United States Department of Agriculture

Economic Research Service | Situation and Outlook Report

WHS-19j | October 15, 2019

Next release is November 13, 2019

Wheat Outlook

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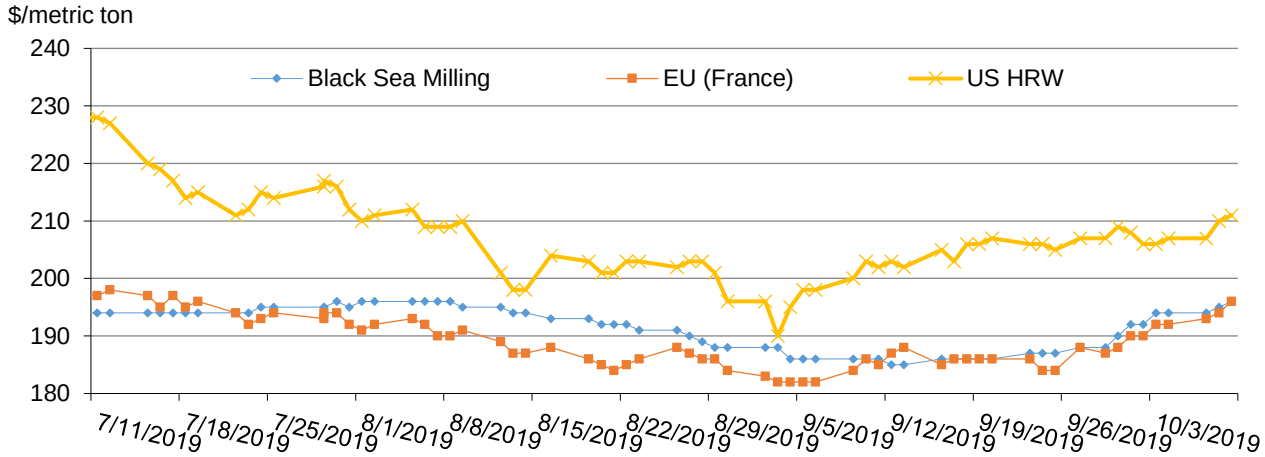
Wheat Outlook monthly tables, in excel format, can be found on the Wheat Outlook report page on USDA's Economic Research Service website.

U.S. All-Wheat Carryout for 2019/20 Rises on Lowered Use Prospects

Following the release of key USDA, National Agricultural Statistics Service (NASS) reports and U.S. Census trade data through August, this month the 2019/20 U.S. all-wheat feed and residual use is cut 30 million bushels and U.S. exports are trimmed 25 million. Through the first quarter of the 2019/20 marketing year, U.S. wheat exports lagged behind expectations despite a marked decline in export prices through early September (fig. 1). After bottoming out in the first week of September, U.S. export prices have steadily risen and outpaced modest growth for comparable Black Sea and European Union (EU) export prices. Lowered forecasts for U.S. exports and feed and residual contribute to a 29-million-bushel increase in U.S. carryout and help to support a 10-cent reduction in the all-wheat season average farm price projection compared to the previous month.

Figure 1
After drop, U.S. wheat export price rises relative to EU and Black Sea, reducing U.S competitiveness



Notes: EU wheat is Grade 1, Rouen; US HRW is Gulf hard red winter wheat (11.5% protein). Black Sea wheat is milling quality.
Source: International Grains Council.

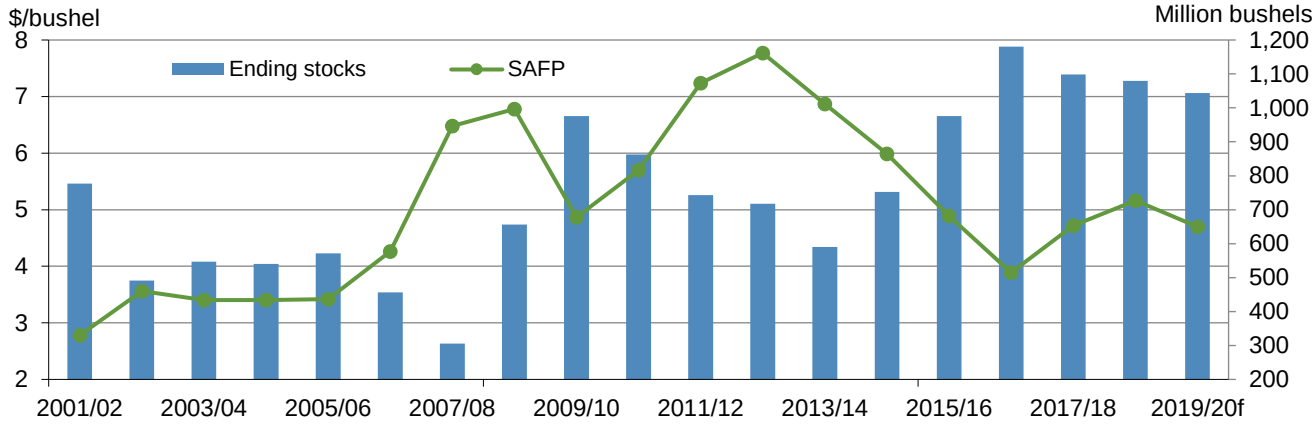
Domestic Outlook

Domestic Changes at a Glance:

- On September 30, USDA, National Agricultural Statistics Service (NASS) released the 2019 *Small Grains Annual Summary* and the *Grain Stocks* reports.
    - The *Small Grains Annual Summary* indicated all-wheat production for 2019/20 is down 18.5 million bushels from the previous estimate while up 4 percent from the previous year. A re-survey of respondents who previously reported unharvested acres in several Durum and spring wheat producing states will be conducted and any changes will be reported in the November 8 *Crop Production* report.
- Supplies are further cut on reduced imports, lowered 15 million bushels on the slower-than-expected pace of imports to date.
- The *Grain Stocks* report indicated 2019/20 first quarter (June-August) ending stocks were 2,384 million bushels, down slightly from the same time last year.
    - First quarter disappearance, at 680 million bushels, is lower than expected and supports a 30-million-bushel feed-and-residual reduction.
    - Fourth quarter stocks for 2018/19 are revised upward about 8 million bushels.
- With reduced use more than offsetting net lower supplies, carryout for the 2019/20 marketing year is revised upward nearly 30 million bushels to 1,044 million.
- The 2019/20 all-wheat season average farm price forecast is lowered 10 cents this month to $4.70 per bushel.

Figure 2

U.S. all-wheat season-average farm price, ending stocks tend to move in opposite directions



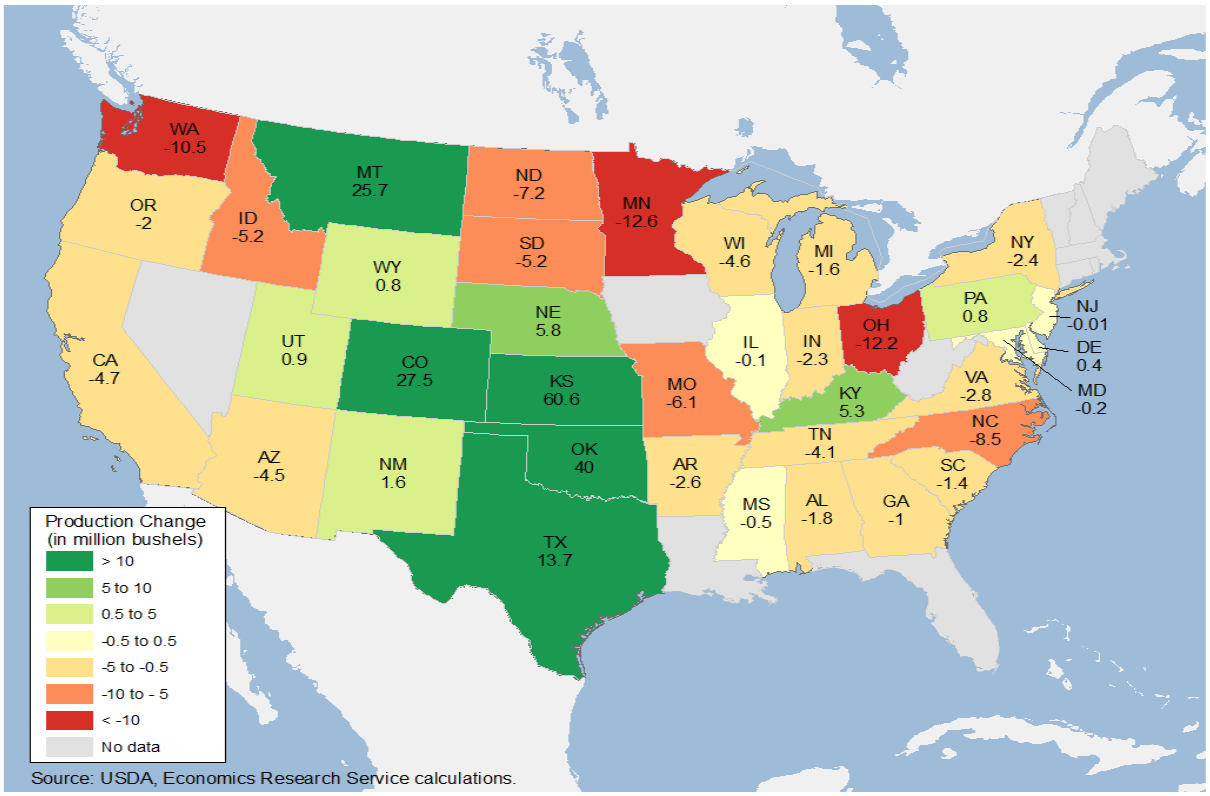
Note: SAFP=season average farm price.
Source: USDA, World Agricultural Supply and Demand Estimates.

Table 1 - U.S. wheat supply and utilization at a glance, 2019/20				
Balance sheet item	**2019/20f September**	**2019/20f October**	**Change from previous month**	**Comments**
Supply, total	**-----Million bushels-----**			***May-June Marketing Year (MY)***
Beginning stocks	1,072.0	1,079.8	7.8	The *Grain Stocks* report raised June 1 stocks by nearly 8 million bushels. Durum stocks are lowered 0.2 million bushels; hard red spring (HRS) are cut 2 million; hard red winter wheat (HRW) are raised almost 10 million.
Production	1,980.2	1,961.7	-18.5	All-wheat production is cut 18.5 million bushels based on data reported in the *Small Grains Annual* Summary. Soft red winter (SRW) production is lowered by nearly 19 million bushels.
Imports	135.0	120.0	-15.0	Based on the pace to date, all wheat imports are lowered 15 million bushels. HRS imports are cut 10 million, Durum imports are lowered 5 million.
Supply, total	3,187.2	3,161.5	-25.7	On both increased carry-in, reduced production, and lower imports, total supply is cut more than 25 million bushels.
Demand				
Food	960.0	960.0	0.0	
Seed	68.0	68.0	0.0	
Feed and residual	170.0	140.0	-30.0	First quarter disappearance for 2019/20 is less-than-expected, while production is cut, supporting a 30-million-bushel reduction in forecast annual feed and residual.
Domestic, total	1,198.0	1,168.0	-30.0	
Exports	975.0	950.0	-25.0	Exports are trimmed on slower-than-expected sales and shipments through August, headwinds created by a strong U.S. dollar, and still-large exportable supplies in key competitor countries.
Use, total	2,173.0	2,118.0	-55.0	
Ending stocks	1,014.2	1,043.5	29.3	With total use lowered by more than total supplies this month, carryout for 2019/20 is increased by 29 million bushels.
Season Average Farm Price	$4.80	$4.70	-$0.10	Still weak cash wheat prices reported to date and increased slackness in the U.S. all wheat balance sheet underpin a 10-cent reduction in the season average farm price.
Source: USDA, World Agricultural Outlook Board *Supply and Demand Estimates.*				

While Up from 2018, Small Grains Report Lowers 2019 U.S. All-Wheat Production from Previous Forecast

As reported in the USDA, NASS *Small Grains Annual Summary,* the current estimate for 2019 U.S. all-wheat production stands at 1,962 million bushels, up 4 percent from the 2018 total. Yields, currently estimated at an average for all-wheat at 51.6 bushels per acre, are up 4 bushels per acre from 2018. Area harvested for grain in 2019 is down 4 percent from the previous year to 38.1 million acres. Winter wheat production is projected up 10 percent year-to-year, while other spring wheat and Durum are down 4 percent and 26 percent, respectively. Year-to-year changes in all-wheat production by State reflect class changes over the same time period (fig. 3). For example, the key areas of winter wheat production including Colorado, Kansas, Oklahoma, and Texas are up more than 10 million bushels each in 2019 and consistent with the year-to-year expansion in aggregate hard red winter wheat production (up 26 percent). In contrast, production for spring wheat and Durum is forecast down in 2019 on production cuts of at least 5 million bushels in key States of North Dakota, South Dakota, and Minnesota.

Figure 3
Change in wheat production by State, 2019 vs. 2018



Source: USDA, Economics Research Service calculations.

The *Small Grains Annual Summary* typically provides a final estimate of marketing year production. However, when producers were surveyed in early September, a significant

proportion of other spring and Durum wheat acres were unharvested due to heavy rains and even snow in the Northern Plains. NASS reports that, as of the week ending September 20, 90 percent of the spring wheat crop had yet to be harvested. Fully 16 percent remained unharvested in Montana, while a further 11 percent had yet to be harvested in North Dakota. NASS will re-survey respondents who previously reported unharvested area and, if needed, will publish revised Durum and other spring wheat production estimates in the November 8 *Crop Production* report.

The September all-wheat production estimate is lower than the earlier August forecast and reflective of the effects challenging weather had on yields in the last few weeks of cultivation. The most significant month-to-month production cut is for soft red winter wheat, lowered 7.1 percent and more than 18 million bushels from the August projection of 257.5 million bushels. In the key soft red winter wheat production States, including Illinois, Indiana, Michigan, Missouri, and Ohio, persistent wet conditions lead to widespread yield deterioration as the crop neared harvest.

Table 2: U.S. wheat production by class

	2018/19p	2019/20f (August)	2019/20f (September)	Month-to-Month change	Year-to-year change
Wheat Class	------Million bushels------			--%--	
Winter Wheat					
Hard red winter	662.2	839.8	833.2	-0.8%	25.8%
Soft red winter	239.2	257.5	239.2	-7.1%	0.0%
Winter white	236.1	228.9	231.7	1.2%	-1.9%
Spring Wheat					
Hard red spring	587.0	565.8	558.9	-1.2%	-4.8%
Spring white	36.2	30.9	41.1	32.9%	13.4%
Durum	78.0	57.3	57.7	0.7%	-26.0%
TOTAL	1,885.2	1,980.2	1,961.7	-0.9%	4.1%

Source: USDA, National Agricultural Statistics Service, *Crop Production.*

Multiple Balance Sheets Revisions Following Release of New Production, Stocks, and Trade Data

This month, the combination of back-year and current marketing year updates to stocks, production, trade, and seed use results in several changes to the all-wheat balance sheets for 2018/19 and 2019/20. For 2018/19, balance sheets adjustments are limited to updated seed use by class estimates and revisions to June 1 Stocks. Seed use for 2018/19 is lowered to 58.8, down from the previous estimate of 59.6 million bushels. Stocks for the last quarter of the 2018/19 marketing year are increased by about 8 million bushels. NASS reports that on September 1, 2019, 2.38 billion bushels of wheat were stored in all positions. A larger proportion than average was held on-farms; at 776 million, on-farm wheat stocks are up 23 percent from the same time a year prior.

Increased carry-in for the 2019/20 marketing year helps to offset the effects of lower 2019 production and reduced imports. For the current marketing year, imports are trimmed based on the slower-than-expected pace through August (largely from Canada). The *Grain Stocks* report also revealed ample domestic stocks were located in the Northern Plains—where U.S. production of other spring and Durum wheat is concentrated. Accordingly, the all-wheat import forecast for the balance of the marketing year is lowered 15 million bushels to 120 million.

June-August (first quarter) total disappearance for the 2019/20 marketing year is estimated at 680 million bushels—a 7-percent increase over the first quarter of the 2018/19 marketing year. While higher year-to-year, the total estimated disappearance is lower than the prior projection and supportive of reduced-use, particularly for feed and residual use. This month, feed and residual use is cut 30 million bushels on sluggish disappearance, as well as reduced production, which correlates with a lower residual estimate. Further, despite a 20-cent-per-bushel increase in the corn season-average farm price, corn use for feed and residual is raised 125 million bushels this month. This is an indication of strong demand for this major feed grain and relative price insensitivity. Expanded use of corn in feed rations likely offsets demand for wheat—even in locations like Central Kansas, where the wheat-to-corn price ratio is generally supportive of wheat feeding, but stocks of corn are ample. The 30-million-bushel cut to feed and residual use is allocated to hard red winter and soft red winter wheat, both lowered 15 million bushels from the previous forecast.

The all-wheat export projection is lowered 25 million bushels this month to 950 million. U.S. Census Bureau trade data revealed export sales in the first quarter that were slightly behind the expected pace. Formidable competition from the European Union and Black Sea inhibit the

expansion of U.S. wheat sales. U.S. export prices at the Gulf have risen steadily since falling to near-parity levels with these two competitor countries in early September. A strengthening U.S. dollar and rising ocean freight rates create further headwinds for the U.S. share of global wheat markets. Production cuts for Australia and Canada and an associated reduction in the forecast for Australian exports are not expected to provide a significant lift to U.S. prospects.

Australia and the U.S. compete in white wheat markets, particularly in Asia. The signing of the U.S.-Japan Trade Agreement is expected to help the U.S. maintain its competitive position in the region by lowering tariffs on U.S. goods to equivalent levels with countries participating in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). For more details on U.S. wheat trade, please see the latest USDA, FAS *Grains: World Markets and Trade* report. The pace of white wheat exports in the first quarter suggest maintenance of the current white wheat export projection of 190 million bushels. In September, the discovery of cracked concrete at a navigational lock on the Columbia River halted some regional wheat barging operations and is likely to have temporarily slowed the pace of white wheat exports out of the Pacific Northwest.

All-Wheat Price Lowered 10 Cents on Weak Price Recovery

The 2019/20 season average farm price (SAFP) is lowered 10 cents to $4.70 per bushel on weaker-than-expected seasonal price recovery. Last month, the SAFP was lowered a full 20 cents on amplified season price declines that continue to linger despite a sluggish spring wheat harvest. Premiums for high protein wheat are expected; however, with a sizable share of the 2019/20 wheat crop already marketed, the impact of protein premiums on the SAFP is muted.

International Outlook

Challenging Weather Leads to Production Cuts for Key Northern, Southern Hemisphere Exporters

Global wheat production for 2019/20 is fractionally lower (0.3 million tons) this month as reduced production for Australia (-1 million tons), Canada (-0.3 million), Serbia (-0.3 million), and the U.S. (-0.5 million) is mostly offset by projections for larger European Union (EU; +1.0 million) and Turkmenistan (+0.7 million) crops. Despite early expectations for increased harvested area and yield for Australia, Canada, and the U.S. persistent weather challenges in these countries led to lower production estimates. While lower month-to-month, at 765.2 million tons, global wheat production in 2019/20 is still 34.7 million tons, or 4.8 percent above last year's production.

Similar to last year, much of ***Australia's*** wheat-growing regions are experiencing yield-sapping dryness. After some timely September rain at sowing in Western Australia dry conditions set in. In Eastern Australia, the 2019 crop was essentially planted into dust and has received below-normal precipitation for the balance of the growing season to date. Across the continent, dry and deteriorating conditions are expected to persist through harvest (November) and severely limit yield potential. Australian wheat yields are currently projected at 1.68 tons per hectare and compare to the 5-year average of almost 2 tons per hectare. With the harvested area unchanged from last month, the 1-million-ton reduction in projected Australian wheat production is fully attributed to reduced yield prospects.

In the Northern hemisphere, an abundance of moisture and cold temperatures raised concerns for unharvested spring wheat crops in ***Canada*** and the U.S. Since mid-September, the Canadian Prairies have experienced heavy rain that intermittently halted field work and led to harvest delays. As of October 4, just 44 percent of the spring wheat crop had been harvested in Saskatchewan, compared to 58 percent in 2018. In late September, this key spring wheat producing region was covered by deep snow in a potentially season-ending freeze event. In total, production expectations for Canada are lowered 0.3 million tons this month to 33.0 million.

Similar to the Canadian Prairies, the Northern Plains of the ***United States*** have recently experienced excessively wet and cold conditions which have delayed the spring wheat harvest. As of October 6, ninety-one present of the U.S spring wheat crop was harvested, 8 points behind the 5-year average. A particularly strong storm in late September brought high levels of precipitation (rain and snow) and wind to areas of the Northern Rockies, including Montana and sections of the Dakotas, potentially damaging unharvested small grain crops. The official USDA,

NASS all-wheat production estimate for 2019 is 53.39 million tons, 0.5 million below the previous estimate.

Reduced Domestic Use Pushes Ending Stocks Higher

Global wheat ending stocks for 2019/20 are projected 1.3 million tons higher this month, as slightly lower supplies are more than offset by higher beginning stocks and reduced projected wheat consumption.

Global wheat consumption is projected down 1.2 million tons this month, while feed and residual use is down 0.6 million. The reduction is dominated by the changes for ***U.S.*** feed and residual use, while foreign feed use is projected up slightly by 0.3 million tons with a few small revisions. Despite lower wheat supplies projected for ***Australia*** this month on reduced production, the country's feed and residual use is not lowered. Pastures there are still affected by the drought in eastern Australia, and so grain feeding is expected to remain relatively high.

A revision of wheat domestic consumption data for ***Bangladesh*** suggests a small increase in total consumption and a shift from food, seed, and industrial use to feed use. The revision goes back to 2015, with wheat feed use going from 0.2 million tons in 2015/16 to 0.3 million in 2019/20. With higher wheat output, a small increase in feed use is projected for ***Turkmenistan***. Wheat feed use in ***Canada*** is projected slightly lower, following reduced output.

Multiple partly offsetting changes in wheat stocks by various countries follow numerous revisions in production, consumption, and trade, with more than half of the ending stocks' increase coming from the ***United States***. Global ending stocks are projected 1.3 million tons higher, while foreign ending stocks are up a 0.5 million tons. Among the notable revisions in stocks is a 0.4-million-ton increase for ***Russia***, reflecting lower 2018/19 exports, as well as 0.4-million-ton higher ***EU*** wheat stocks (from higher supplies). With reduced production and higher projected exports, wheat stocks are projected 0.6 million tons lower for ***Egypt***. Stocks for ***Canada*** and ***Serbia*** are each reduced this month by 0.5 million tons. Smaller revisions in stocks are made for several other countries.

Global Wheat Trade Down, U.S. Exports Reduced

Global wheat trade for the 2019/20 international trade year (July-June) is forecast marginally lower, down 0.5 million tons this month to 179.3 million tons. Even with this reduction, this is still the third-highest export volume on record and 4.9 million tons above last year.

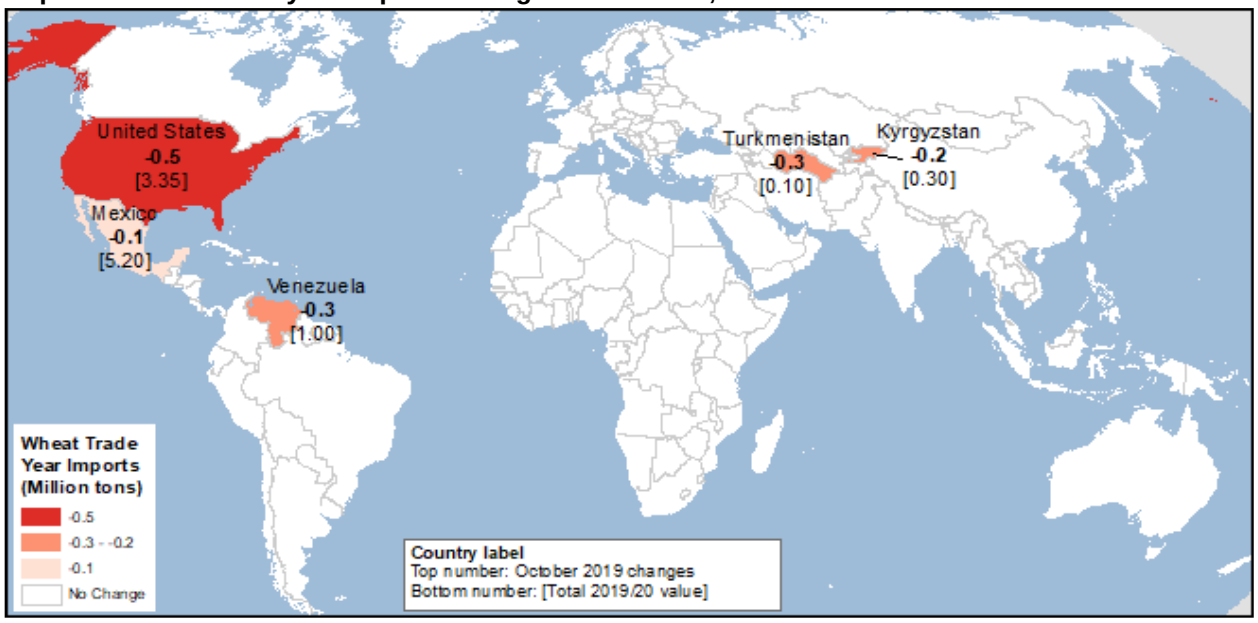
Wheat imports are revised for a number of countries this month, as trade data for 2018/19 and the current pace of 2019/20 imports reveal mainly lower imports. In some instances, imports are adjusted due to revisions in production. Higher wheat supplies projected for ***Mexico*** and

Turkmenistan are expected to reduce imports; for ***Venezuela***, the economic and social plight, as well as a reduction of 2018/19 imports, justify a lower import projection; and the import series back to 2015/16 is revised downward for ***Kyrgyzstan***, based on new available information. Small changes are also made for several other countries.

Wheat imports for the ***United States*** are sharply reduced, down 0.5 million tons to 3.4 million as imports from ***Canada*** are significantly behind last year's pace. For the local 2019/20 June-May marketing year, U.S. imports are projected down 15 million bushels this month to 120 million.

For a visual display of the changes in wheat trade year imports, see map A1 below.

Map A1 – Wheat trade year imports changes for 2019/20, October 2019



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

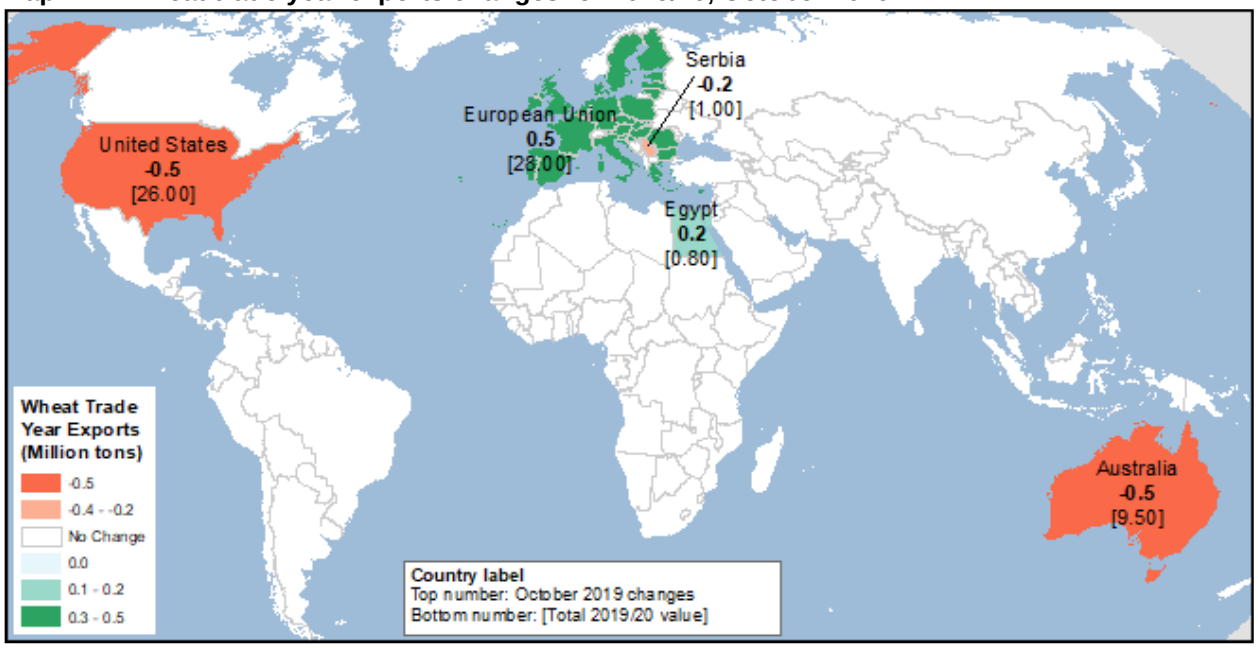
A further reduction in production prospects for ***Australia*** drives its wheat July-June exports down by 0.5 million tons to 9.5 million (down 1.0 million tons for the Australian local October-September marketing year). Lower supplies reduce exports from ***Serbia***, down 0.2 million tons to 1.0 million.

Partly offsetting these reductions, wheat exports from the ***EU*** are projected 0.5 million tons higher to reach 28.0 million, with a 1.0-million-ton boost to wheat output in France, the EU's leading wheat country-exporter. These projected exports are the highest since 2015/16, the last year when the EU was the top world wheat exporter at 37.8 million tons. A rapid pace of exports, which indicates the EU's growing price-competitiveness, support this increase.

The wheat export series is revised higher for ***Egypt*** for the last 5 years based on new available data. Egypt exports wheat mainly to the countries of North Africa (Libya) and Middle East (Jordan).

For a visual display of the changes in wheat trade year exports, see map A2 below.

Map A2 – Wheat trade year exports changes for 2019/20, October 2019



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

U.S wheat exports for the 2019/20 July-June international trade year are projected to decrease 0.5 million tons this month to 26.0 million. The pace of U.S. wheat export sales and shipments is slow and the outstanding sales have been declining. This is an importer response to the diminishing price-competitiveness of the United States vis-à-vis other major wheat exporters who are projected to have higher wheat supplies than last year, and whose currencies are mostly depreciating against the U.S. dollar. A strong dollar creates a price disadvantage for U.S. exports, effectively pricing them out of some markets. The current projection assumes that, as the season progresses and competitors exhaust their supplies, the United States will be able to step in and utilize this year's higher supplies.

For the local 2019/20 June-May marketing year, U.S. exports are projected down 25 million bushels this month to 950 million.

Suggested Citation

Bond, Jennifer K., and Olga Liefert. *Wheat Outlook*, WHS-19j, U.S. Department of Agriculture, Economic Research Service, October 15, 2019

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