



Wheat Outlook

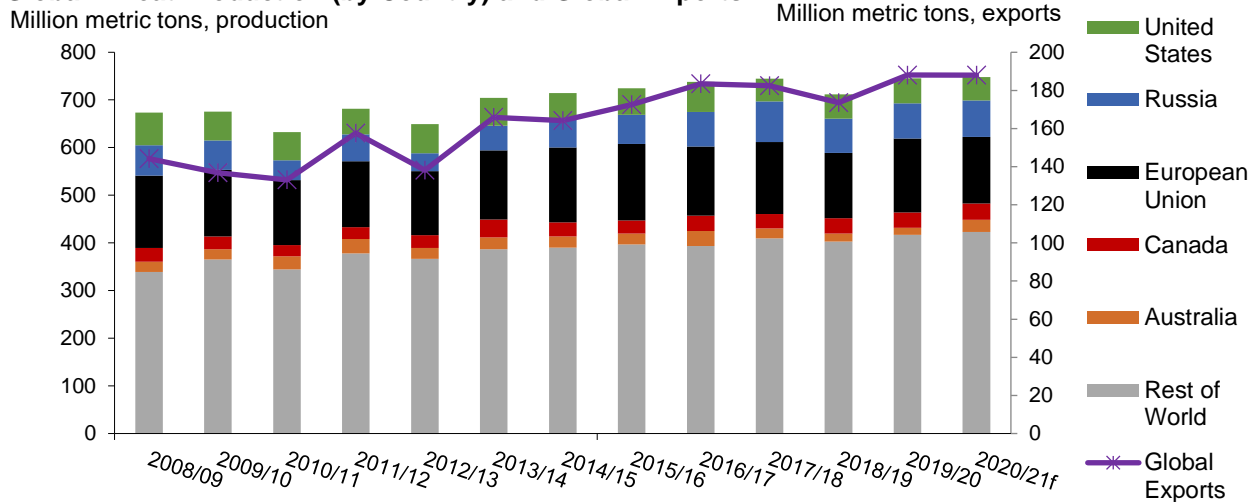
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U.S. 2020/21 Wheat Crop Shrinks on Reduced Outlook for Winter and Other Spring Wheat

The 2020/21 U.S. wheat crop was cut 53 million bushels this month to 1,824 million (49.6 million metric tons) on newly released survey data. Winter wheat production is lowered 48 million bushels from the June estimate and accounts for most of the all-wheat production decline. At 550 million bushels, other spring wheat production is slightly smaller than the previous 2020/21 projection. Durum, soft red winter, and spring white wheat varieties are the only wheat classes for which production is expected to increase year-to-year. The smaller outlook for U.S. wheat combines with reduced production forecasts for both the European Union (cut 1.5 million metric tons) and Russia (cut 0.5 million) and contributes to a reduction of more than 4 million metric ton for global wheat production (fig. 1). Despite this month's reduction, global wheat production remains record-large and supports the outlook for record-high exports.

Figure 1
Global Wheat Production (by Country) and Global Exports



Source: USDA Foreign Agricultural Service, *Production, Supply, and Distribution* database. 2020/21 production is forecast (f).

Domestic Outlook

Domestic Changes at a Glance:

- Based on the USDA-National Agricultural Statistics Service (NASS) *June Acreage* and *July Crop Production* reports, U.S. all-wheat production in 2020 is lowered 53 million bushels from the June forecast to 1,824 million, down 5 percent from the year before (table 1).
 - Hard red winter wheat production is down 4 percent from the prior forecast to 710 million bushels.
 - Soft red winter wheat production is forecast is down 6 percent from the June forecast to 280 million bushels.
 - White winter wheat production is raised 1 percent from last month to 227 million.
- This month, NASS provided the first 2020/21 survey-based forecasts for other spring wheat production—forecast at 550 million bushels, down 2 percent from last year on reduced yields (down 1.6 bushels per acre).
 - As of 2019, the NASS other spring wheat survey no longer includes Colorado, Nevada, Oregon, and Utah; these States produced less than one percent of the other spring wheat crop in 2018.
- Based on the NASS *Grain Stocks* report issued on June 30, ending stocks for 2019/20 are increased by nearly 61 million bushels.
- U.S Department of Commerce, Bureau of Census trade data through May was released this month, completing the import and export estimates for the 2019/20 marketing year.
 - Revisions to official trade data resulted in several, mostly slight, adjustments in import and exports back to the 2016/17 marketing year.
- With trade figures known and food use unchanged this month, significantly smaller disappearance in the fourth quarter results in a 61 million bushel decrease in 2019/20 feed and residual.
- Based on the *Grain Stocks* report, carryin for the 2020/21 marketing year is increased by 61 million bushels, more than offsetting a production reduction of 53 million bushels.
- Resulting total supplies for the 2020/21 marketing year are raised more than 7 million bushels to 3,007 million and, if realized, would be the smallest since 2015/16.
- New marketing year balance sheets for the five major classes of wheat were released in the July *World Agricultural Supply and Demand Estimates* report.

Table 1 - U.S. wheat supply and use at a glance 2019/20 and 2020/21

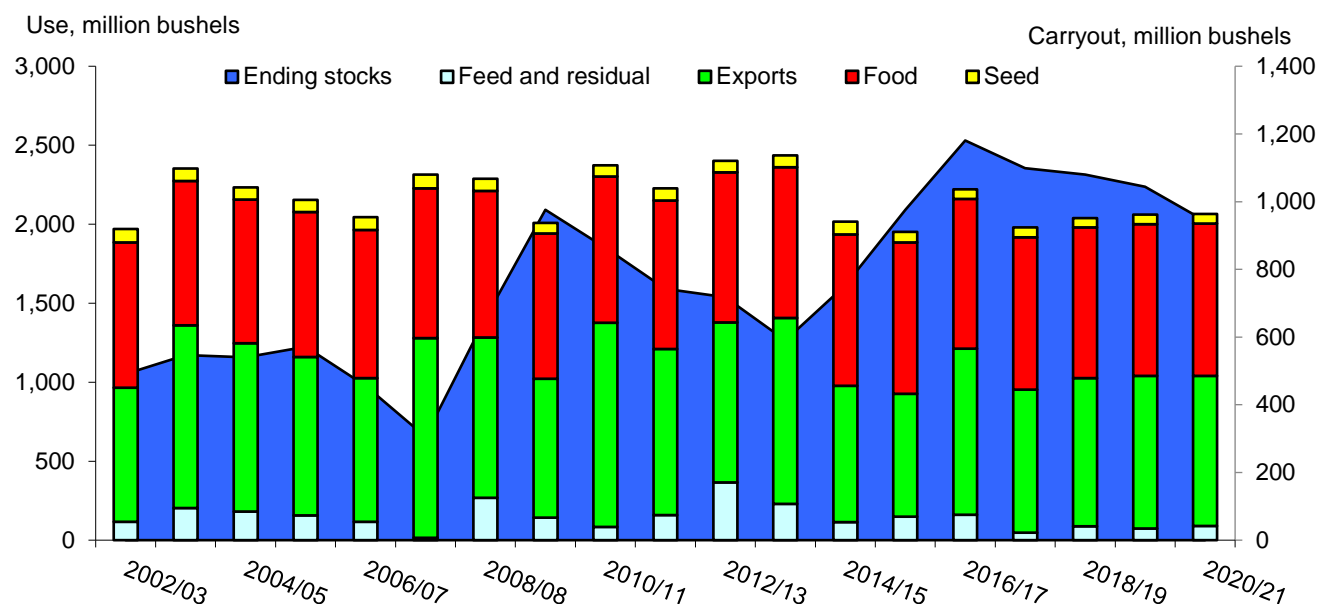
Balance sheet item	2019/20 July	2020/21 June	2020/21 July	2020/21 Change from previous month	Comments
Supply, total					<i>May-June Marketing Year (MY)</i>
Beginning stocks	1,079.8	982.9	1,043.8	61.0	Larger than expected ending stocks from 2019/20 are carried into the 2020/21 marketing year.
Production	1,920.1	1,877.0	1,823.6	-53.4	Survey-based production cuts for nearly all classes of wheat--relative to the June forecast--combine for a near 3 percent reduction in all-wheat production for the new marketing year.
Imports	105.0	140.0	140.0	0.0	
Supply, total	3,104.9	2,999.9	3,007.4	7.6	Increased carryin more than offsets reduced production, resulting in a net increase in 2020/21 all-wheat supplies.
Demand					
Food	962.0	964.0	964.0	0.0	On August 1, NASS will release the next <i>Flour Milling Products</i> report that will provide wheat for food use data for the last 2 months of the 2019/20 marketing year.
Seed	60.0	61.0	61.0	0.0	
Feed and residual	73.6	100.0	90.0	-10.0	Feed and residual for the back year is sharply lower on smaller than expected disappearance in the last 3 months of the marketing year. With a smaller crop and still-abundant corn supplies, 2020/21 feed and residual use is trimmed 10 million bushels to 90 million.
Domestic, total	1,095.6	1,125.0	1,115.0	-10.0	Reduced feed and residual use leads to a cut of 10 million bushels for total domestic use.
Exports	965.5	950.0	950.0	0.0	
Use, total	2,061.1	2,075.0	2,065.0	-10.0	With all-wheat exports unchanged this month, total and domestic use cuts are equivalent.
Ending stocks	1,043.8	924.9	942.4	17.6	Because of increased supplies and slightly lower use, 2020/21 ending stocks are raised this month, but remain the lowest since 2015/16.
Season Average Farm Price	\$4.58	\$4.60	\$4.60	0.0	The 2020/21 all-wheat season average farm price (SAFP) is unchanged. Despite a projected increase in new crop carryout, the wheat SAFP is supported by an improved outlook for the corn SAFP.

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

Outlook for 2020/21 All-wheat Balance Sheet

Based on newly released data in multiple NASS reports and the latest U.S. Department of Commerce, Bureau of the Census trade data, the updated outlook for the 2020/21 balance sheet is for increased supplies month-to-month (though down nearly 100 million bushels compared with 2019/20), slightly reduced feed and residual use compared to the June forecast, and modestly increased carryout (fig. 2).

Figure 2
All-wheat use up slightly in 2020/21 while carryout declines



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

With ending stocks of 942 million bushels, the 2020/21 balance sheet remains tighter than the 2019/20 and reflects an improved stocks-to-use ratio of 45.6 versus 50.6. However, at \$4.60 per bushel, the 2020/21 all-wheat season average farm price is virtually unchanged from the previous marketing year's \$4.58 per bushel as record-large global wheat supplies and a continue to dim U.S. wheat price prospects.

U.S. Other Spring Wheat Yields Cut on Emergent, Widespread Dryness

At the outset of the spring and the start of the 2020 planting window, much of the other spring wheat growing regions were located in areas considered to be at a relative high risk of flooding (See March, 2020 *Wheat Outlook* for more information). In the subsequent months, a lack of rain and persistent warmth have reversed the situation with saturated soils giving way to dry and

even droughty conditions in portions of the Northern Plains and both central and western U.S. (fig 3).

Figure 3

Before late June rain events, drought affected a sizable share of winter and spring wheat growing regions

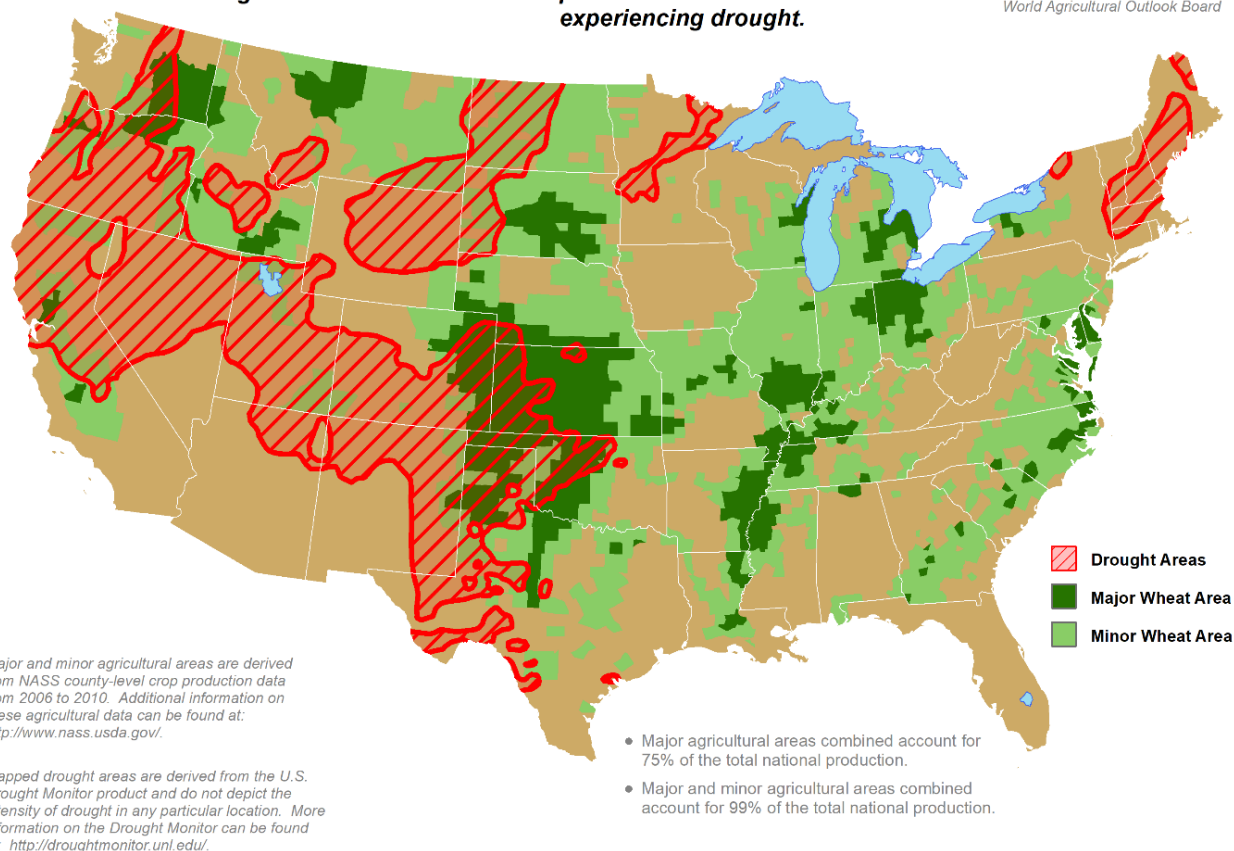
U.S. Winter Wheat Areas Experiencing Drought



Reflects **June 23, 2020**
U.S. Drought Monitor data

Approximately **27%** of winter wheat production is within an area experiencing drought.

This product was prepared by the
USDA Office of the Chief Economist
World Agricultural Outlook Board



Note: Mapped drought areas are derived from the U.S. Drought Monitor product and do not depict the intensity of drought in any single location.

Source: Chart is courtesy of Brad Rippey, USDA Meteorologist, Office of the Chief Economist World Agricultural Outlook Board and is based on USDA, National Agricultural Statistics Service crop conditions.

At the end of June, a much-needed weather event provided moisture that replenished top soil levels and aided in the development of later-planted other spring and durum wheat. Earlier-planted crops did not reap as many benefits from the moisture and, according to some industry reports, the rain may have come too late to materially boost production. Indeed, the effects of dry conditions were made clear when USDA, NASS reported reduced yields based on objective yields survey gathered between June 24 and July 7. At 46.6 bushels per acre, other spring wheat yields for 2020/21 are 1.6 bushels per acre below last year's yield though well above the most recent low of 41 bushels per acre realized for the 2017/18 crop. Year-to-year yield

reductions are especially pronounced in North Dakota where nearly 50 percent of the 2020/21 other spring harvest originates. Yields in this state are down 4 bushels per acre from the 2019/20 estimate.

2019/20	HRS	HWS	SWS	Durum
Planted area (million acres)	12.012	0.143	0.505	1.339
Harvested area (million acres)	11.027	0.138	0.495	1.175
Production (million bushels)	521.557	11.831	28.992	53.557
2020/21				
Planted area (million acres)	11.502	0.164	0.534	1.500
Harvested area (million acres)	11.117	0.156	0.520	1.444
Production (million bushels)	502.183	13.036	35.006	55.580

Note: HRS=hard red spring wheat; HWS=hard white spring wheat; SWS=soft white spring wheat.

Winter Wheat Yields, Harvested Area, Lowered in Recent NASS Reports

As of July 5, 2020, the majority of 2020/21 winter wheat crop (56 percent) had been harvested, about 14 percent behind last year's pace. On June 30, NASS released the June *Acreage* report indicating winter wheat harvested area had fallen from the prior forecast of 24.3 million acres to 23.4 million. The July *Production* report further indicated that winter wheat yields had fallen 0.1 bushels to 52.0 bushels per acre from the June forecast. On the combination of reduced harvested area and yields, winter wheat production is now forecast at 1.217 billion bushels, down 4 percent from the June 1 forecast and down 7 percent from 2019.

2019/20	HRW	SRW	HWW	SWW
Planted area (million acres)	22.458	5.201	0.434	3.066
Harvested area (million acres)	17.292	3.733	0.386	2.916
Production (million bushels)	833.181	239.166	19.954	211.702
2020/21				
Planted area (million acres)	21.498	5.633	0.401	3.018
Harvested area (million acres)	15.959	4.265	0.348	2.867
Production (million bushels)	710.306	280.309	15.476	211.693

Note: HRW=hard red winter wheat; SRW=soft red winter wheat; HWW=hard white winter wheat; SWW=soft white winter.

Stocks Report Indicates Significantly Smaller-than-Expected Fourth Quarter Disappearance

The USDA, NASS June 1 *Grain Stocks* report indicated all-wheat totaled 1,043 million bushels on June 1, 2020, of which 42.8 million were durum. These figures represent ending stocks or “carryout” for the 2019/20 marketing year which then become beginning stocks or “carryin” for the 2020/21 marketing year. Based on this carryout figure, estimated disappearance from March to May is 372 million bushels, down 28 percent from a year prior but nearly 60 million bushels above the earlier, June ending stocks forecast. With exports meeting expectations in the fourth quarter, sluggish feed and residual use and potential food use are likely contributors to the larger-than-expected ending stocks. For durum, carryout in June was estimated at 21 million bushels while the NASS-reported carryout totaled 42 million. Slowing U.S. export sales in the fourth quarter were expected, however steady imports of feed-quality wheat from Canada and into the Northern Plains region is expected to have contributed to domestic durum stocks.

First 2020/20 Balance Sheets by Wheat Class Released in July WASDE

Following the release of NASS’ 2020/21 wheat-by-class production estimates, the July *World Agriculture Supply and Demand Estimates* (WASDE) contained the first forecasts of wheat-by-class supply and use for the new marketing year. Supplies of hard red winter and soft red winter wheat are both down year-to-year. However, on the realization of greater-than-expected carryout for 2019/20, hard red spring and white wheat supplies are forecast to rise. With utilization for the new marketing year set to increase by just 4 million bushels, use for most classes is similar to the year before. Exceptions are hard red spring for which reduced feed and residual use is expected to more than offset a slight gain in exports, resulting in a net decline in utilization of approximately 17 million bushels. In contrast, hard red spring utilization is forecast to rise nearly 25 million bushels on the combination of enhanced use in all but the seed category.

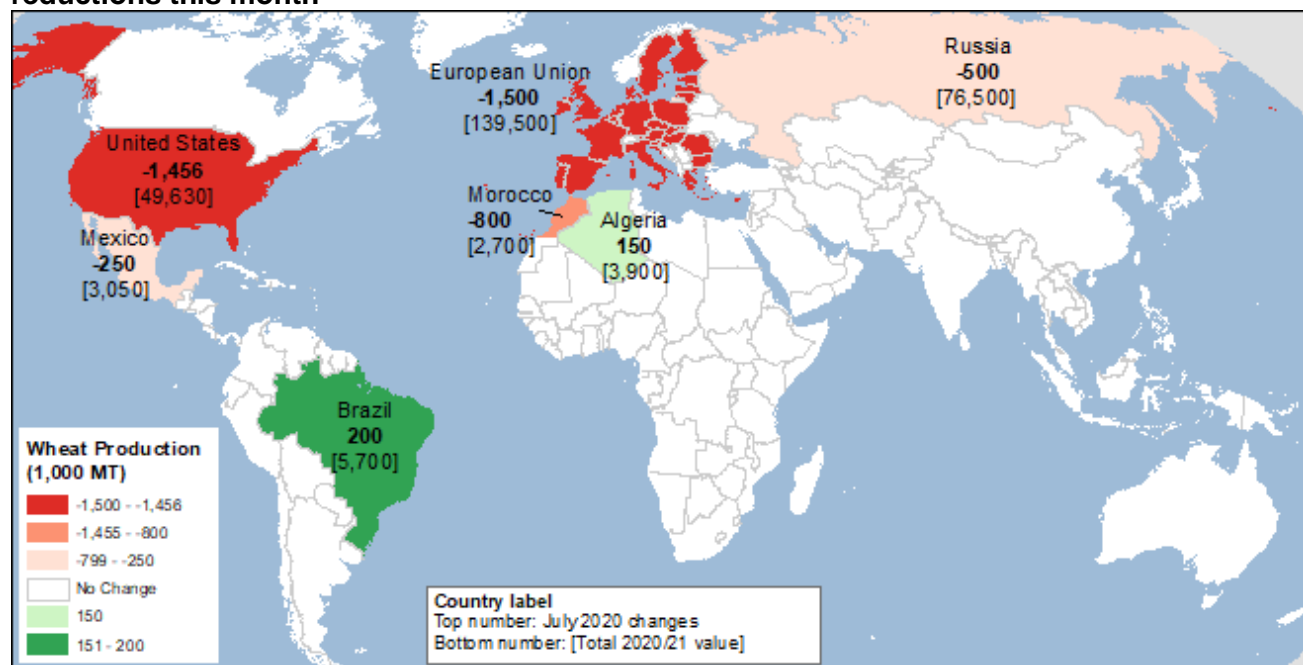
International Outlook

Production Cuts for Major Producers Leads Way to Lower Global Supplies

While still record-high, global production is lowered 4.49 million metric tons this month to 773.4 million on notable reductions for the European Union (EU 27+United Kingdom), Russia (winter wheat only), Morocco, Mexico, and the United States (fig 4). Wheat production for the EU fell further this month, down 1.5 million metric tons, to 139.5 million—more than 15 million metric tons below last year’s production, but still above the drought-affected 2018/19 harvest of 136.7 million.

Figure 4

Cuts for several major wheat-exporting countries lead to global production and export reductions this month



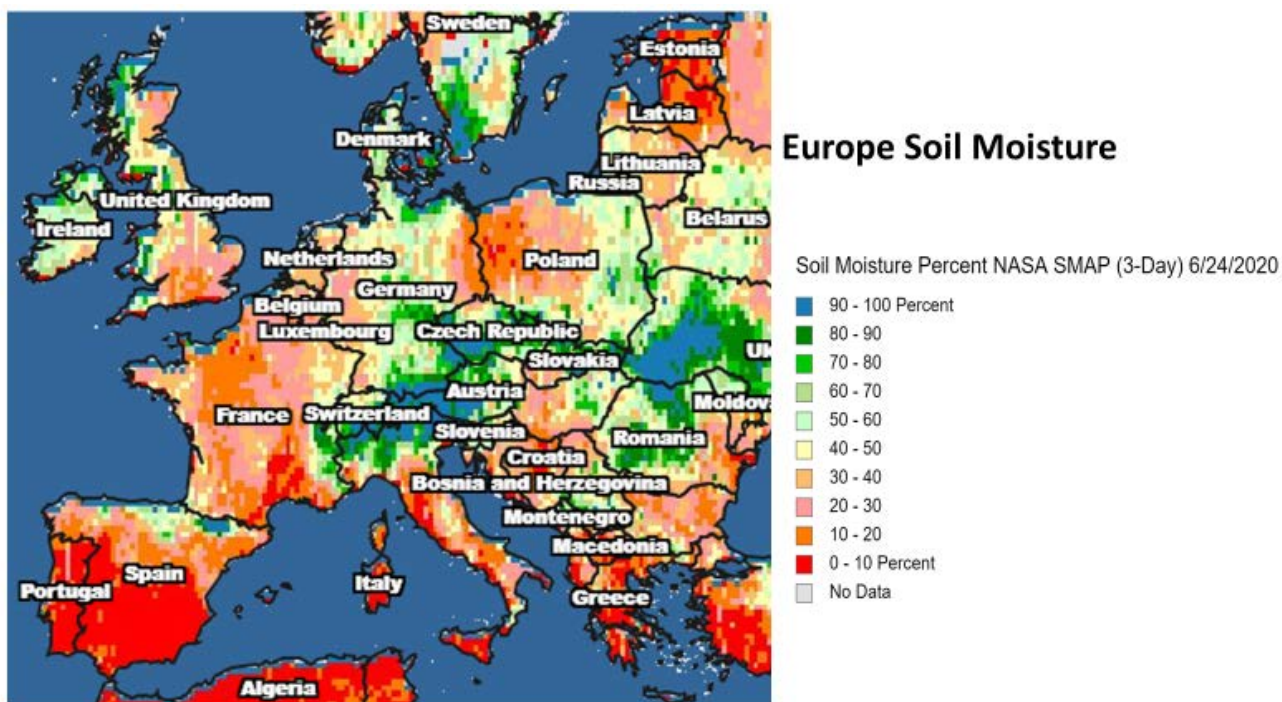
Note: Top number is month-to-month change, bottom number is the current marketing year export estimate.
Sources: USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database and USDA, Economic Research Service calculations.

Wheat harvested area in the EU is unchanged from last month while yields are reduced a further 1 percent from last month’s forecast. Conditions for the EU wheat crop have been described as both variable and challenging. At the outset of the fall planting season, excessive rainfall delayed and, in some cases, prevented planting—mostly in northwestern Europe. The wet fall was followed by the second warmest winter on record which dried down fields and sapped soil moisture levels. Prolonged dryness throughout the spring and into the summer

months led to the expansion of drought across the continent, negatively affecting soil moisture levels, wheat conditions, and yields (fig. 5).

Figure 5

Large sections of the European Union, including key wheat-growing regions, face soil moisture deficits



Source: Map is used with permission from USDA, Foreign Agricultural Service-International Production Assessment Division.

Dry conditions during much of the growing season accelerated the maturation of the 2020/21 EU wheat crop. Considering the wheat crop's relatively advanced maturity, June rains are expected to have had a minimally positive impact on the wheat harvest. France—the EU's largest wheat producer—is forecast to produce the smallest wheat crop since 2016/17. French wheat yields are projected at 6.74 metric tons per hectare, down from the prior month and well below last year's harvest yield of 7.85 metric tons per hectare. In 2020/21, France is now projected to produce approximately 24 percent of the EU wheat crop, down from close to 27 percent in 2019/20.

Reduced prospects for EU production lower the outlook for exports, cut 1.0 million metric tons this month to 27.0 million. In contrast, abundant exportable supplies in 2019/20 help to lift exports for the previous marketing year to 38.0 million metric tons following a 1.5 million ton increase this month on surging wheat sales. Competitive prices for old crop EU wheat have propelled sales in recent months, even as strikes and a nationwide lockdown created transportation challenges for key exporter, France. Please see this month's USDA, Foreign

Agricultural Service (FAS) *World Agricultural Production* circular and USDA, FAS *Grain: World Markets and Trade* report for additional information.

Winter wheat production in Russia is lowered 1.0 million metric tons this month to 56 million while spring wheat is increased 0.5 million to 20.5 million. Net Russian production is lowered 0.50 million metric tons to 76.5 million. For winter wheat production, conditions have been mixed in recent months though generally lower than in recent years in the main wheat growing districts including Stavropol. The modest reduction in Russian production is not expected to hamper this country's export prospects as reduced competition from the EU is forecast to create marketing opportunities and to support the current export forecast of 36.0 million metric tons. Russia wheat exports for the recently completed 2019/20 marketing year are increased 1.0 million tons this month on the observed sales pace.

Record-Large Carryout Shrinks Only Slightly Month-to-Month

Global carryout for 2020/21 is reduced by 1.25 million metric tons this month on a combination of reduced production and use that is partially offset by increased beginning stocks from the 2019/20 marketing year. While the July forecast is lower than for June, carryout for the current marketing year remains record-large; abundant wheat supplies are expected to generally exert downward pressure on global prices. Strong competition from corn—a preferred and often lower-priced feed grain in many countries, including the United States—is expected to create further headwinds for advancing wheat utilization prospects in the new marketing year. Wheat feed use in both the EU and the U.S. is lowered this month.

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