10.7 million as reduced feed use more than compensates for stronger exports and tighter supplies. Note that EU 2020/21 beginning stocks were revised lower with the change in 2019/20 production. Partly offsetting those increases, **Russia's** stocks are projected down 500,000 tons to 12.1 million on higher exports, which would still be its largest stock total in a decade.

Figure 4
Exporter ending stocks tightening



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

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