



# Wheat Outlook: June 2021

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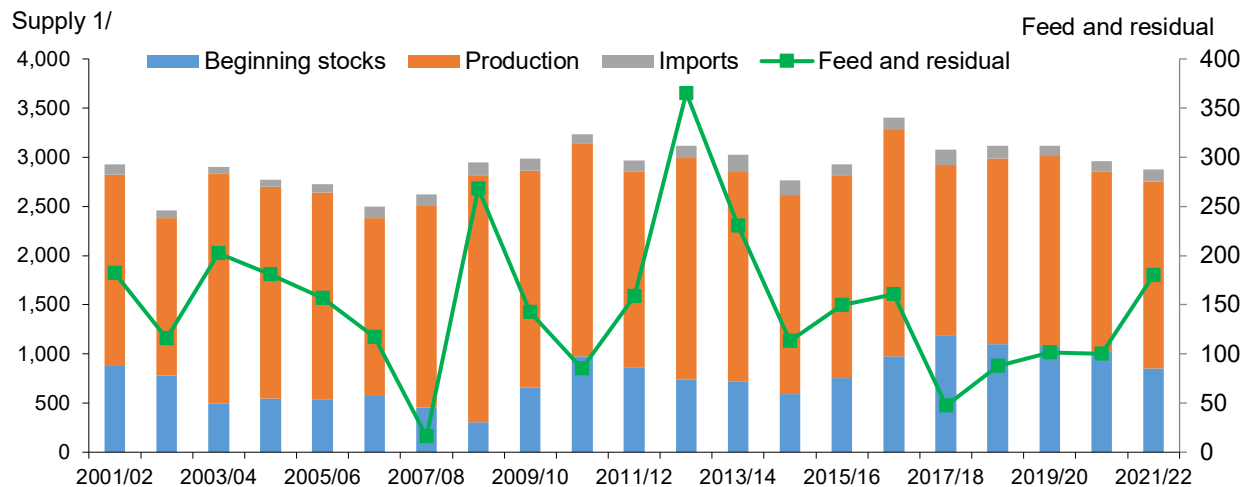
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## Boost in 2021/22 Winter Wheat Production Lifts U.S. Wheat Supplies, Feed & Residual

The latest USDA, National Agricultural Statistics Service *Crop Production* report indicates that estimated 2021/22 winter wheat yields are up 1.1 bushels per acre from the May forecast of 52.1 bushels, helping to lift winter production to 1,309 million and total wheat production to 1,898 million. This production boost augments total U.S. wheat supplies which—while remaining slightly below 2020/21—are raised from the May forecast by about 6 million bushels. Increased supplies provide room to expand domestic wheat feed and residual, raised 10 million bushels this month to 180 million (figure 1).

Figure 1  
U.S. wheat supply and feed & residual estimates move in similar direction (million bushels)



1/ Supply is the sum of beginning stocks, production, and imports as indicated in the stacked columns.  
Source: USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*.

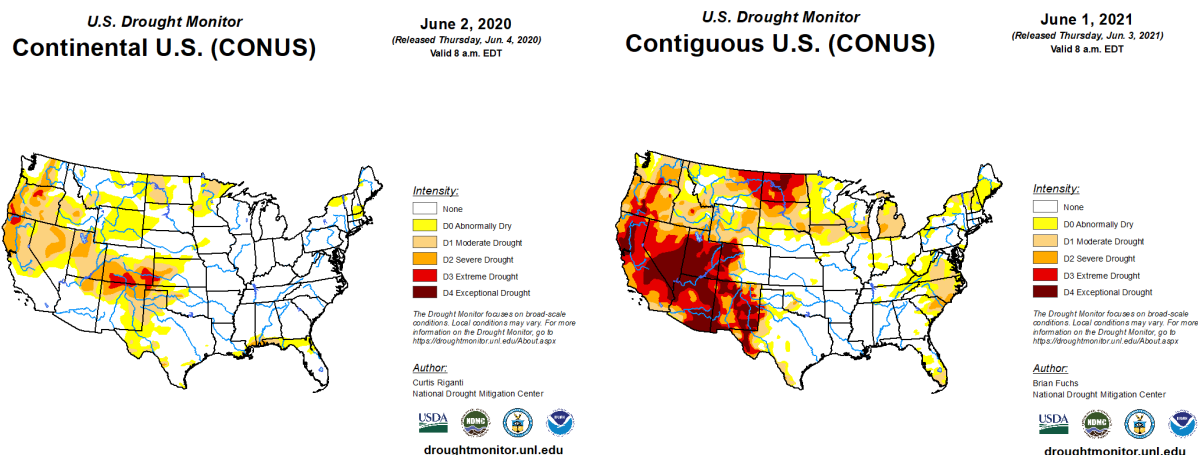
# Domestic Outlook

## Domestic Changes at a Glance:

- U.S. wheat production for 2021/22 is projected at 1,898 million bushels, up 4 percent from 2020/21.
  - Winter wheat production is forecast at 1,309 million bushels, up 12 percent from 2020 on higher hard red winter and soft red winter production; offsetting expectations for a reduced white winter wheat harvest.
    - Hard red winter wheat production, at 771 million bushels, is up 6 percent from May;
    - Soft red winter wheat production, at 335 million bushels, is up 1 percent from the prior forecast;
    - Whiter winter wheat production, which is concentrated in the drought-affected Pacific Northwest region (figure 2), is lowered 8 percent from the May forecast to slightly more than 202 million bushels (for hard and soft).
- On expanded supplies, month to month, feed and residual use is raised 10 million bushels to 180 million.
  - Particularly during the summer months, wheat is projected to be competitively priced with corn and to augment feed rations.
    - At 180 million bushels, feed and residual use is forecast to the highest since the 2013/14 marketing year.

Figure 2

**U.S. drought monitor indicates significantly drier conditions in main white winter wheat growing region in 2021, relative to the same period in 2020.**



Source: U.S. Drought Monitor.

**Table 1 - U.S. wheat supply and use at a glance 2020/21 and 2021/22**

Balance sheet item	2020/21 June	2021/22 May	2021/22 June	2021/22 Change from previous month	Comments
<b>Supply, total</b>					<i>June-May Marketing Year (MY)</i>
Beginning stocks	1,028	872	852	-20	The 2020/21 export estimate is raised 20 million bushels based on larger-than-expected May sales, mainly to China. The export increase reduces 2021/22 carryin by 20 million bushels.
Production	1,826	1,872	1,898	26	On updated yield data from USDA, NASS, winter wheat production is raised for the new marketing year, lifting 2021/22 U.S. wheat production by 26 million bushels or slightly more than 1 percent from the May projection.
Imports	105	125	125	0	
Supply, total	2,959	2,869	2,875	6	Reduced carryin combines with expanded production for a net change in supply of 6 million bushels. Supplies for the 2021/22 marketing year are the lowest since 2014/15.
<b>Demand</b>					
Food	960	963	963	0	
Seed	62.5	62.0	62.0	0	
Feed and residual	100	170	180	10	The forecast for expanded U.S. wheat supplies combines with a tighter corn balance sheet to support an increase in the 2021/22 wheat feed and residual figure.
Domestic, total	1,122	1,195	1,205	10	On expanded feed and residual use, total domestic use is raised 10 million bushels and is forecast to be the highest since 2013/14.
Exports	965	900	900	0	Please see international discussion for more details of the U.S. competitive position.
Use, total	2,087	2,095	2,105	10	Total use is raised by the full change to domestic use.
Ending stocks	871	773	769	-4	Despite expanded production, increased use and reduced beginning stocks more than offset higher production, resulting in lower 2021/22 carryout, month to month.
Season average farm price	\$5.05	\$6.50	\$6.50	0	Season-average farm prices for wheat and corn remain unchanged this month. The 2021/22 for wheat remains the highest in 7 years.

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

# International Outlook

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## Global Wheat Production Revised Higher for 2021/22

Global wheat production is raised 5.5 million metric tons (MT) to a record 794.4 million MT with larger crops in several major exporting countries. The **European Union (EU)** is revised upwards by 3.5 million MT to 137.5 based on higher expected yields, particular in **Germany**, **France**, and **Romania**. Improved precipitation during May generally improved crop conditions in key producing member countries after the dry conditions that previously prevailed. Across the EU, vegetative conditions are generally good, although the wheat crop is developing about a week to ten days behind the normal pace, a result of cool temperatures during April and May. For more information, see the *World Agricultural Production* report published by USDA's Foreign Agricultural Service.

**Russia** is projected higher by 1 million MT to 86 million with upward revisions to both winter and spring production. Winter wheat production in Russia is revised up 0.5 million MT to 64.5 million based on an upward revision to yield. Widespread rainfall during the vegetative stages of the crop was beneficial after dry conditions prevailed during the crop's establishment. Spring wheat production is raised 0.5 million MT to 21.5 million based on a higher area estimate from the Agriculture Ministry. Spring wheat planting started late because of wet conditions, but planting finished on time in all major production zones.

Production for the **United States** is raised 0.7 million MT to 51.7 million as larger Hard Red Winter and Soft Red Winter crops more than offset a reduction for White Winter production. Ukraine's production is raised 0.5 million MT to a record 29.5 million based on higher expected yields. Favorable spring weather has boosted the prospects for this crop after mixed establishment conditions during the fall.

Outside of the major exporting countries, the largest revisions is for **Turkey**, which is lowered 250,000 MT to 17 million with lower yields expected because of drought conditions in much of the country. Additionally, **Algeria** is cut 100,000 MT to 3.6 million MT with lower anticipated yield. **Moldova** is raised 100,000 MT to 1.2 million MT with higher yields anticipated as Moldova has benefited from the same favorable conditions as **Ukraine** and Western **Russia**. Vegetative conditions are considerably better than a year ago, when the crop was substantially smaller.

Revisions to production data in prior years are minimal this month. **Pakistan's** 2020/21 production is revised down 254,000 MT to 24.9 million and **Australia's** 2019/20 crop is revised lower by 720,000 MT to 14.5 million, both reflecting updated official data.

## Consumption also Revised Upwards for 2021/22

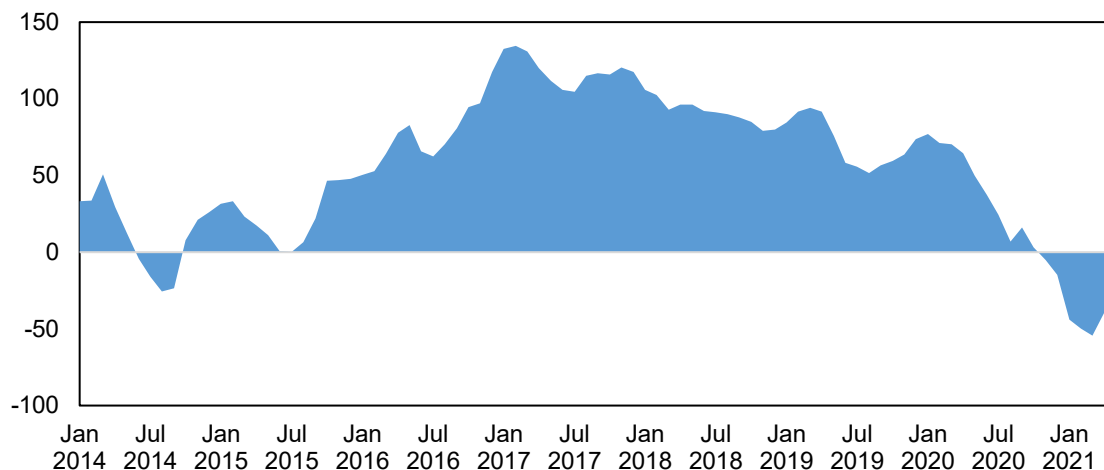
Global consumption is boosted 2.4 million MT to a record 791.1 million with major exporting countries accounting for the largest revisions. Feed and residual use for the **European Union** is raised 1 million MT to 45 million with larger supplies. Similarly, feed and residual use for **Russia** is increased by 500,000 MT to 19.5 million based on the upward revision to production. **U.S.** feed and residual consumption is boosted 272,000 MT to 4.9 million with larger domestic supplies and expectations that wheat will be priced very competitively with corn in feed rations during the first quarter of the June-May marketing year. Feed and residual use for **Brazil** is projected up 200,000 MT to 700,000 based on reduced feed grain supplies in the country. For **Bangladesh**, total consumption is up 200,000, with the change evenly split between food, seed, and industrial (FSI) use and feed and residual.

**China's** projected feed and residual use is unchanged at 35 million in 2021/22 and 40 million in 2020/21. These estimates represent the two largest years for wheat feed and residual in China as wheat remains very competitive in feed rations. The discount for wheat, relative to corn in China (measured by the national average price) grew during the month of May (figure 3) as wheat prices rose only marginally while corn prices skyrocketed.

Figure 3

### China wheat-corn domestic price spread at historic low

Wheat-to-corn price spread in U.S. dollars



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 U.S. dollars per metric ton.  
Source: Food and Agriculture Organization of the United Nations, Global Information and Early Warning System.

Small adjustments are made to consumption in previous years. **Australia's** 2019/20 feed and residual is down 500,000 MT based on the smaller crop size. **Russia's** feed and residual in 2020/21 is boosted 1 million MT to 19 million, adjusting for reduced export expectations.

**Moldova's** feed and residual is raised 130,000 MT to 200,000 to account for tighter feed grain supplies that year. The following consumption revisions in 2020/21 mostly reflect changes in import estimates: **Bangladesh** (-100,000 FSI, -50,000 feed and residual), **Cuba** (-100,000 FSI), and **North Korea** (-100,000 FSI).

## Mostly Offsetting Changes to Global Trade

Global trade for 2021/22 is boosted 0.8 million MT to a record 204 million for the July/June trade year. **Ukraine** is raised 500,000 MT to 20.5 million, which would be its second highest exports on record. **India** is boosted 300,000 MT to 2.3 million MT with competitive prices and strong demand from neighboring countries. Imports are raised for **Turkey** (+250,000 MT) to offset a smaller crop, while imports for **Brazil** are boosted 200,000 MT based on stronger feed demand. Imports for **Bangladesh** are raised 200,000 MT to 7 million with stronger expected food and feed demand. **EU** imports are lowered 200,000 MT to 5.8 million with larger domestic supplies.

Global trade for 2020/21 is cut 0.6 million MT to 196.5 million. Exports for **Russia** are cut 1.0 million MT to 38.5 million based on the slow pace of trade in recent months. This estimate reflects an assumption that June shipments will likely be larger as Russia shifts from its flat export tax to a floating export tax, which is resulting in a smaller tax being applied. Exports for **Canada** are raised 500,000 MT to 28.0 million MT on the trade year, but marketing year (August-July) shipments are left unchanged. Even as Canada's export pace has been robust, its supplies are running tighter than a year ago, shaping expectations that July shipments this year will be smaller than the 2.8 million MT recorded during July 2020. Reflecting the pace of trade, exports for **China** are lowered 200,000 MT to 800,000, while shipments for India are boosted 100,000 to 2.9 million.

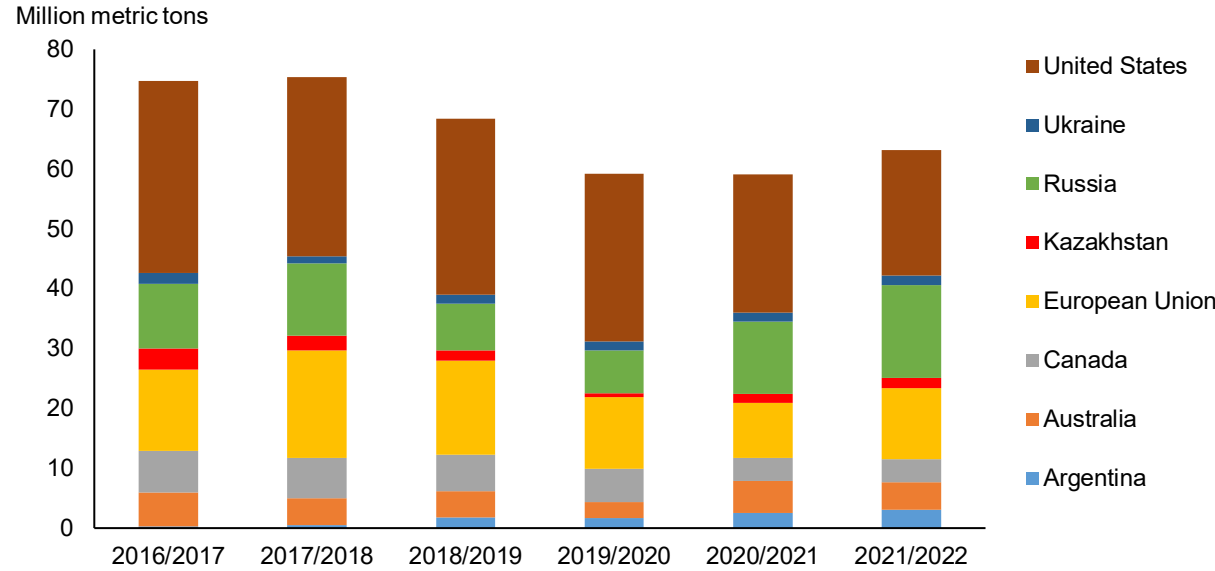
2020/21 imports are raised 200,000 MT to 6.7 million for **Bangladesh** based on trade to-date. **Morocco** is cut 200,000 MT to 6.1 million with a slower-than-expected pace and based on the recent implementation of import duties. **Pakistan** is expected to import 4 million MT, an increase of 200,000 MT based on a desire to replenish stocks. Imports for **Burma**, **Cuba**, **North Korea**, and **New Zealand** are revised down by 100,000 MT each, reflecting slowing pace of trade.

## Global Stocks Up Slightly

Global stocks for 2021/22 are raised by 1.8 million MT to 296.8 million MT with larger production more than offsetting reduced beginning stocks and higher consumption. Global stocks are

projected to remain lower than the record set in 2019/20. The largest changes in stocks projections are for major exporting countries. The **European Union** is forecast to hold 12 million MT of wheat, an increase of 2.3 million MT from last month based on larger supplies. Similarly, stocks for **Russia** are forecast up 450,000 MT to 15.5 million based on larger supplies. These would be the largest stocks for Russia since 1993/94 when both its production and exports were considerably smaller. Stocks for the **United States** are projected down 104,000 MT to 21 million as tighter beginning stocks and larger feed use more than offset the crop size increase. U.S. beginning stocks are tighter because of the upward revision to 2020/21 exports. **Australia's** ending stocks are projected down by 220,000 MT to 4.6 million based on lower beginning stocks, which flowed from a revision to 2019/20 production. Exporter ending stocks collectively are up 2.4 million MT from last month to 63.2 million MT, the largest in 3 years (figure 4). Exporter ending stocks are generally considered a relevant metric for assessing market availability as these are the supplies that are most available to the world market and thereby affect impact on global prices.

Figure 4  
**Exporter ending stocks recovering**

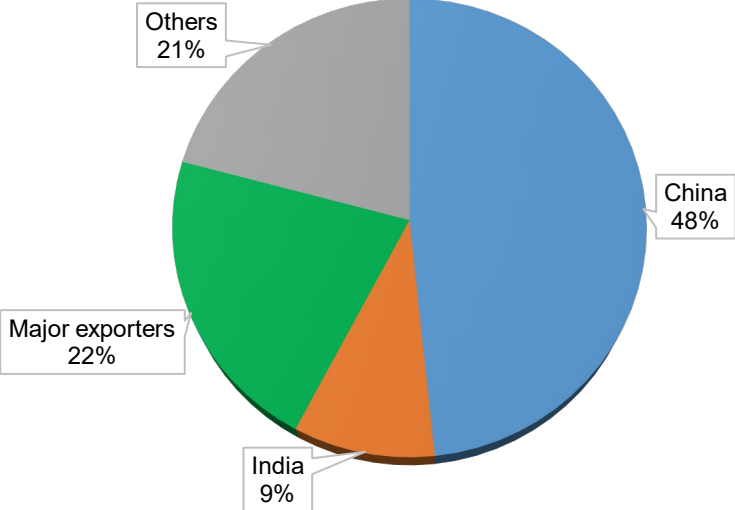


Source: USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

Outside of the major exporting countries, the largest revision is for **India**, whose stocks are down 400,000 MT to 27.6 million MT based on larger exports and tighter beginning stocks. India is still projected to have record-large stocks and account for 9 percent of global trade (figure 5). **China** is projected to hold 142.6 million MT, up 200,000 from last month based on a revision to beginning stocks. China's stocks represent 48 percent of the world total. **Moldova's** stocks are lowered 115,000 MT to 186,000 as a result of tighter beginning stocks, that more than offset the

month-to-month increase in production. Moldova's beginning stocks are lower as a result of an upward revision to its feed and residual use in 2020/21. **Morocco's** beginning and ending stocks for 2021/22 are adjusted downwards based on the reduction to 2020/21 imports.

Figure 5  
**Distribution of ending stocks for 2021/22**



Sources: USDA, Economic Research Service calculations based on USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.



# Suggested Citation

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