



Wheat Outlook

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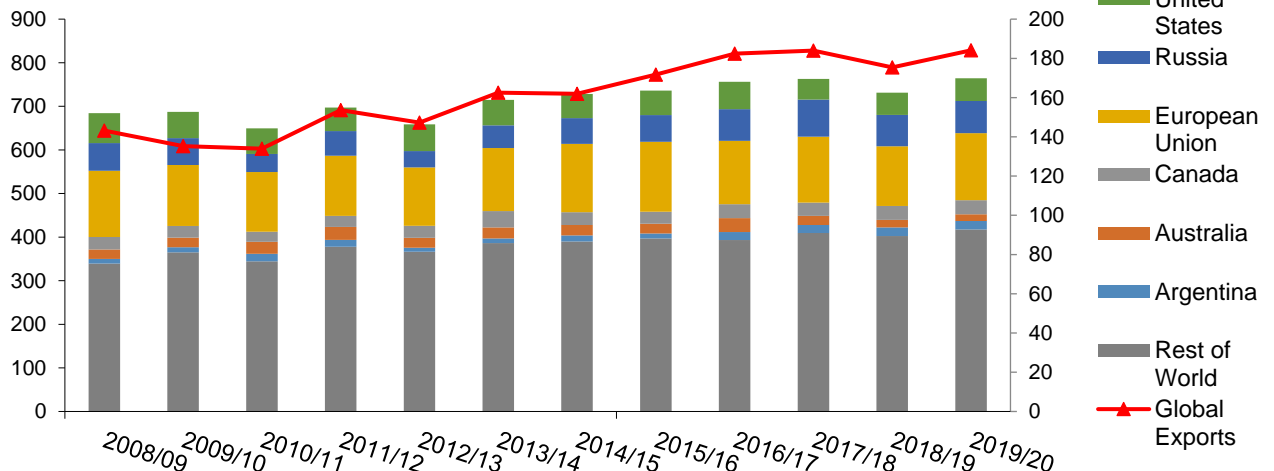
Global Export Forecast Raised on Higher Production for Russia, Argentina

Largely on the strength of production increases for Argentina (+0.5 million metric tons) and Russia (+1.0 million), 2019/20 global wheat exports are raised 0.8 million metric tons to 183.62 million (fig. 1). Aided by a sizable crop, exports for Argentina have surged in current marketing year. Before an import tax was imposed, Argentine exporters were also motivated to aggressively market wheat, most notably to Brazil. A modest bump in production and strong demand from Turkey lifts prospects for Russian wheat exports in 2019/20 and helps the nation to maintain its status as the leading global wheat exporter for a third year in a row. Recent softening of Black Sea milling wheat prices have enhanced Russia's competitiveness, especially in price-sensitive markets and developing countries.

Figure 1

Production of key exporting countries drives volume of global wheat exports

Million metric tons



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

Domestic Outlook

Domestic Changes at a Glance:

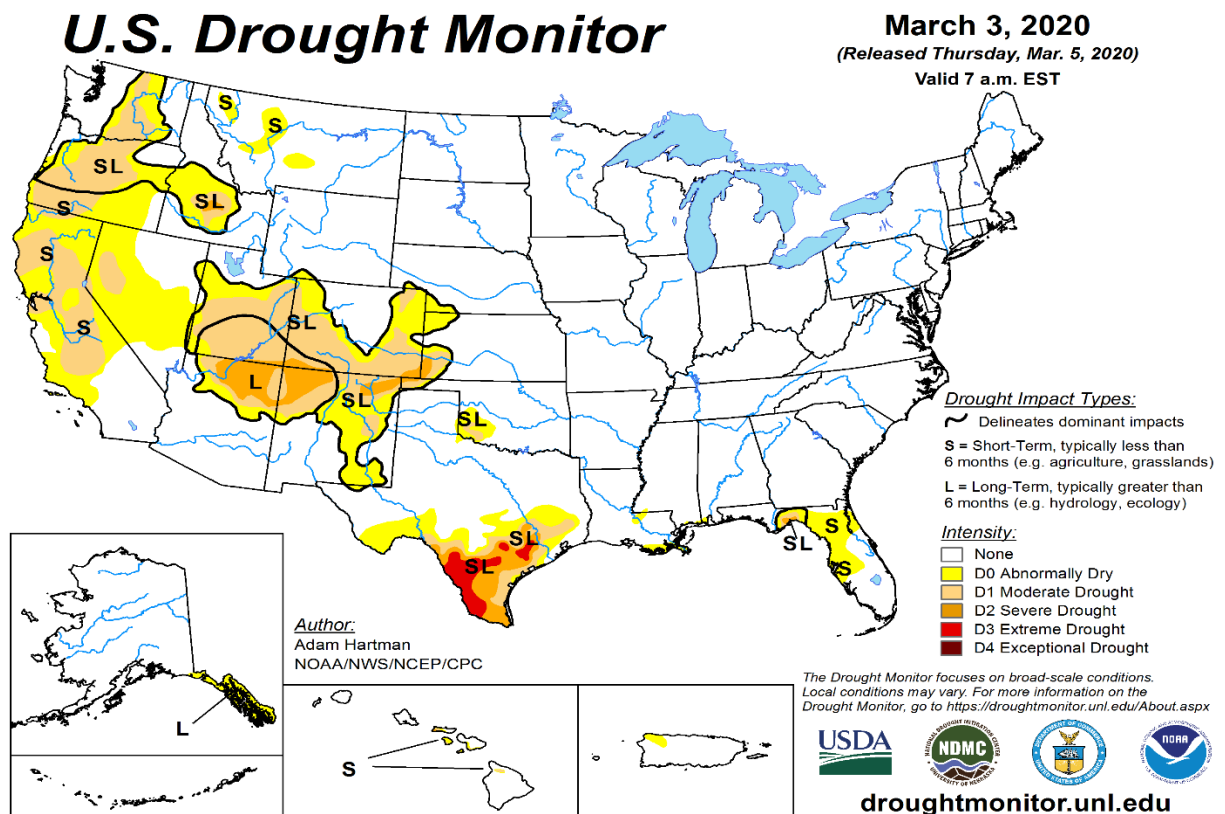
- The U.S. all-wheat balance sheet is unchanged this month.
- On March 31, the USDA, National Agricultural Statistics Service will publish the *Grain Stocks* and *Prospective Plantings* reports.
- An update to the 2020/21 forecast for wheat, feed grains, and oilseeds was released on Friday, February 21, as part of USDA's Agricultural Outlook Forum.

Table 1 - U.S. wheat supply and utilization at a glance 2019/20				
Balance sheet item	2019/20 February	2019/20 March	Change from previous month	Comments
Supply, total				<i>May-June Marketing Year (MY)</i>
Beginning stocks	1,079.8	1,079.8	0.0	
Production	1,920.1	1,920.1	0.0	
Imports	105.0	105.0	0.0	U.S. Census Bureau trade data are now available through January. The effects of protest-related transportation challenges in Canada on U.S. imports of wheat will be reviewed when data during the affected time period are available.
Supply, total	3,104.9	3,104.9	0.0	
Demand				
Food	955.0	955.0	0.0	Food use will be re-assessed after the release of USDA-NASS' next <i>Flour Milling Products</i> report.
Seed	60.0	60.0	0.0	Seed use will be re-examined following the release of USDA-NASS' March 31 <i>Prospective Plantings</i> report when 2020/21 area planted projections are updated.
Feed and residual	150.0	150.0	0.0	On March 31, USDA-NASS will release the March 1 estimates of grain stocks, providing an estimate of third quarter disappearance.
Domestic, total	1,165.0	1,165.0	0.0	
Exports	1,000.0	1,000.0	0.0	
Use, total	2,165.0	2,165.0	0.0	
Ending stocks	939.9	939.9	0.0	There are no changes this month to wheat supplies and use, ending stocks remain unchanged.
Season Average Farm Price	\$4.55	\$4.55	\$0.00	Fluctuations in prices have largely offset effects on the projected Season average farm price (SAFP).
Source: USDA, World Agricultural Outlook Board <i>Supply and Demand Estimates</i> .				

Winter Wheat Conditions Reflect Improving Soil Moisture

As of March 9, 2020, USDA's National Agricultural Statistics Service (USDA-NASS) reports that 47 percent of the winter wheat crop in Kansas rated good to excellent (vs. 43 percent the week prior). Fifty-eight percent of winter wheat in Oklahoma rated good to excellent as of March 8 (vs. 57 percent the week prior), while 26 percent of the Texas crop rated similarly. During the week of February 23-29, significant precipitation fell in Kansas, helping to abate some of the drought that had persisted in the southwest corner of the State. Relatively small patches of drought remain in Kansas, where much of the U.S. winter wheat crop is grown (fig. 2). More wide-spread drought remains in Colorado, where approximately 8 percent of the 2019/20 winter wheat crop was harvested. Colorado has not yet begun reporting 2020/21 winter wheat conditions. It is expected that USDA-NASS will begin more wide-spread conditions reports in April.

Figure 2
Drought retreats in southwestern Kansas, with some spreading in the north



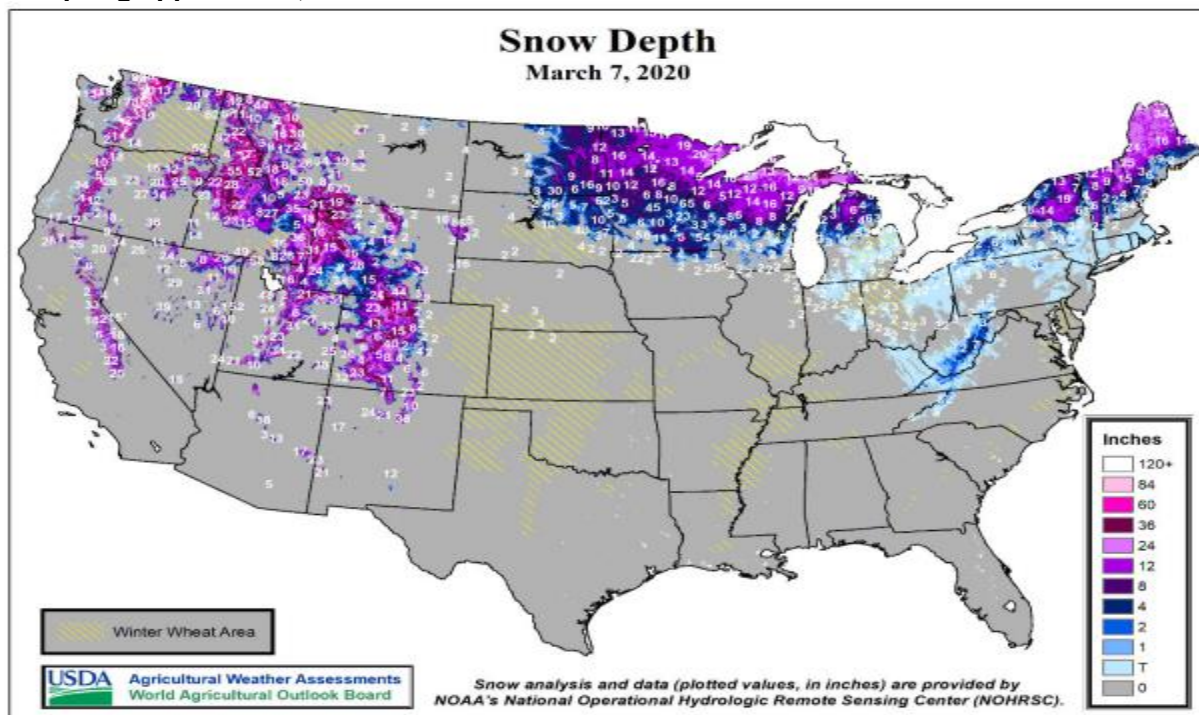
Source: U.S. Drought Monitor, authored by Brad Rippey of the USDA, Office of the Chief Economist and Adam Hartman, of the National Oceanic and Atmospheric Administration.

Revised Out-Year Projections Released at USDA's Annual Agricultural Outlook Forum

USDA hosted its 96th annual Agricultural Outlook Forum on February 20-21, 2020. On the event's second day, the Grains and Oilseeds Outlook was presented, accompanied by the publication of updated first-year-out projections. For 2020/21, the outlook for U.S. wheat is for tighter supplies, slightly lower total use, and declining ending stocks. U.S. wheat production is forecast to fall 4 percent from the year prior to 1,836 million bushels. Planted area is forecast at 45 million acres and incorporates USDA-NASS acreage estimates for winter wheat plantings. Other spring wheat plantings may be affected by persistent wet soil conditions in the Northern Plains, which has the potential to delay or prevent plantings, and lower relative profitability compared to other crops. As of March 7, much of the Northern Plains, a key spring wheat production region, was snow-covered (fig. 3). However, a more recent period of warmer weather has allowed some farmers to begin to harvest of the grain crops that had to be left in the field last year.

Figure 3

As spring approaches, snow still covers sections of the Northern Plains



Source: USDA, Office of the Chief Economist, *Weekly Crop Weather Bulletin*.

Total use in the 2020/21 marketing year is down only very slightly from the year before and remains above the 5-year average. Reduced prospects for wheat feed and residual use, projected to fall 30 million bushels from 2019/20, offset modest gains in food and seed use and

serves to lower domestic use by 2 percent to 1,139 million bushels. Exports for the new marketing year are forecast to remain level with the current 2019/20 forecast of 1,000 million bushels. Expectations for growth in global wheat demand, combined with tighter stocks for the European Union and Canada, support the U.S. export forecast. Reduced U.S. supplies and relatively stable use lead to substantially tighter ending stocks. At 777 million bushels, carryout for the 2020/21 marketing year is more than 17 percent below the 2019/20 estimate and is the lowest level since 2014/15. The tighter out-year balance sheet substantiates a modest increase in the all-wheat season average farm price (SAFP), raised 35 cents from the 2019/20 estimate, to \$4.90 per bushel. An updated forecast for the out-year balance sheet will be published in the *May World Agriculture Supply and Demand Estimates*.

Wheat SAFP Unchanged from February Forecast

The U.S. all-wheat season average farm price (SAFP) projection is unchanged this month and remains at \$4.55 per bushel. This month saw swings in futures prices, including a multi-month low in late February for the Hard Red Winter wheat contract followed by recovery, and generally weaker cash prices. With approximately 87 percent of the 2019/20 wheat crop marketed through the beginning of March, the modest net price movements did not sway the SAFP.

International Outlook

Global Wheat Supplies Up on Larger Crops for Argentina, Russia

The Argentine wheat harvest is typically complete by mid-January and this month the crop was raised 500,000 tons to 19.5 million on updated harvest results (fig. 4). Production for another Southern Hemisphere country, **Australia**, is trimmed based on newly-released estimates from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). At 15.2 million metric tons, wheat production in Australia is the lowest since 2007/08 when severe heat and drought resulted in a 13.6 million metric-ton wheat harvest. In recent weeks, soaking rains have begun to fall on parts of the continent, including the key Eastern wheat-growing province of New South Wales, lifting prospects for an improved harvest in the 2020/21 marketing year.

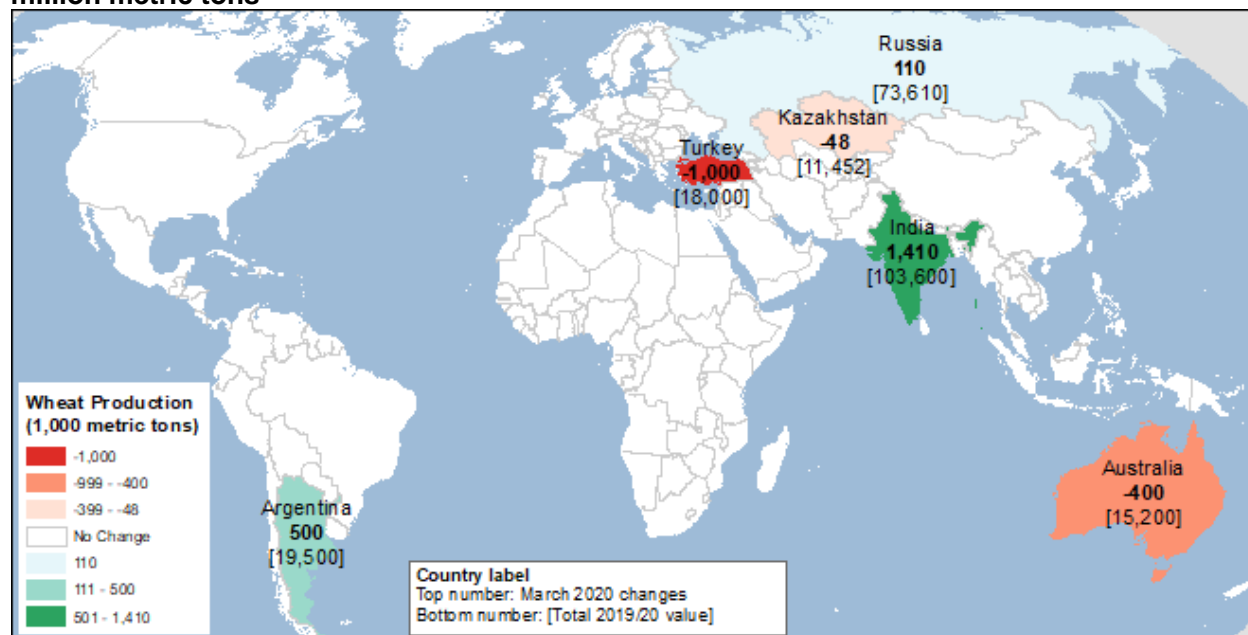
Russia wheat production is increased a net 110,000 metric tons on revised Ministry of Agriculture (Rossat) projections for both winter and spring wheat production. Despite slightly increased area harvested for winter wheat, projected yields are lowered from 3.56 per hectare to 3.41 per hectare, reducing the winter wheat production estimate by about 2 million tons. Russian spring wheat production is raised almost exclusively on higher yields, up 0.17 tons per hectare to 1.77 tons per hectare, resulting in a more than 2 million-ton increase in production. Growing conditions for spring wheat were characterized as “varied” by the USDA, Foreign Agricultural Service (USDA-FAS). Nonetheless, the revised, official estimate of spring wheat yields is the second-highest on record. The spring wheat harvest was completed in late 2019; this month’s adjustments reflect refinements on the earlier-released preliminary data from Rossat. Spring wheat accounts for about 30 percent of total Russia wheat production.

Kazakhstan wheat production is nominally lower this month (down 48,000 metric tons) on updated government data. At 11.45 million metric tons, 2019/20 Kazakhstan wheat production is significantly below the 13.95 million tons harvested in the previous marketing year and well below the 5-year average of 14.0 million tons. Insufficient precipitation during the growing season followed by excessive precipitation during harvest badly affected Kazakhstan’s wheat crop, as reflected in yields that are 18 percent lower than the previous year and 0.18 tons per hectare below the 5-year average.

Production for **Turkey** is trimmed 1 million metric tons this month to 18.0 million on lower yields. Yields for the 2019/20 Turkish wheat crop are on par with 2018/19 estimates and reflect mixed conditions during the growing season. India's crop was raised 1.4 million to a record-high wheat production of 106.2 million metric tons on updated government data (2020/21 crop).

Figure 4

Some significant, though mostly offsetting, production changes lift global wheat output 0.54 million metric tons



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

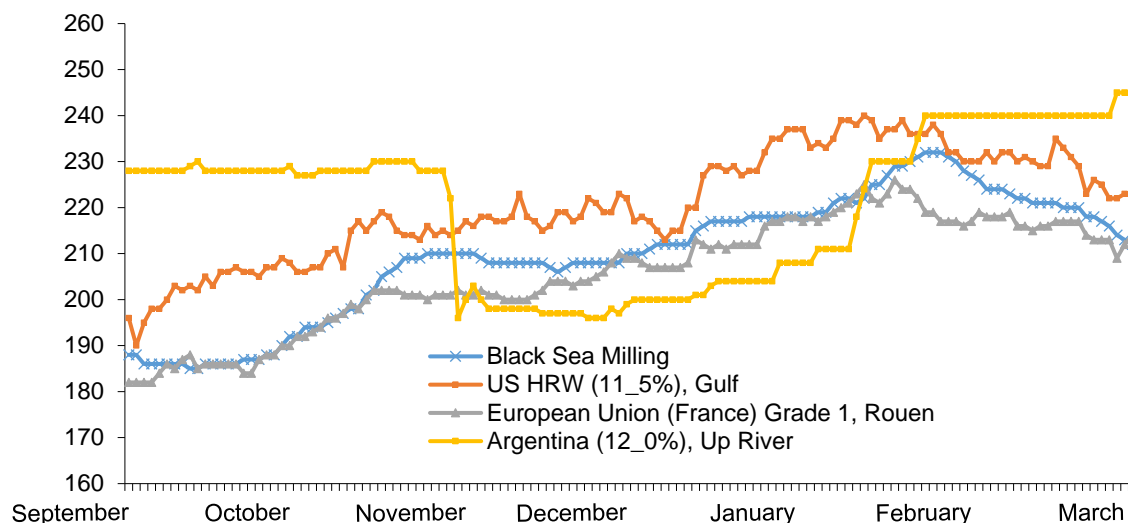
Global Wheat Exports Lifted on Competitive Pricing, Sustained Demand

On rising estimates of exportable supplies, the pace of shipments to date, and competitive prices, exports for Argentina and Russia are raised 0.5 million and 1.0 million metric tons, respectively. **Russia** exports are supported by sustained and very strong demand from key importer, Turkey. Black Sea milling prices have fallen in recent weeks and are increasingly competitive with European Union and U.S. wheat prices (fig. 5). Price-sensitive, mostly developing countries in the Middle East and Africa, continue to grow their consumption of wheat and Russia has emerged as a favored supplier. Russia's appealing prices have also begun to encourage purchases from Asian countries including Bangladesh and Indonesia. With ample exportable supplies, rising demand, and competitive prices, Russia is well poised to lead global wheat exports and on track to reach the current projection of 35.0 million metric tons.

Figure 5

Black Sea wheat export prices are increasingly competitive

Dollars/metric ton



Note: European Union (EU) wheat is Grade 1, Rouen; US HRW is Gulf hard red winter wheat (11.5% protein). Black Sea wheat is milling quality, and Argentina is Up River (B).
Source: International Grains Council

In early November, **Argentina** wheat prices dropped precipitously and stimulated sales ahead of the imposition of a new wheat export tax in December. Typically, Argentina’s wheat shipments are concentrated between December and March, however the looming tax caused a larger-than-normal surge in sales and commitments. USDA-FAS reports that based on aggressive selling in anticipation of the export tax, much of the 2019/20 Argentine wheat crop was committed before the December tax increase. Even with seasonal slowing expected in coming weeks, Argentina is on pace to export 13.5 million metric tons of wheat, the second-largest volume of exports on record behind 14.0 million exported in 2017/18. Please see this month’s USDA-FAS’ *Grain: World Markets and Trade* circular for additional information.

Natural Gas Pipeline Protestors Cause Widespread Rail Service Disruptions in Canada

Canadian grain exports were affected by a three-week-long protest of a proposed natural gas pipeline during which numerous blockades were erected across roads and train tracks. Commercial and commuter rail routes were said to have been affected, resulting in delays and backlogs at several export ports. During the height of the protest, the Port of Prince Rupert--located in Pacific Ocean-bordering province of British Columbia--was effectively shut down and grain shipments for the week ending February 16, 2020 fell to zero. During the same week,

wheat shipments from the Port of Vancouver--also located in British Columbia--fell nearly 70 percent. The effects of the protest on exports will become clearer as more trade data become available. In some cases, grain moved through alternative ports--such as the Port of St. Lawrence--located in the Atlantic Ocean--bordering province of Quebec. Wheat exports through the Port of St. Lawrence increased during the period of acute rail disruptions, though not enough to fully offset reduced shipments through Pacific ports.

This month's reduction in projected 2019/20 exports for Canada, lowered 500,000 metric tons to 23.0 million, is based both on the slower-than-expected pace of trade, balanced by expectations for a measured recovery of the export pace following the restoration of supply chains. Next month, data through February will be available and will further elucidate the potential export effects of protest-related transportation challenges for Canada. U.S. wheat imports, which largely originate from Canada, are unchanged this month as the current pace of trade does not suggest a revision.

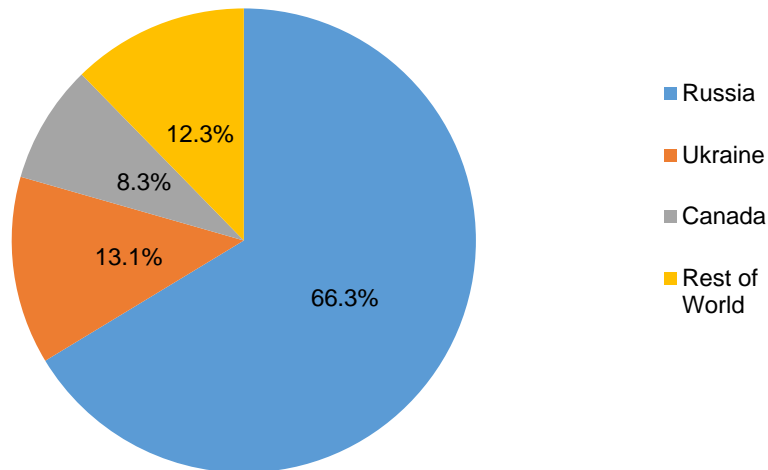
Surging Turkish Wheat Imports Help Lift Global Wheat Trade

In the first seven months of the 2019/20 trade year, Turkey's wheat imports exceeded 7.1 million metric tons and are strongly supportive of this month's 2.0 million metric ton increase. Turkey's import increase is made in concert with a 1.0 million metric ton reduction in supplies, attributable to reduced production. With 5 months of trade data outstanding for the marketing year, Turkey's imports have already exceeded the full amount of marketing year imports noted for 2018/19 and are expected to be record-large. If realized, Turkey's projected imports of 10.5 million metric tons will exceed the previous record of 6.4 million metric tons by more than 4.0 million.

Turkey primarily imports wheat from Russia and thus far in the 2019/20 trade year, this Black Sea nation has supplied more than 66 percent of Turkey's wheat imports with another 13 percent supplied by Ukraine. The U.S. is not a significant supplier of wheat to Turkey. However, North American neighbor Canada is a top 3 supplier to the country and has so far provided about 8 percent of Turkey's 2019/20 imports to date (fig. 6)

Figure 6

The vast majority of Turkish wheat imports come from the Black Sea Region and Canada

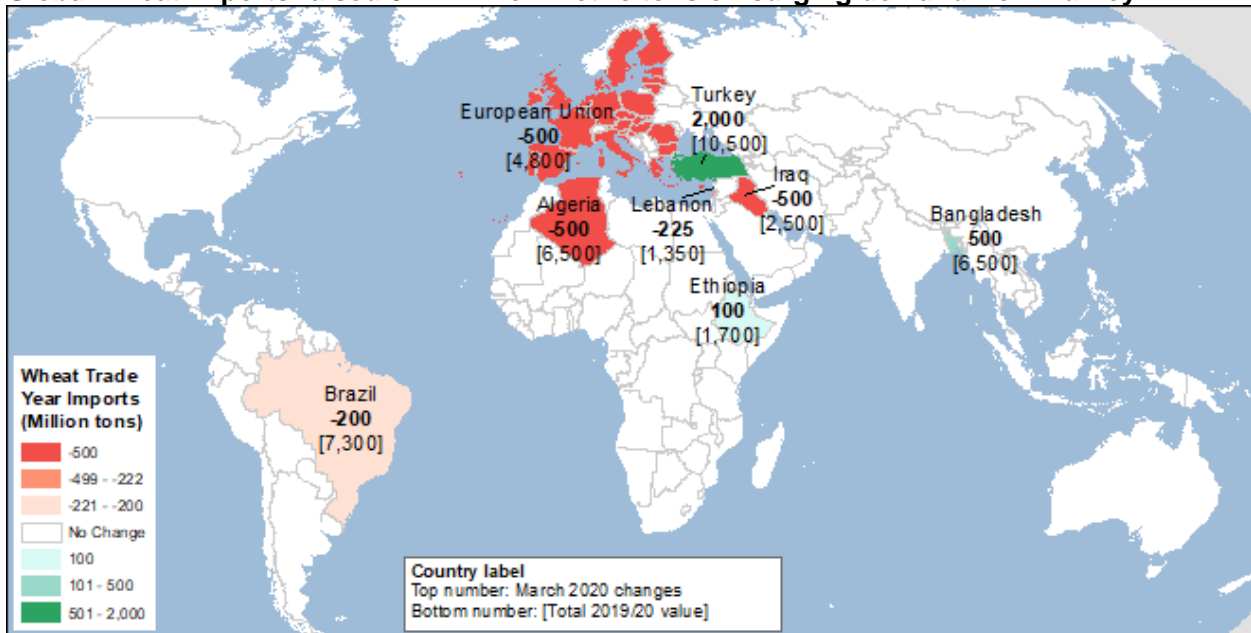


Sources: Trade Data Monitor and USDA, Economic Research Service calculations.

Surging wheat imports for Turkey are offset by cuts for Algeria, the European Union, and Iran—each lowered by 0.5 million metric tons—as well as cuts for Brazil (down 0.2 million) and Lebanon (down 0.225 million) (fig. 7). On net, global wheat imports are raised 720,000 metric tons this month to 180.8 million. Despite global shipping challenges noted in this publication and many other industry sources, global demand for wheat—driven by increased consumption—is expected to meet forecasts for the 2019/20 marketing year.

Figure 7

Global wheat imports raised 0.72 million metric tons on surging demand from Turkey



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

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