



Wheat Outlook

Jennifer K. Bond
Olga Liefert

In this report:

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

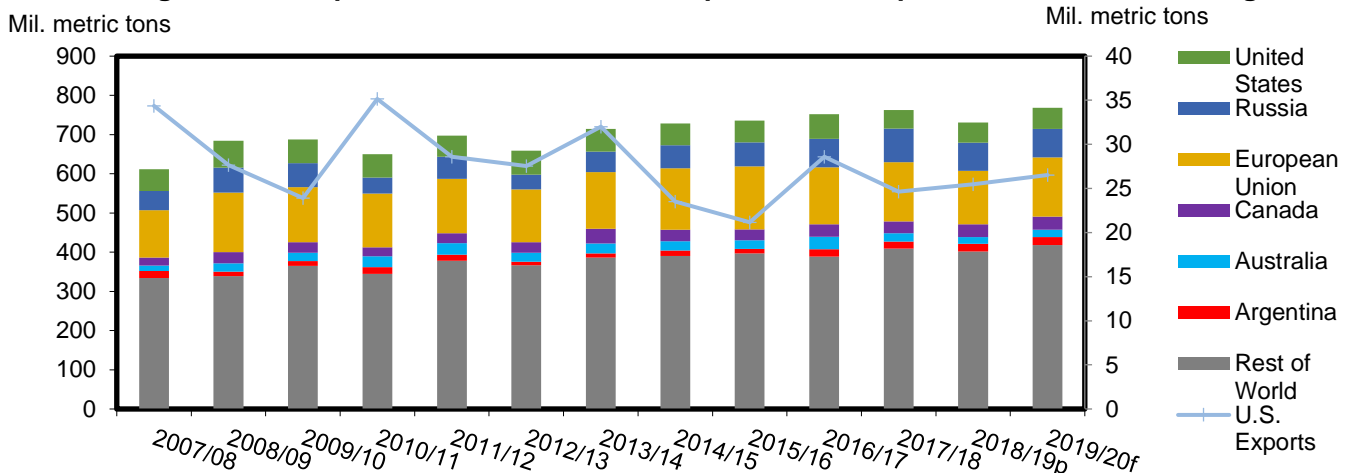
Wheat Outlook monthly tables, in excel format, can be found on the Wheat Outlook report page on USDA's Economic Research Service website.

Production Cuts for Key Competitors Lead to Global Trade Reduction; U.S. Exports Unchanged

The outlook for global 2019/20 wheat production was lowered 2.5 million metric tons this month on cuts in wheat output for multiple major exporting nations. Tenacious dry weather in Eastern Australia underpins a 2-million-metric ton production cut. Deteriorating wheat production conditions in Kazakhstan led to a 1.5-million-metric ton reduction. Elsewhere in the Black Sea region, wheat production for both Russia and Ukraine are each trimmed 0.5 million metric tons. A million-ton-increase in European Union wheat production does not fully offset reductions elsewhere in the globe. Despite net reduced global production, ample worldwide stocks and strong export price competition constrain sales opportunities. Thus, the U.S. wheat export projections of 26.5 million metric tons (975 million bushels) are not increased.

Figure 1

Outlook for global wheat production is lowered; U.S. production, export forecasts are unchanged



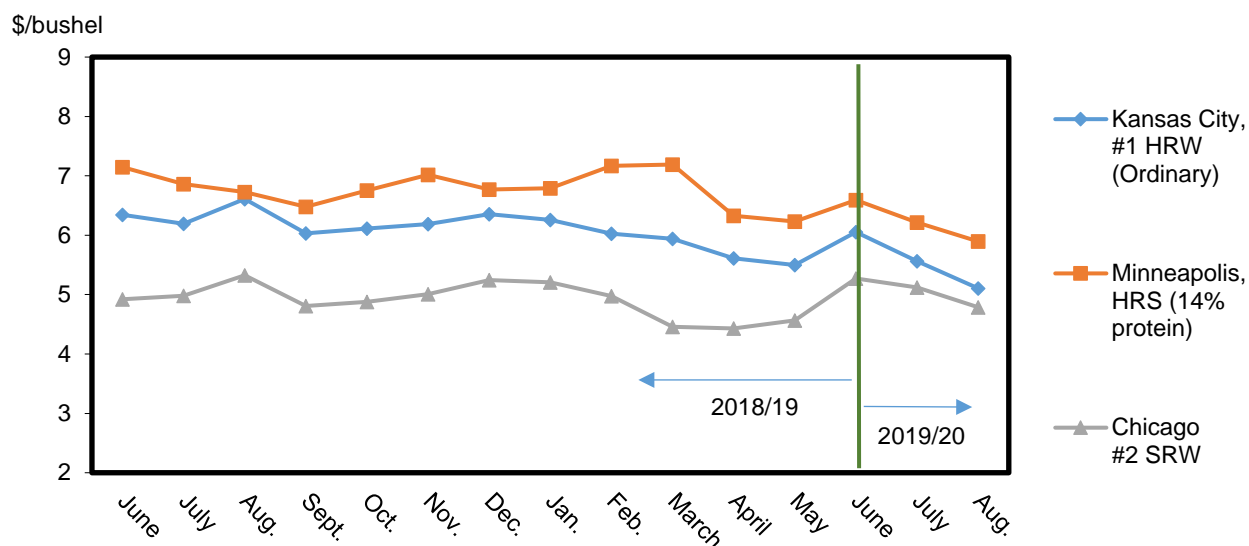
Source: USDA, World Agricultural Supply and Demand Estimates. Note: p=preliminary, f=forecast.

Domestic Outlook

Domestic Changes at a Glance:

- The 2019/20 U.S. all-wheat supply and demand estimates are unchanged from the August projections.
- The all-wheat season average farm price (SAFP) is lowered 20 cents this month on declines in wheat by class cash prices through the first 3 months of the new marketing year (fig. 2).
 - Through the end of August, nearly one third of the 2019/20 wheat crop has been marketed, on par with the 5-year average.
- As of the week ending 2019/20 winter wheat harvest is complete while 78 percent of the U.S. spring wheat harvest was complete as of September 1, 2019.
- On September 30, USDA, National Agricultural Statistics Service (NASS) will release the 2019 *Small Grains Summary* and the *Grain Stocks* report.
 - The *Small Grains Summary* 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 2019/20 first quarter wheat disappearance and inform potential updates to quarterly stocks and feed and residual use projections.

Figure 2
Cash wheat-by-class prices trending lower in 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 utilization at a glance 2019/20, August and September

Balance sheet item	2019/20 August	2019/20 September	Change from previous month	Comments
Supply, total				<i>May-June Marketing Year (MY)</i>
Beginning stocks	1,072.0	1,072.0	0.0	
Production	1,980.2	1,980.2	0.0	
Imports	135.0	135.0	0.0	
Supply, total	3,187.2	3,187.2	0.0	
Demand				
Food	960.0	960.0	0.0	
Seed	68.0	68.0	0.0	
Feed and residual	170.0	170.0	0.0	
Domestic, total	1,198.0	1,198.0	0.0	
Exports	975.0	975.0	0.0	The U.S.'s competitive position in global export markets continues to support the current all-wheat export forecast. Hard Red Winter exports are trimmed 10 million bushels; both Hard Red Spring and Soft Red Winter are raised 5 million bushels.
Use, total	2,173.0	2,173.0	0.0	
Ending stocks	1,014.2	1,014.2	0.0	
Season Average Farm Price	\$5.00	\$4.80	-\$0.20	Larger-than-expected seasonal price declines support a 20-cent cut to the 2019/20 season average farm price.
Source: USDA, World Agricultural Outlook Board <i>Supply and Demand Estimates</i> .				

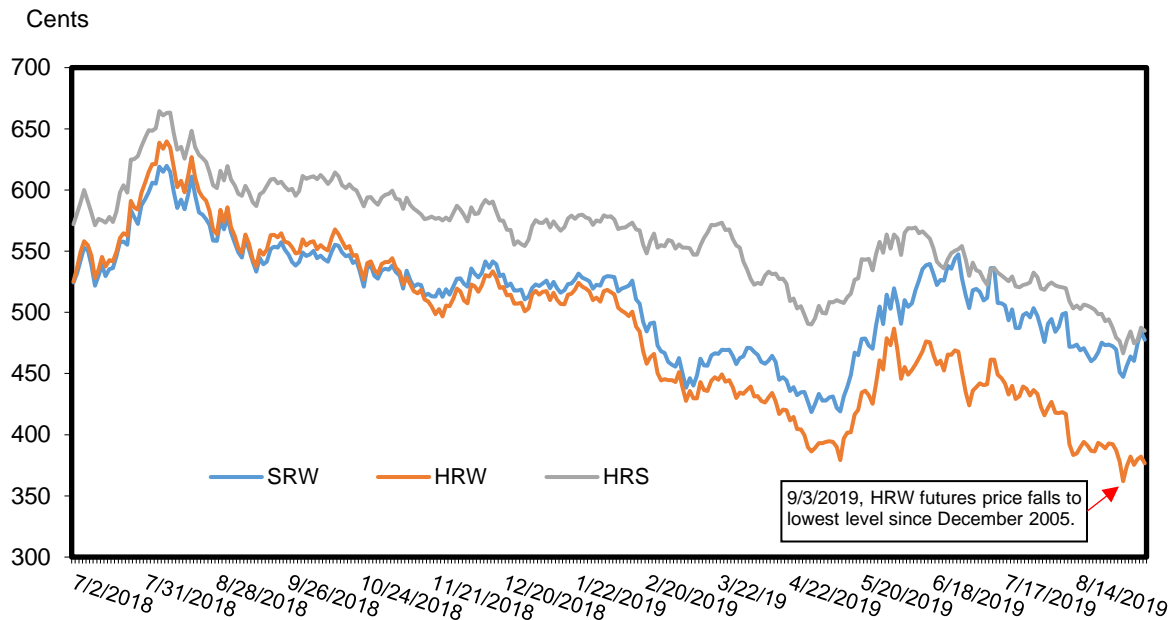
2019/20 SAFP Cut on Persistent Price Declines, Balance Sheet Unchanged

Although the all-wheat balance sheet is unchanged this month, both monthly all-wheat prices reported by USDA NASS and monthly wheat-by-class prices reported by USDA AMS show a strong trend of decline and have fallen short of earlier expectations. With nearly one-third of the U.S. wheat crop marketed, persistent low prices in the first quarter of the marketing year pull down projections for the season average farm price and support a 20 cent month-to-month cut to the 2019/20 all-wheat price. A reflection of weak cash market price prospects, nearby wheat

futures contract prices have reached multi-year lows in recent months (fig. 3). On September 3, 2019, the nearby Kansas City hard red winter wheat (HRW) contract fell to 361 ³/₄ cents, the lowest level since December 2005. The Chicago Board of Trade (CBOT) soft red winter (SRW) contract hit a 3-month low on the same day. Modest price recovery was observed in the second week of September; however, abundant global wheat stocks and strong price competition in global markets are expected to constrain U.S. wheat price recovery prospects for the balance of the marketing year.

Ahead of the September 30 release of USDA, NASS' *Small Grains Summary*, the August winter, other spring, and durum wheat production forecasts for 2019/20 are unchanged. With no changes made to aggregate imports or beginning stocks, total supplies for the 2019/20 marketing year are unchanged. There are some minor shifts in exports across the classes (table 1), but there are no changes to the all-wheat ending stocks projection. When NASS releases the latest *Grain Stocks* report, also on September 30, it will provide indications of implied disappearance during the first quarter of the new marketing year.

Figure 3
Wheat futures prices weaken in first months of new marketing year, HRW reaches multi-year lows



Note: Closing price used for all contracts. HRW=hard red winter wheat; HRS=hard red spring wheat; SRW=soft red winter wheat. Sources: International Grains Council and CME Group, Inc.

International Outlook

Wheat Output Lower This Month, but Exceeds Last Year

Global and foreign wheat production in 2019/20 are projected 2.5 million tons lower this month to 765.5 and 711.6 million, respectively. Even with this reduction, the projection for wheat output is still 34.7 million tons higher than estimated for the previous year (table A). Larger wheat planting combined with favorable weather has boosted wheat production prospects in a number of countries, with the lion's share of the growth coming from major wheat exporters. The combined wheat output of the eight major exporting countries/regions—Argentina, Australia, Canada, European Union (EU), Kazakhstan, Russia, Ukraine, and the United States—is projected to increase 26.5 million tons relative to a year ago. Predictably lower wheat prices encouraged importers to purchase wheat not only for immediate, but also delayed, consumption, with wheat importers' stocks up more than 9 million tons on the year, while the stocks of major exporters are virtually unchanged.

Relative to last month, production prospects are revised for six wheat producers and exporters this month—**Australia, Canada, Kazakhstan, Russia, EU, and India**, with India being one of the largest wheat producers but usually not a major exporter.

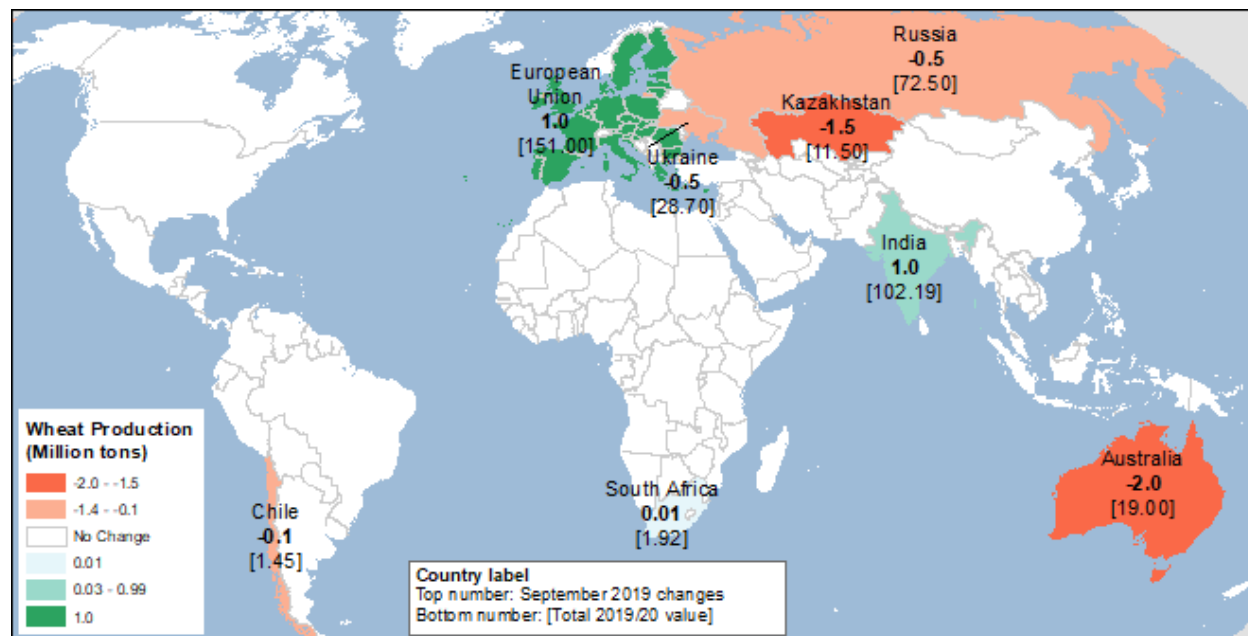
The largest change this month is a reduction of wheat output for **Australia**. Wheat in Australia was planted into “dust” in the eastern States of Queensland (QLD) and New South Wales (NSW), which together normally produce almost 40 percent of the country's wheat. Exceptionally dry weather continued to encumber these two states, which received about 15 percent of normal precipitation. The damage is especially pronounced along the border between these two States, an area that alone produces about 20 percent of Australia's wheat. Although weather in the rest of the country was close to normal, persistent dryness in QLD and NSW did not allow wheat to develop there, with many fields abandoned, cut for hay, or grazed off by sheep and cattle, warranting a reduction of both area and yield. Reduced wheat area prospects to 10.7 million hectares are in line with updated estimates from ABARES (the Australian Bureau of Agricultural and Resource Economics and Sciences). In contrast, crop conditions in the rest of the states of Australia are close to average, and yields there are expected to balance out reduced yields in the two affected eastern states. With lower wheat area and reduced yields, projected wheat production for Australia is down 2.0 million tons this month to 19.0 million.

For information on this month's main wheat production changes, see table A.

Table A – Wheat production changes at a glance (2019/20), September 2019						
	Country or region	Crop year	Production	Change from previous month ¹	YoY ² change	Comments
			<i>Million tons</i>			
↓	World	<i>Various</i>	765.5	-2.5	+34.7	
↓	Foreign	<i>Various</i>	711.6	-2.5	+32.1	Reductions for Australia, Kazakhstan, Russia, and Ukraine are partly offset by higher projected output in the EU and India.
	United States	<i>June-May</i>	53.9	No change	+2.6	See section on U.S. domestic wheat.
↓	Australia	<i>Oct-Sep</i>	19.0	-2.0	+1.7	Exceptional dryness in the states of New South Wales (NSW) and Queensland (QLD), where weak wheat fields are being abandoned, cut for hay or grazed off, suggest a decline in area harvested. Wheat yields are also projected lower as dryness and heat continue to encumber NSW and QLD.
↓	Russia	<i>July-June</i>	72.5	-0.5	+0.8	Spring wheat in the eastern regions of the country, from the Volga district to Ural and Siberia, is approaching maturity. In August, weather continued to deteriorate, further limiting yields, especially in the Volga and west Siberia that border Kazakhstan, but also in the Urals.
↓	Ukraine	<i>July-June</i>	28.7	-0.5	+3.6	Wheat harvest is complete, and harvest results were lower than expected in the Forest steppe zone. Preliminary wheat output has been reported by the State Statistics agency. Estimated wheat production in Crimea is being added to the reported number.
↓	Kazakhstan	<i>Sep-Aug</i>	11.5	-1.5	-2.4	Weather conditions in the major wheat areas in Kazakhstan adjacent to the Russian Siberian district (especially in Kostanai) have been deteriorating. Wheat area is also being adjusted down as the final numbers were reported by the Government Statistical agency.
↑	EU³	<i>July-June</i>	151.0	+1.0	+14.1	Higher wheat output is projected for France, where the impact of several heatwaves in late June and July was less than anticipated. This increase is partly offset by lower projected wheat production in Germany. The changes for other European countries are minimal.
↑	India	<i>May-Apr</i>	102.2	+1.0	+2.3	The increase is based on the 4th Advanced Estimate issued by the Government. Wheat was harvested several months ago in April. Good growing conditions pushed wheat yields higher than last year's record.
¹ Change from previous month's forecast. Changes of less than 0.2 million tons are also made for several countries; see map A. ² YoY: year-over-year changes. ³ EU: European Union. Source: USDA, Foreign Agricultural Service, Production, Supply and Distribution online database.						

For a visual display of all changes in wheat production this month, see map A.

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



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

Despite Lower Supplies, Stocks are Projected Higher

Global ending stocks are projected 1.1 million tons higher this month, as lower wheat supplies are more than offset by higher beginning stocks and a reduced wheat consumption forecast.

Beginning 2019/20 wheat stocks are projected 1.7 million higher this month. The largest increase is a 1.5-million-ton increase in **Canadian** beginning wheat stocks, in line with Canadian ending 2018/19 wheat stocks reported by Statistics Canada. With a reduction in 2018/19 wheat exports, beginning stocks are projected 0.5 million tons higher for **Argentina**. Changes in beginning stocks for other countries are smaller and partly offsetting.

Global wheat consumption is projected down 1.9 million tons this month, while feed and residual use is down 1.3 million. Lower wheat supplies in **Russia** and **Ukraine**, as well as lower projected imports by **Indonesia**, **Vietnam**, and **Uzbekistan**, suggest reductions in wheat use in these countries.

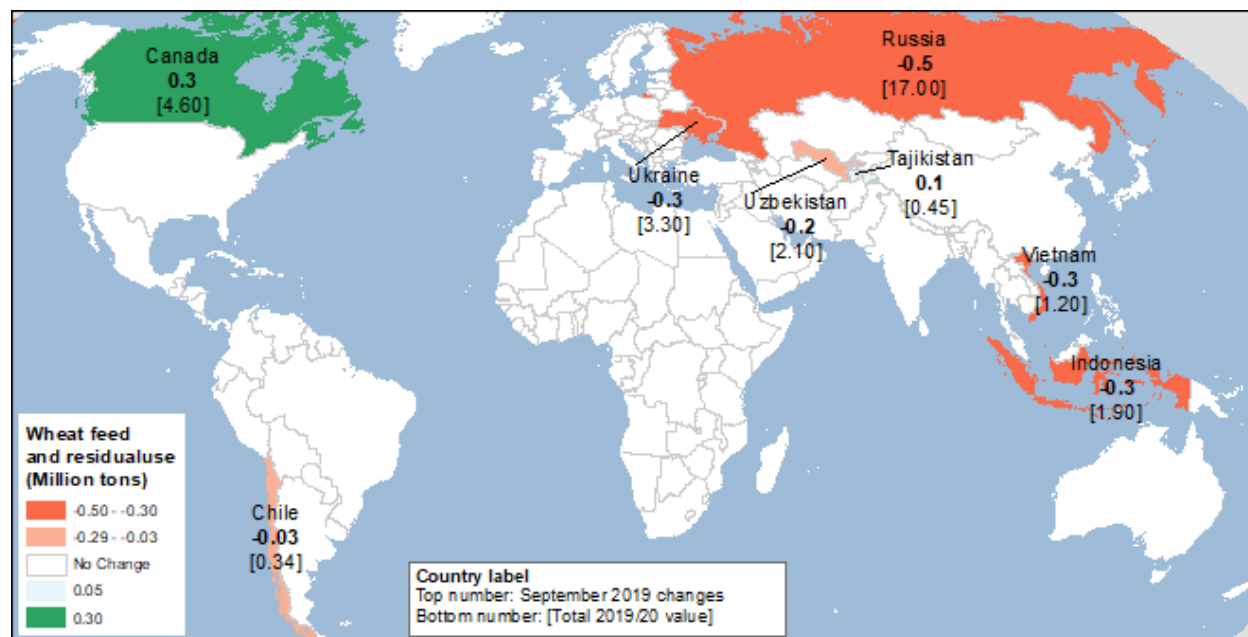
Wheat feed use in Russia is projected 0.5 million tons lower this month; the reduction in wheat is more than offset by increased barley feeding. For Ukraine, wheat feed and residual use is down 0.3 million tons (about 10 percent of projected wheat feeding). With corn feeding also declining, total feed use has dropped even more. Lower feeding is well justified by economic instability in Ukraine, slow economic growth, stagnant livestock development, and insufficient

demand for livestock products, as the country's population has been declining, driven partly by migration to the EU and partly by a low fertility rate.

Partly offsetting multiple reductions in various countries, **Canadian** wheat feed and residual use is projected higher, up 0.3 million tons, supported by increased supplies (beginning stocks).

For a visual display of the changes in wheat feed and residual use this month, see map B.

Map B – Wheat feed and residual use changes for 2019/20, September 2019



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

Multiple partly offsetting changes in wheat stocks by various countries follow numerous revisions in production, consumption, and trade. Among the changes in stocks is a 1.0-million-ton increase for **India**, reflecting higher wheat production, as well as 0.4-million-ton higher **EU** wheat stocks (higher supplies). Other stocks' revisions are smaller and mostly offsetting.

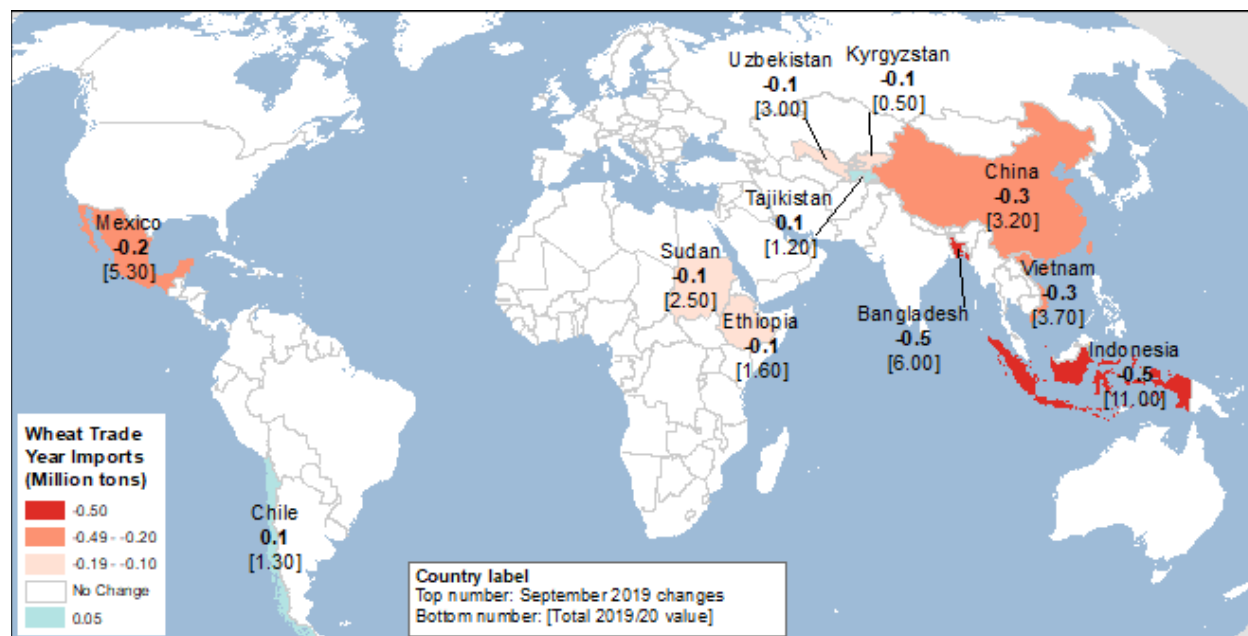
Australia and Kazakhstan Drive Wheat Exports Down

Global wheat trade for the 2019/20 international trade year (July–June) is forecast down 2.3 million tons this month to 179.8 million tons, still the third-highest export amount ever and 6.0 million tons above last year.

Wheat imports are reduced this month across multiple importers, because of downward demand revisions for a number of countries. Lower wheat supplies projected for Australia are expected to affect **Indonesia**, its largest buyer, where wheat imports are projected down 0.5 million tons

this month to reach 11.0 million tons, still slightly higher than the 2018/19 volume which was also revised downward. Reduced wheat availability in Australia will impact **Chinese** and **Vietnamese** wheat imports, that are both down 0.3 million tons this month. With a slower-than-expected pace of imports, a 0.5-million-ton reduction is taken for **Bangladesh**. Smaller reductions are made for a number of countries, as the outcomes for 2018/19 and the current pace of imports reveal lower import requirements. For a visual display of the changes in wheat trade year imports, see map D1 below.

Map D1 – Wheat trade year import changes for 2019/20, September 2019



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

Significant reductions in production and export prospects for **Australia** and **Kazakhstan** drive global wheat exports down and provide additional support for the current projection for U.S. wheat exports. Projected wheat exports by Australia are cut 2.0 million tons this month to 10.0 million, on par with the 2018/19 scarce crop year. Lower supplies reduce exports in Kazakhstan, down 1.3 million tons.

Exports have been slowing down in the last several months in **Argentina**, with the month of July being the lowest since 2015. This slowdown is expected to affect the country's local December–November 2018/19 exports, projected down 0.7 million tons this month. Wheat exports for the 2019/20 July–June international trade year, that overlaps with the local 2018/19 year from July through October 2019, are also reduced, down 0.5 million tons to 14.0 million.

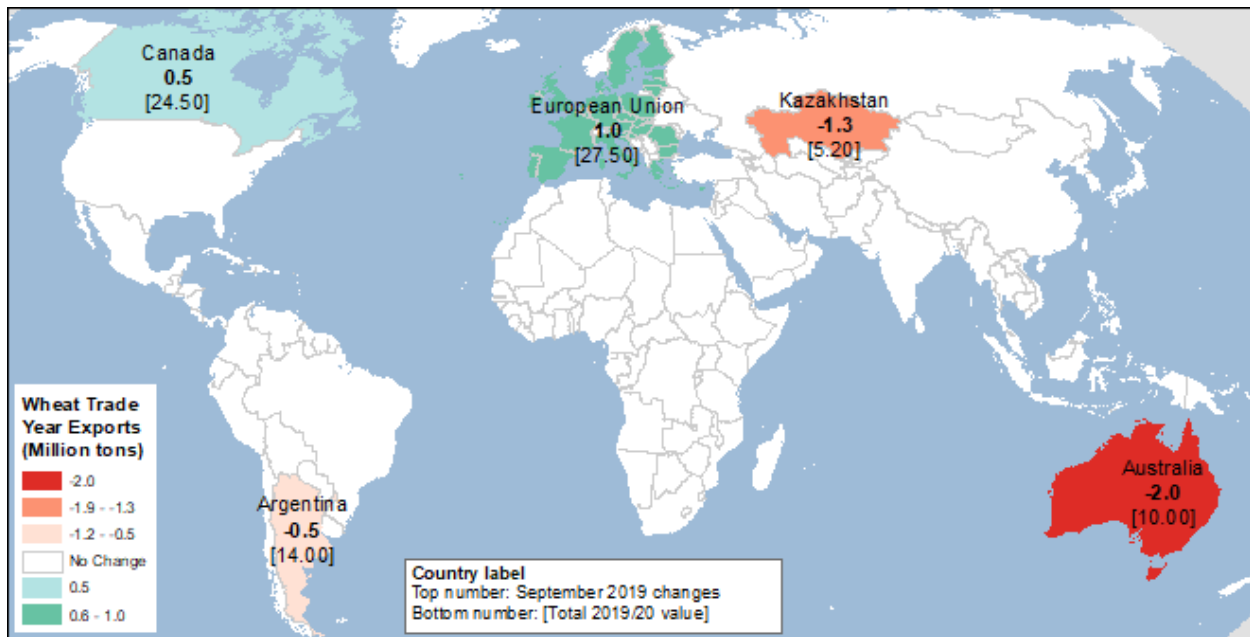
Partly offsetting the reductions, wheat exports from the **EU** are projected 1.0 million tons higher to reach 27.5 million, with a 1.5-million-ton boost to wheat outputs in France, the region's main

wheat country-exporter. **Canadian** exports are also projected higher this month, up 0.5 million tons, as Statistics Canada reported considerably higher 2018/19 ending wheat stocks than expected before, augmenting 2019/20 supplies and providing potential for additional exports.

In **Russia**, despite lower projected wheat output, exports are left unchanged, mainly because the reduction in production is expected to occur in the eastern part of the country far away from ports.

For a visual display of the changes in wheat trade year exports, see map D2 below.

Map D2 – Wheat trade year export changes for 2019/20, September 2019



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

Suggested Citation

Bond, Jennifer K., and Olga Liefert. *Wheat Outlook*, WHS-19i, U.S. Department of Agriculture, Economic Research Service, September 16, 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.