



U.S. WHEAT
ASSOCIATES

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U.S. Wheat Market Situation

ALIM Virtual Assembly 2021

November 18, 2021

Mike Spier, Vice President of Overseas Operations, U.S. Wheat Associates

Factors Affecting World Wheat Markets

 <p>Production</p>	Global wheat production sets a record, but global supplies tighten in 2022
 <p>Drought</p>	Smaller crops in the U.S., Russia and Canada put upward pressure on prices
 <p>Export Tax</p>	Russian wheat export taxes and potential export quota in early 2022
 <p>Energy Price</p>	Higher energy prices increase the cost of moving grain by truck, rail, barge and ocean vessel
 <p>Ocean Freight</p>	Strong demand, higher oil prices, and global supply-chain issue boosts ocean freight
 <p>Farm Inputs</p>	Seed, fertilizer and other farm inputs increase. Anhydrous prices up 120%
 <p>Food Inflation</p>	Global food prices spike at their fastest monthly rate in over a decade Will this create any demand destruction for wheat usage?

Global Food Inflation

World Food Prices rise 33% since October 2020

The October reading was the highest for the United Nations FAO's Global Food index since July 2011

Politics

Priciest Food Since 1970s Is a Big Challenge for Governments

From handouts to trade rules, politicians are looking for ways to neuter the effect of surging costs.

By [Agnieszka de Sousa](#) and [Jeremy Diamond](#)
September 14, 2021, 9:01 PM PDT



A demonstrator holds government subsidized bread during a protest in Beirut, Lebanon, on March 2. Photographer: Hassan Shaabany/Bloomberg

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October 28, 2021
12:39 PM PDT
Last Updated 11 days ago

Middle East

Egypt's new price for bread will 'take time', supply minister says

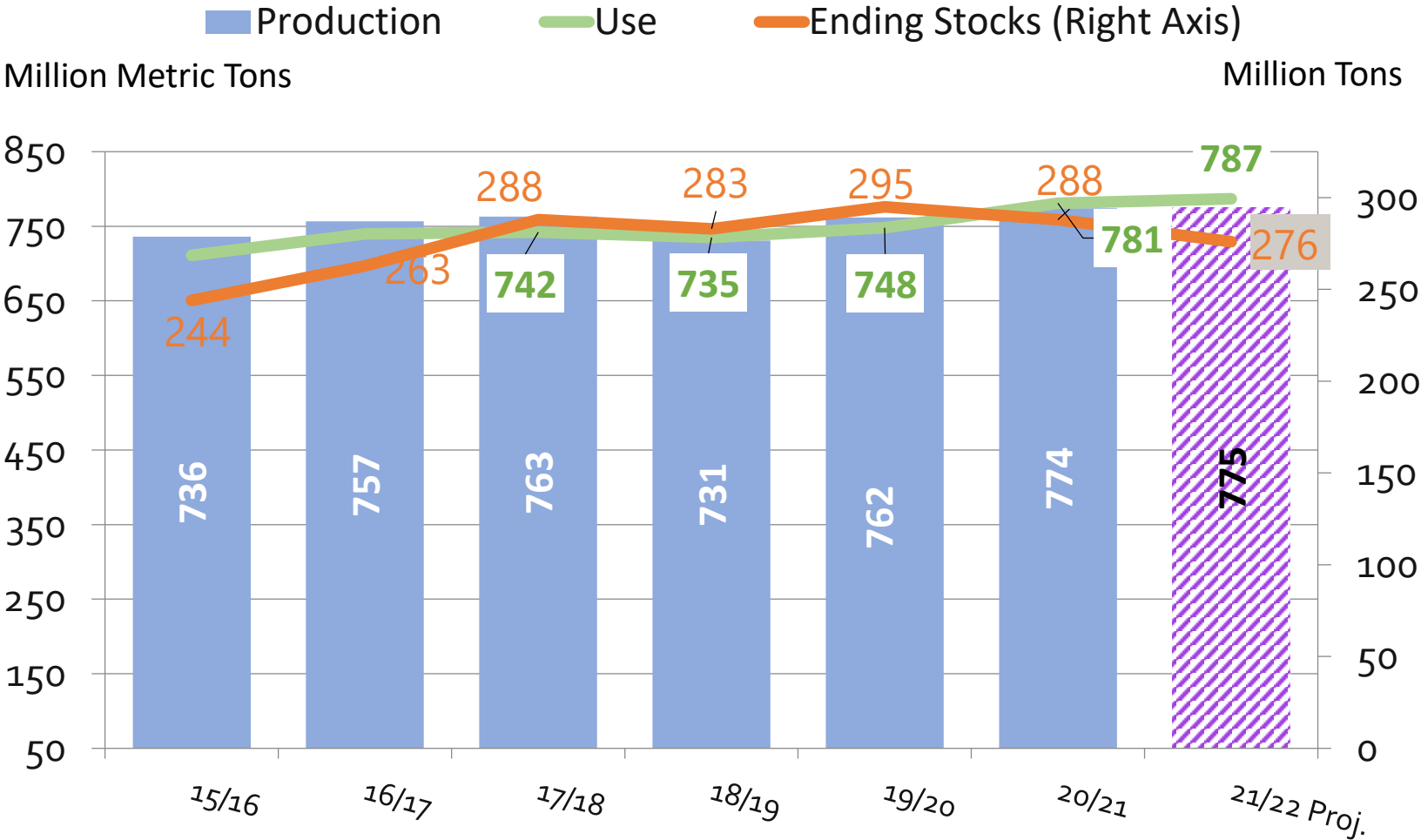
By Sarah El Safty

2 minute read

Twitter Facebook LinkedIn Email Link

The subsidized bread has been sold since 1977 for 5 Egyptian piasters (\$0.0032).

World Wheat Production & Use

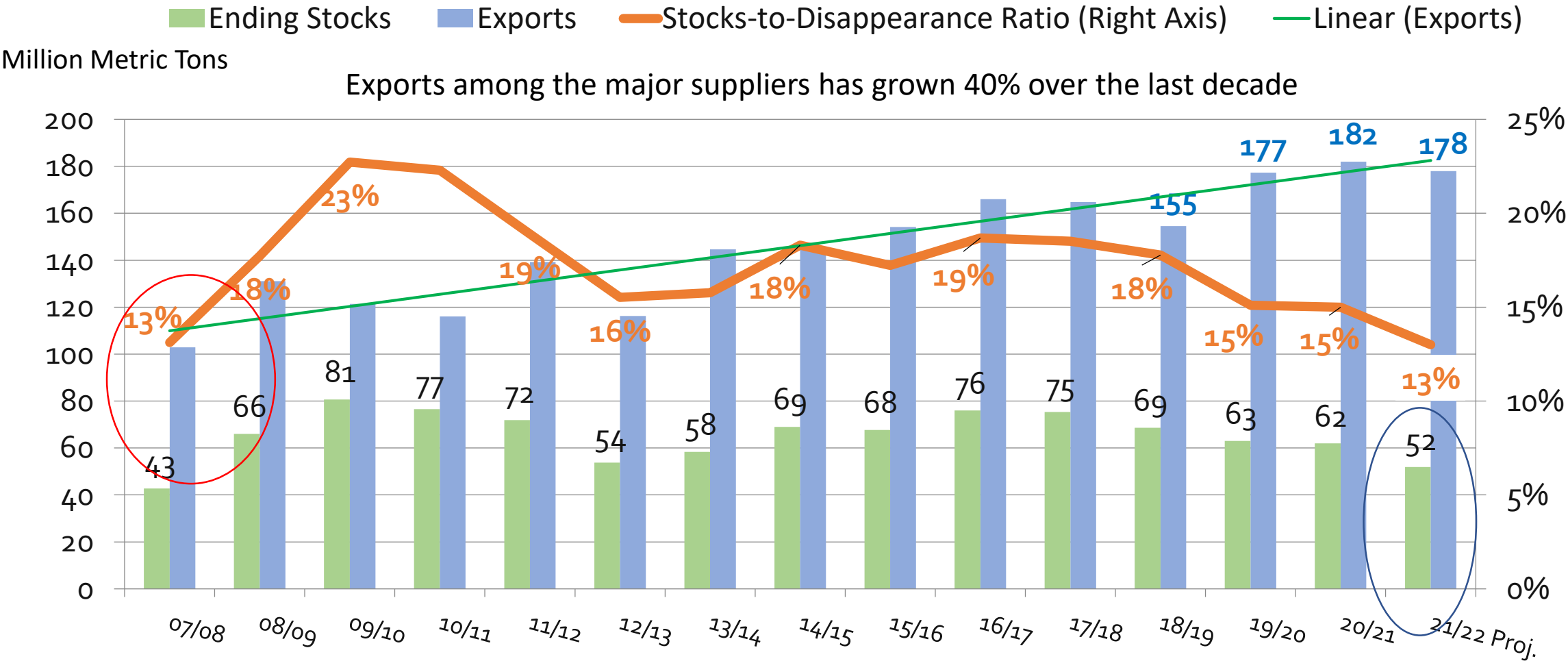


MY 2021/22

- Global wheat production projected to at a record high of 775 MMT up 1 MMT.
- Global consumption forecast at 787 MMT, the highest on record.
- Global ending stocks projected at 276 MMT down 12 MMT or 4%. Lowest world ending stocks since 2017.

Combined Ending Stocks in Major Exporters

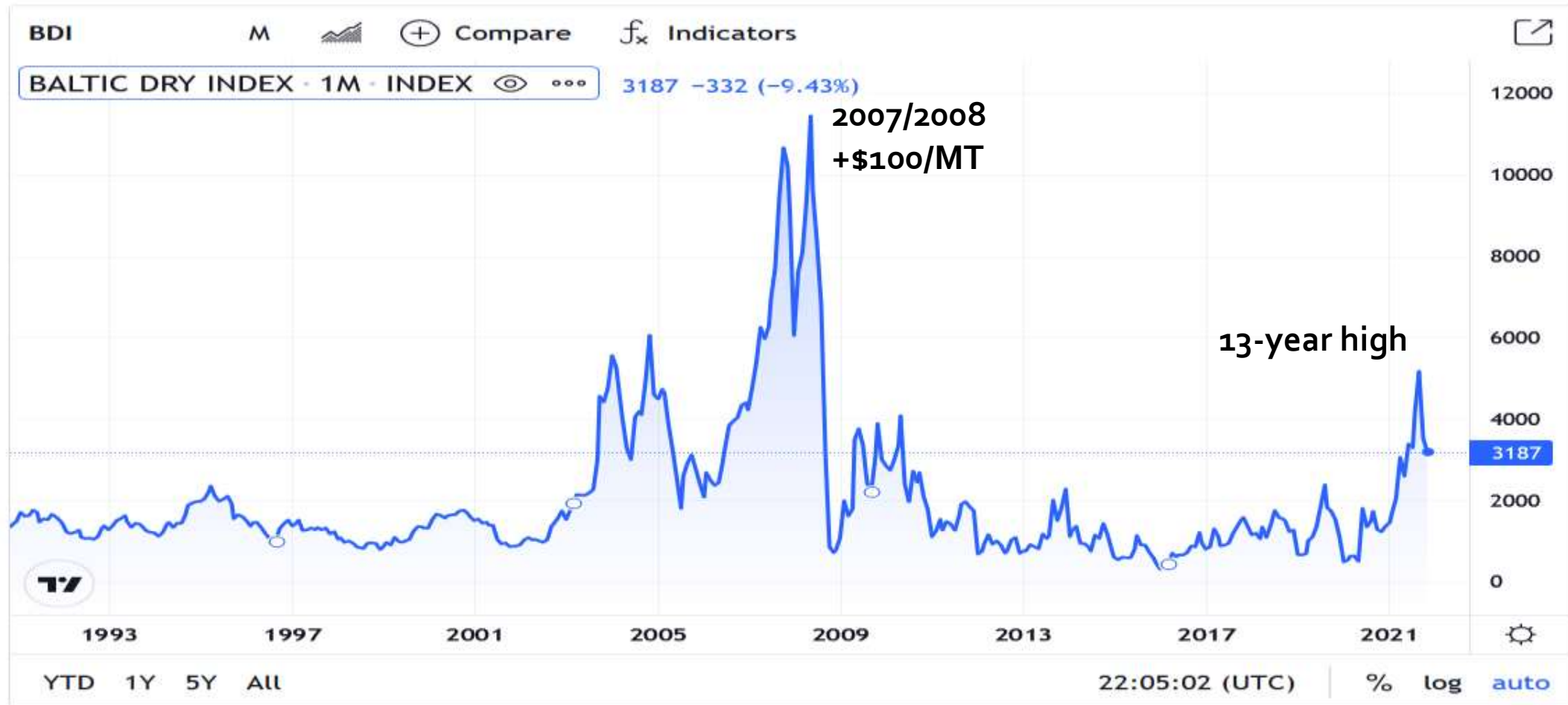
Lowest Stocks-to-Disappearance Ratio Since 2007/2008



Major Exporters: U.S., EU, Canada, Australia, Argentina, Russia, Ukraine and Kazakhstan

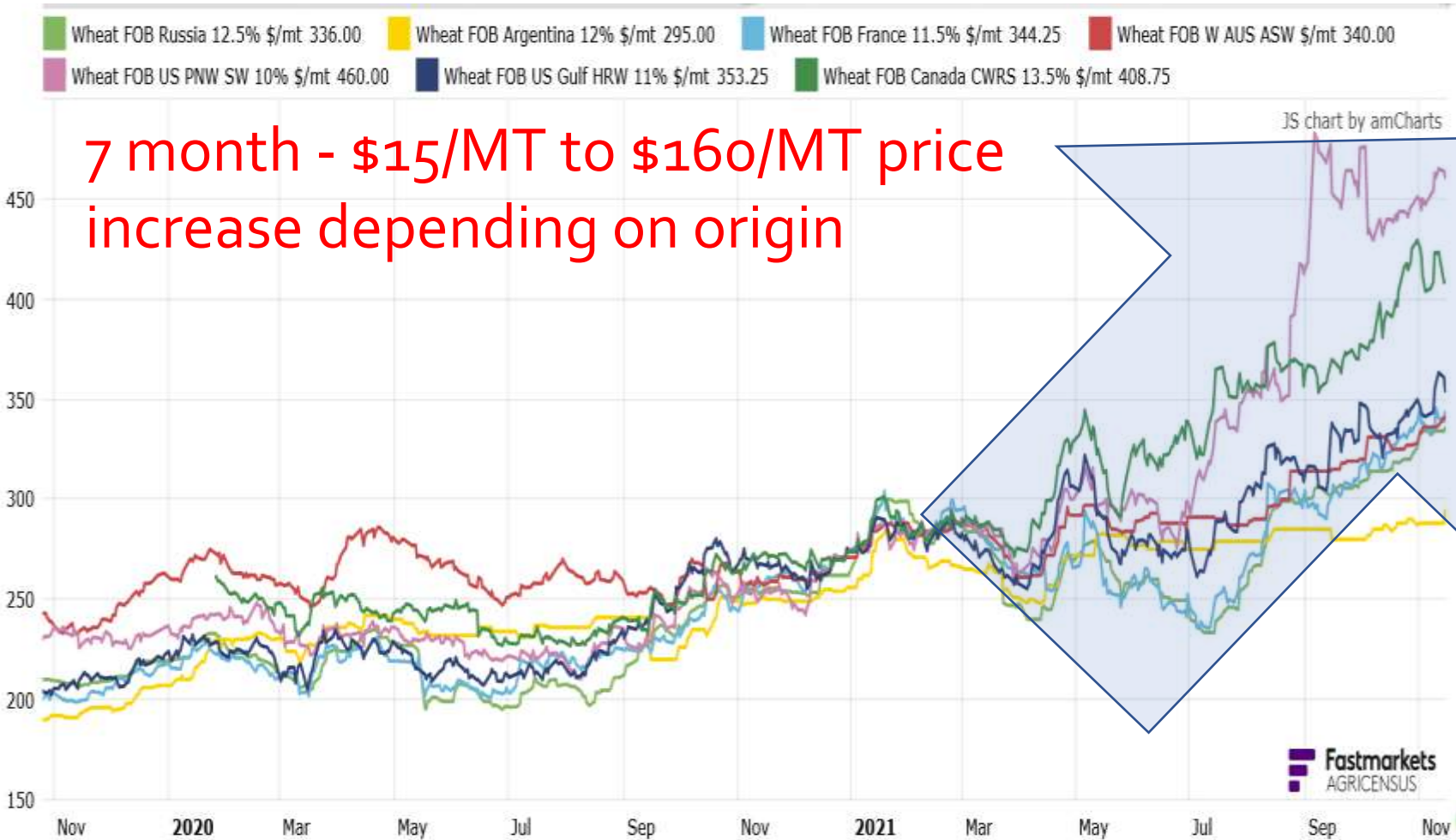


Robust Demand Pushes Ocean Freight Higher



World Wheat FOB Price Comparison

As of November 16, 2021



PNW HRS 14% \$425/MT

CWRS 13.5% \$412/MT

PNW SW Max 11.0% \$420/MT

PNW SW Unspecified \$380/MT

Gulf HRW 11.5% \$375/MT

SRW \$350/MT

French \$345/MT

ASW \$340/MT

Russian 11% \$340/MT

India \$325/MT

Argentina 10.5% \$300/MT

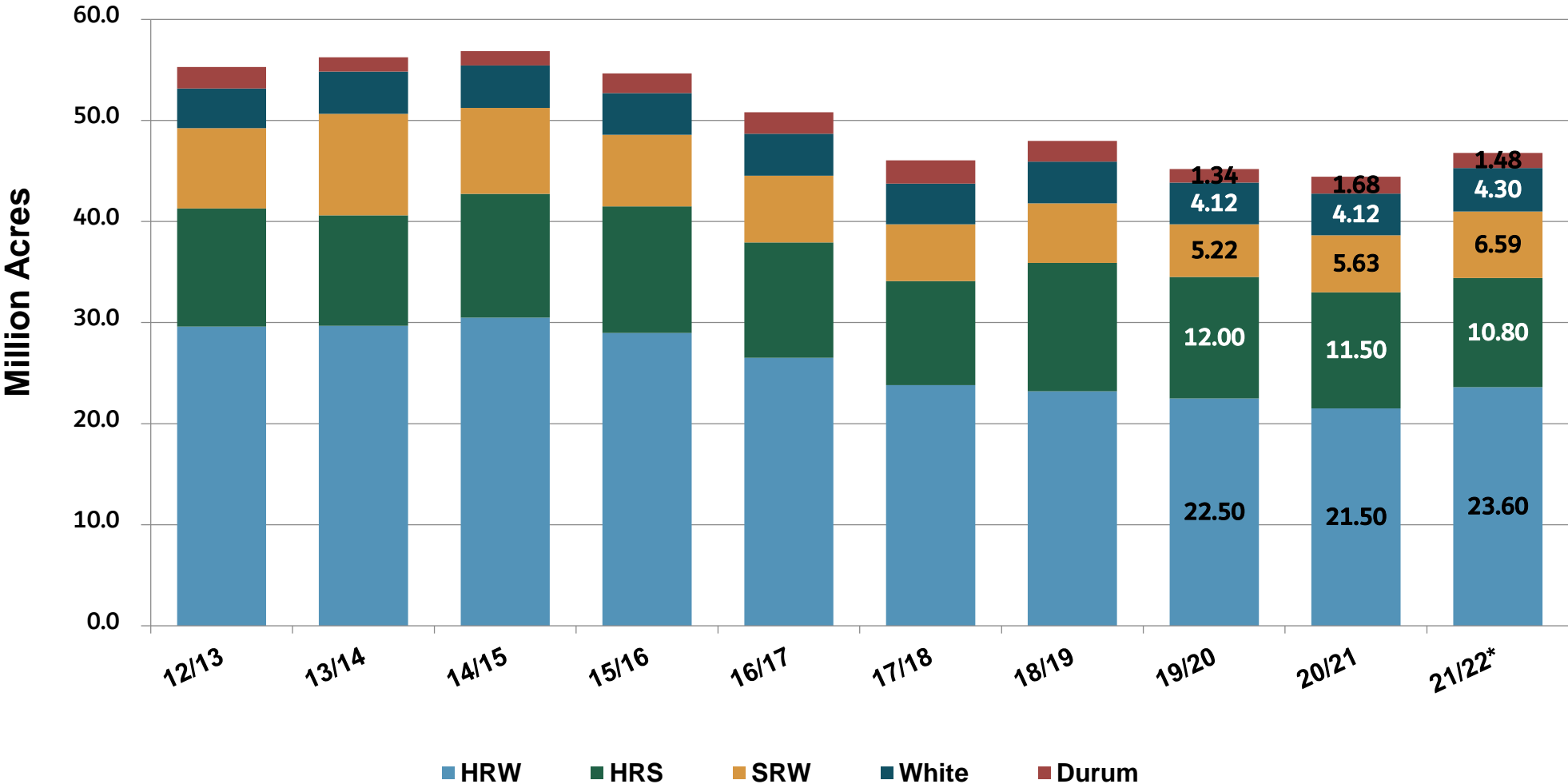
Based on 12% moisture basis



U.S. Wheat Situation

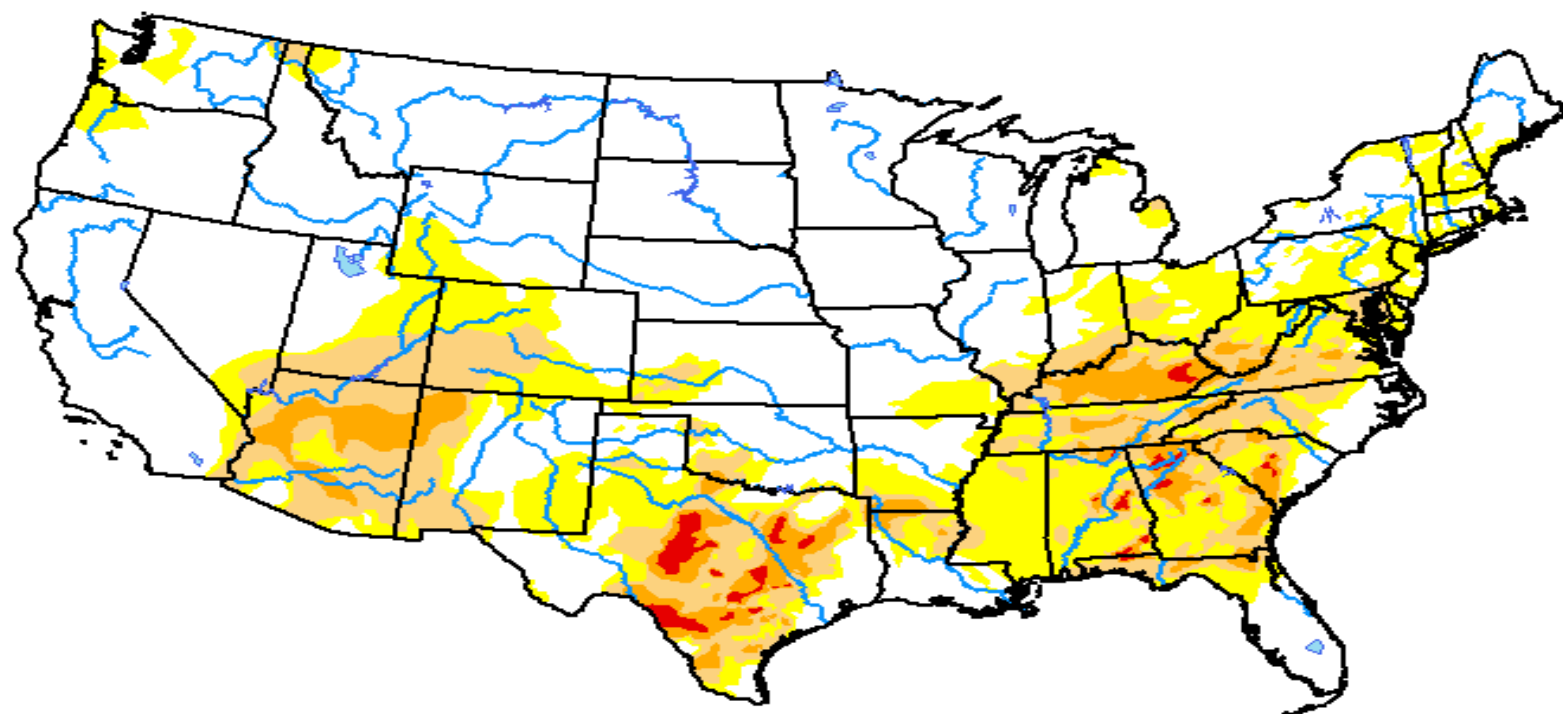
U.S. Wheat 2021 Planted Area

Up 5% from 2020, but drought conditions lower yield and production

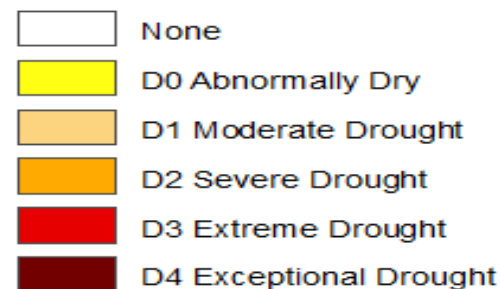


U.S. Drought Monitor Continental U.S. (CONUS)

October 1, 2019
(Released Thursday, Oct. 3, 2019)
Valid 8 a.m. EDT



Intensity:



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:

Brian Fuchs
National Drought Mitigation Center

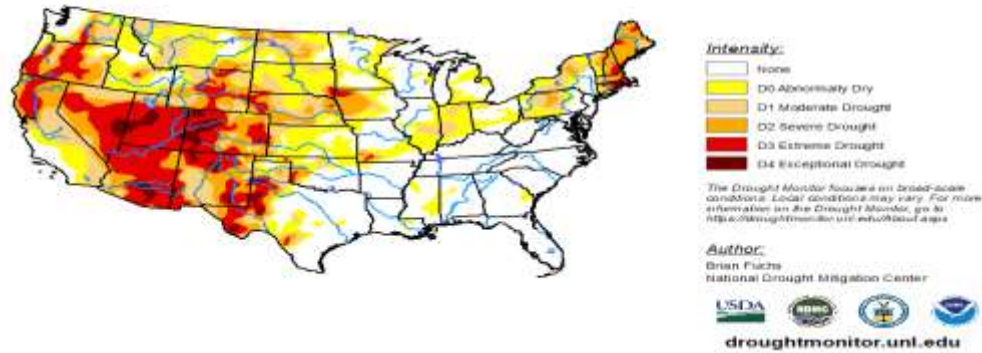


droughtmonitor.unl.edu

U.S. Drought Monitor
Continental U.S. (CONUS)

October 6, 2020
(Released Thursday, Oct. 8, 2020)
Valid 8 a.m. EDT

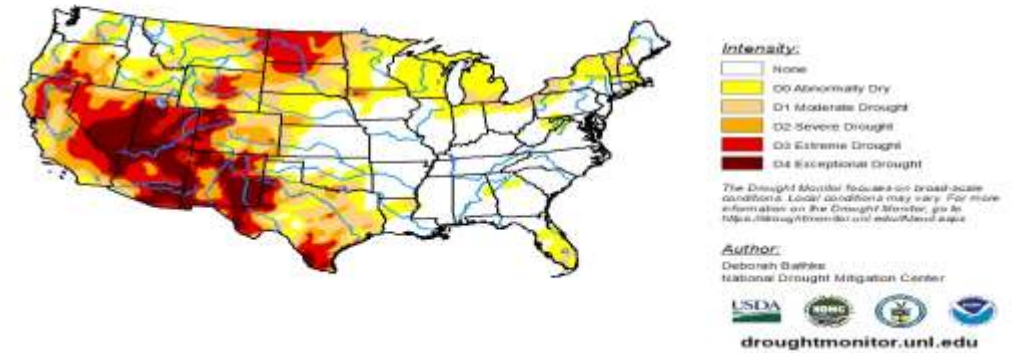
October 6, 2020



U.S. Drought Monitor
Continental U.S. (CONUS)

April 6, 2021
(Released Thursday, Apr. 8, 2021)
Valid 8 a.m. EDT

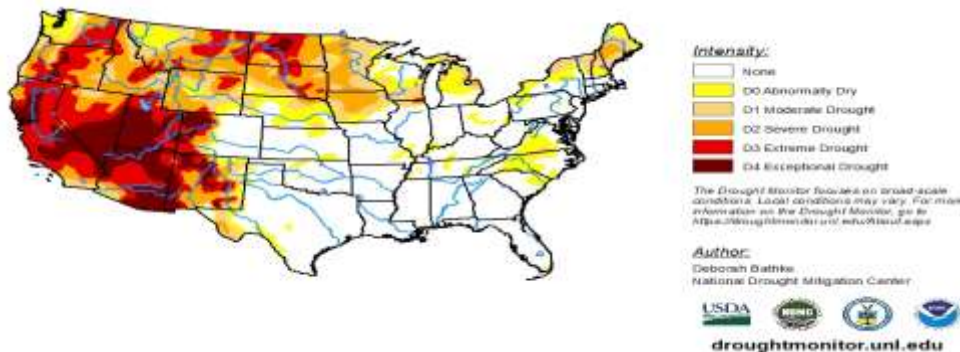
April 6, 2021



U.S. Drought Monitor
Contiguous U.S. (CONUS)

July 6, 2021
(Released Thursday, Jul. 8, 2021)
Valid 8 a.m. EDT

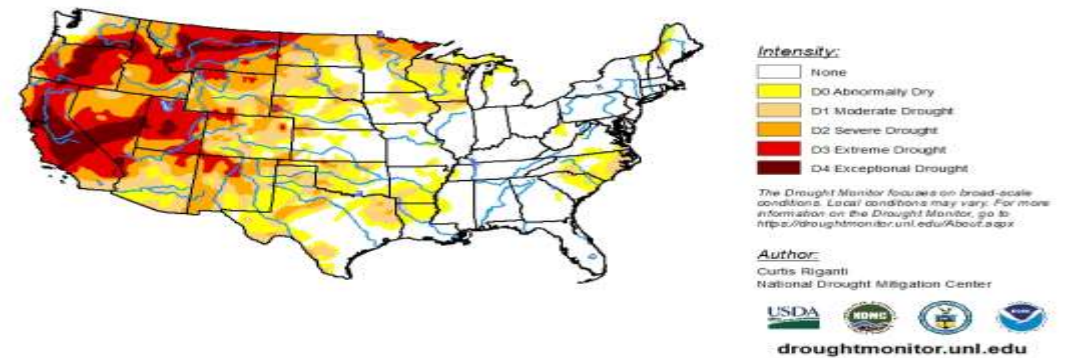
July 6, 2021



U.S. Drought Monitor
Contiguous U.S. (CONUS)

November 9, 2021
(Released Thursday, Nov. 11, 2021)
Valid 7 a.m. EST

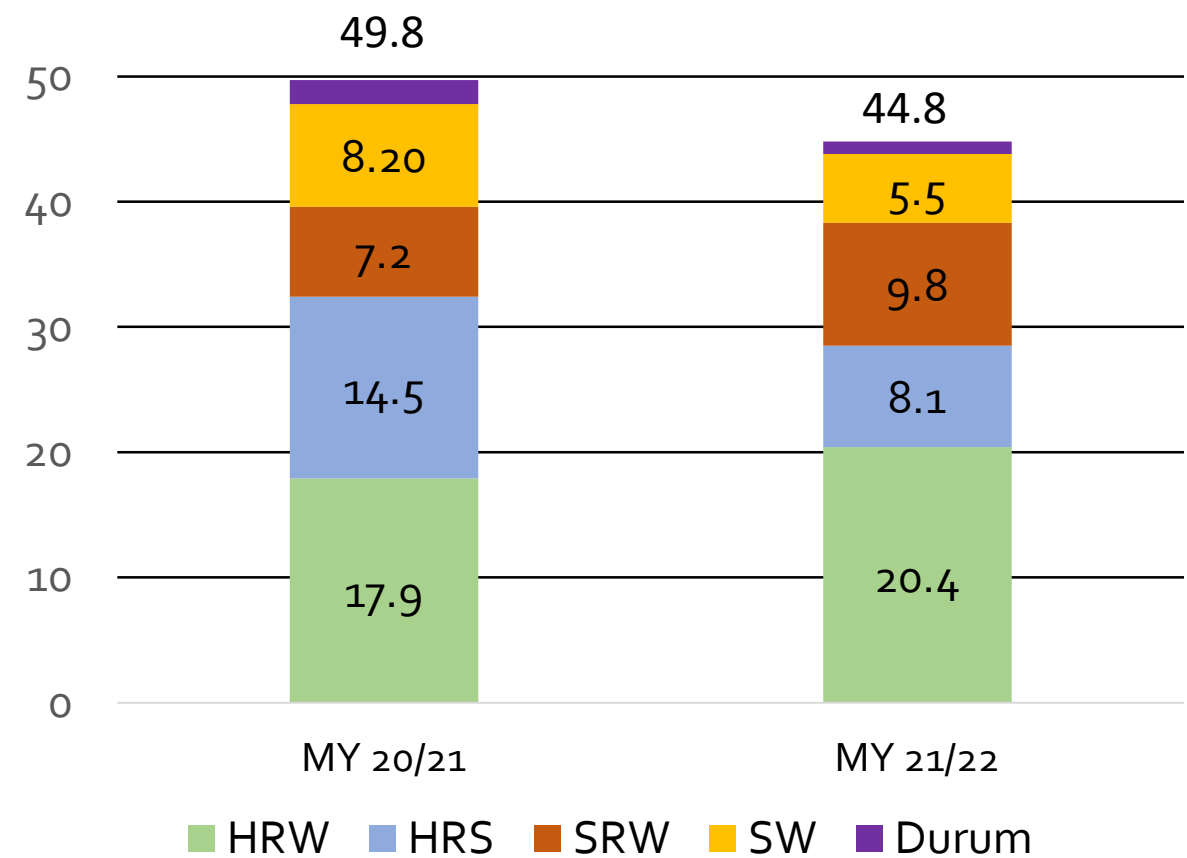
November 9, 2021



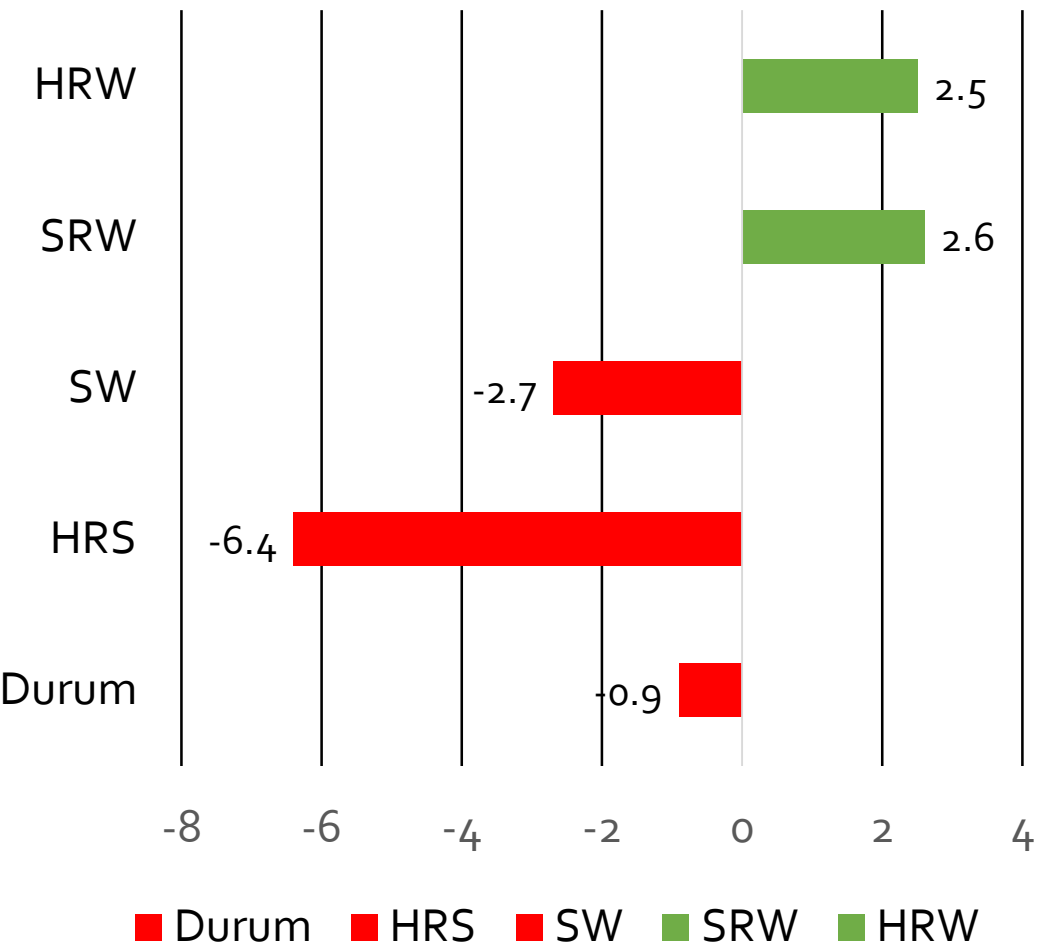
Extreme Drought Cuts U.S. Production by 10%

MY 2021/2022 year-to-date

Million Metric Tons



Million Metric Tons



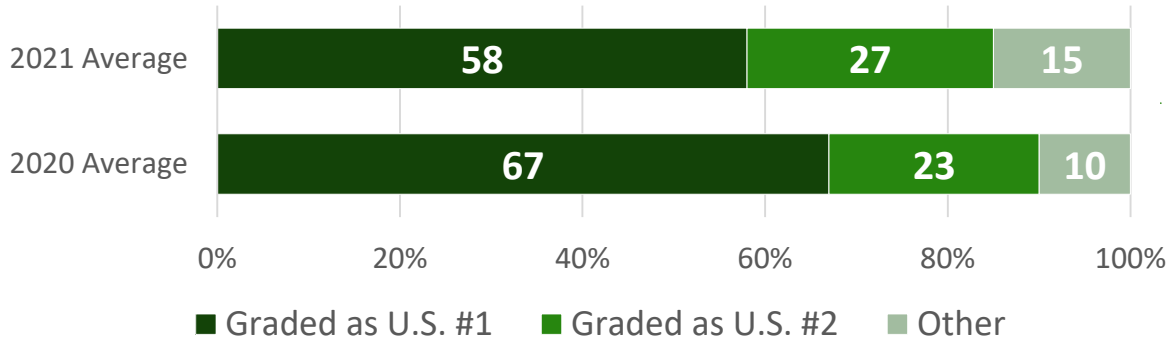
2021 U.S. Wheat Crop Quality



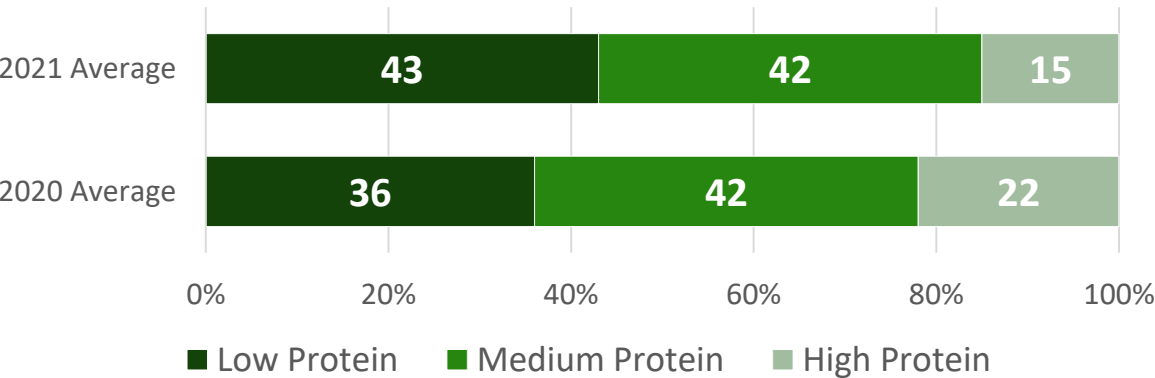
Hard Red Winter Gulf-Tributary: Wheat Grade Data



Grade Distribution



Wheat Protein Distribution (12% mb)

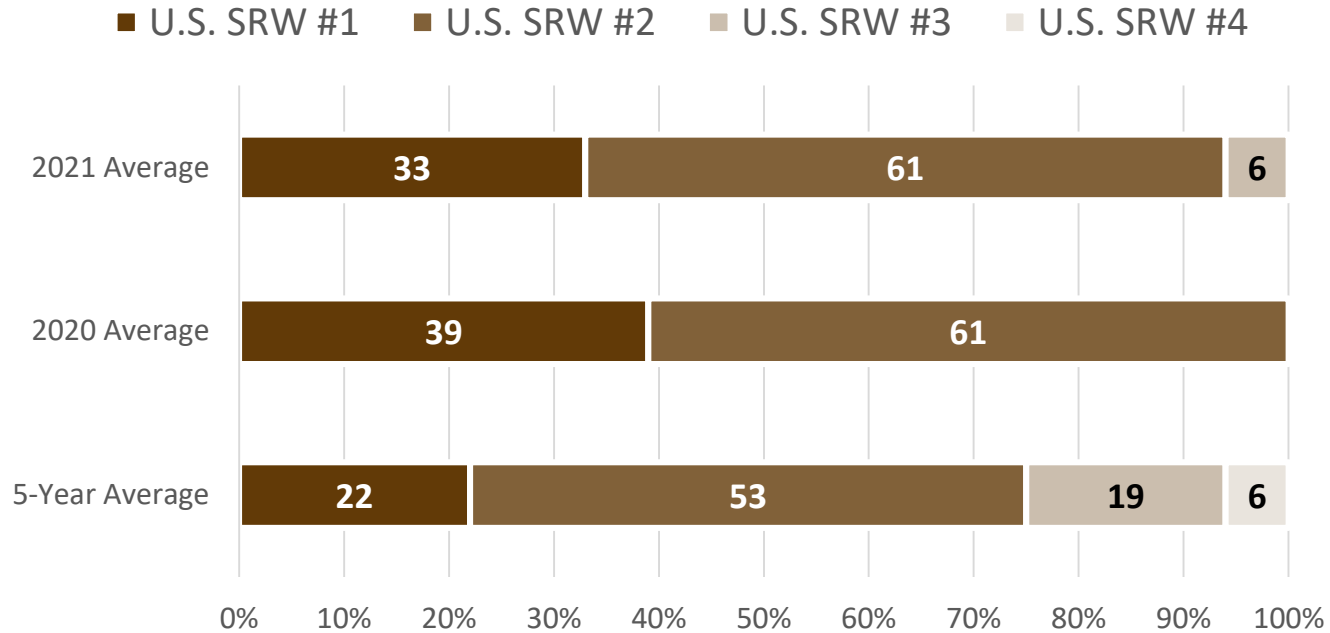


LOW PROTEIN: Samples with < 11.5% wheat protein
MEDIUM PROTEIN: Samples between 11.5 - 12.5% wheat protein
HIGH PROTEIN: Samples with > 12.5% wheat protein

	Low Pro	Med Pro	High Pro	2021 Avg	2020 Avg	5-Yr Avg
Test Weight (lb/bu)	60.8	60.5	60.1	60.6	61.1	60.5
Test Weight (kg/hl)	79.9	79.6	79.0	79.7	80.4	79.6
Damaged Kernels (%)	0.5	0.6	0.4	0.5	0.2	0.2
Foreign Material (%)	0.2	0.3	0.4	0.3	0.1	0.2
Shrunken & Broken (%)	0.9	0.8	1.2	0.9	1.2	1.0
Total Defects (%)	1.6	1.9	2.4	1.8	1.5	1.4
Grade	1 HRW	1 HRW	1 HRW	1 HRW	1 HRW	1 HRW

SOFT RED WINTER

Soft Red Winter Wheat Grade Data

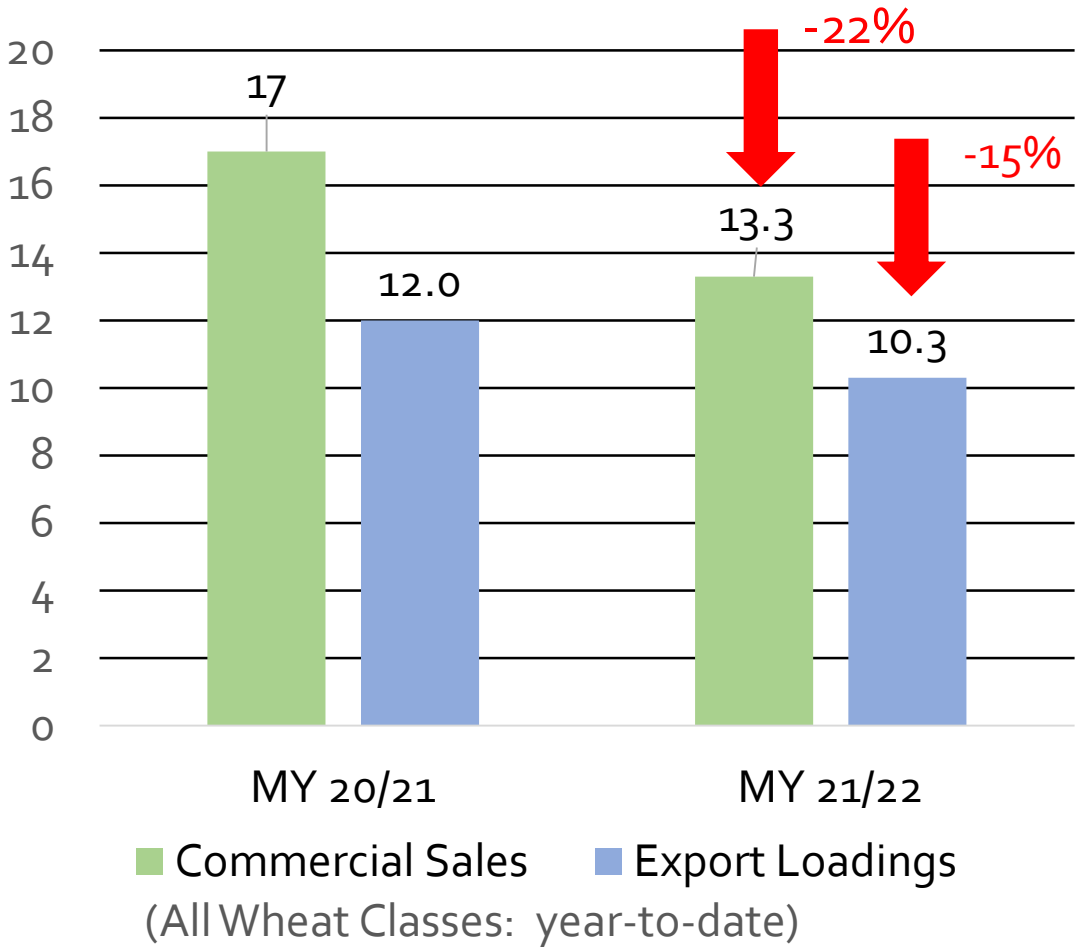


	East Coast	Gulf Port	2021 Avg	2020 Avg	5-Year Avg
Test Weight (lb/bu)	58.8	60.0	59.7	59.7	58.7
(kg/hl)	77.4	78.9	78.6	78.6	77.2
Damaged Kernels (%)	0.3	0.3	0.3	0.2	0.6
Foreign Material (%)	0.1	0.1	0.1	0.0	0.1
Shrunken & Broken (%)	0.6	0.5	0.5	0.5	0.6
Total Defects (%)	0.9	0.9	0.9	0.8	1.3

All Wheat Commercial Sales and Shipment Pace

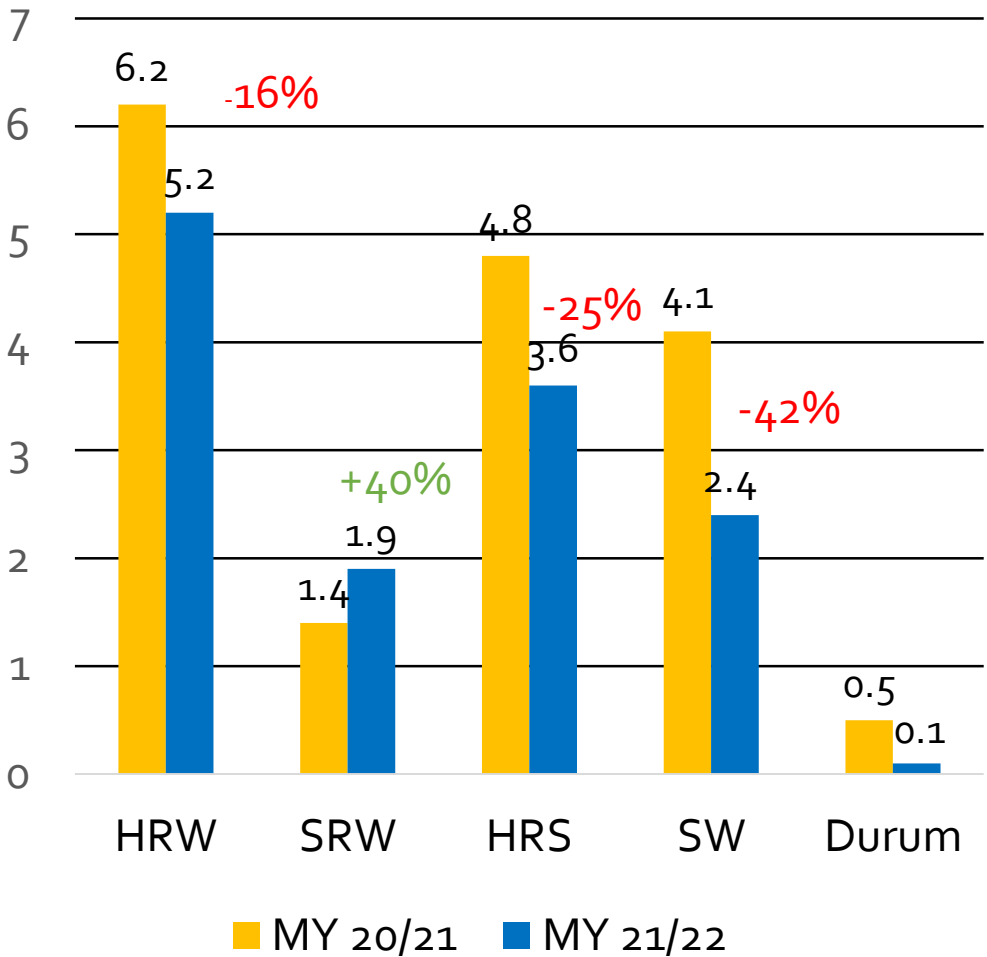
5 months into MY 2021/22 total all wheat commercial sales are **57%** of USDA's 23.4 MMT projected exports

Million Tons



Million Tons

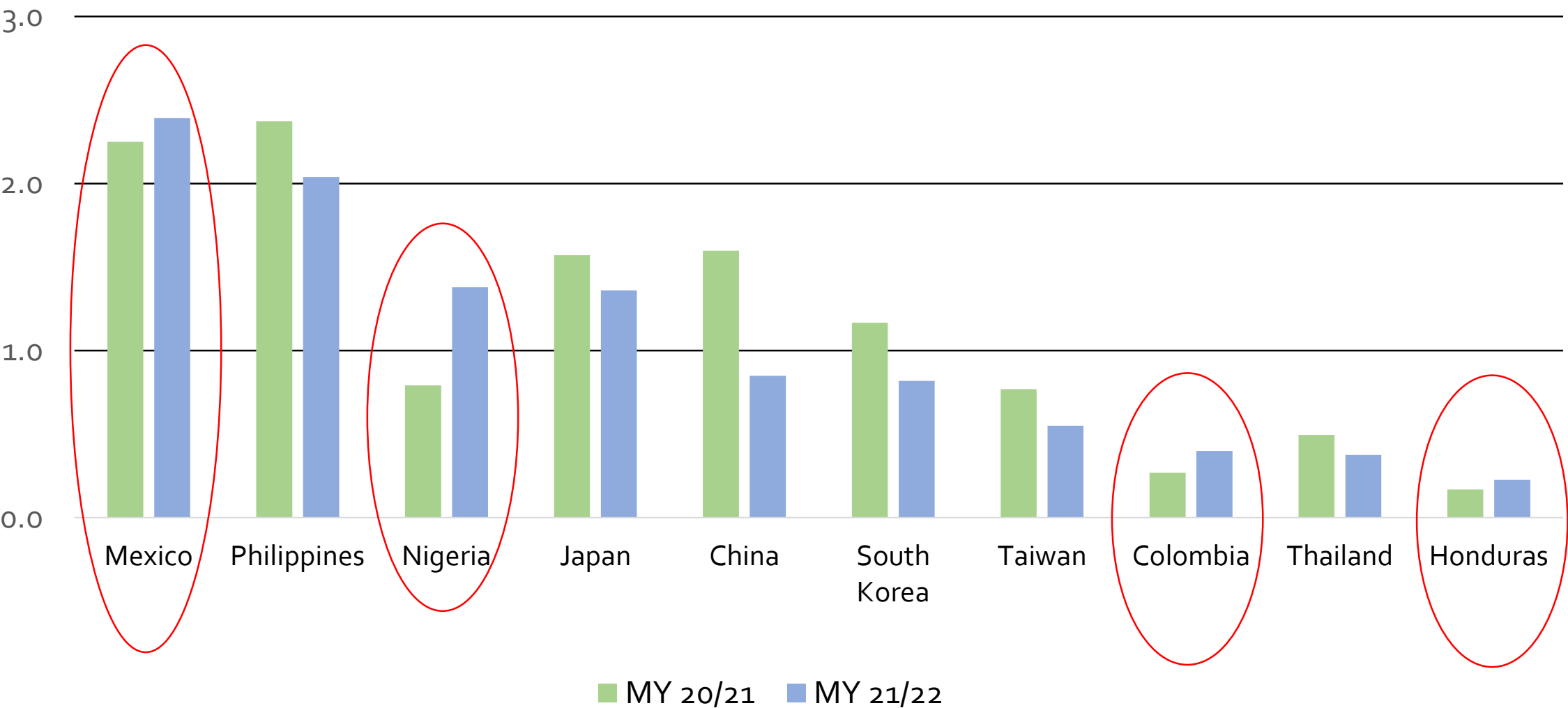
Commercial Sales



Top 10 Export Destinations for U.S. Wheat

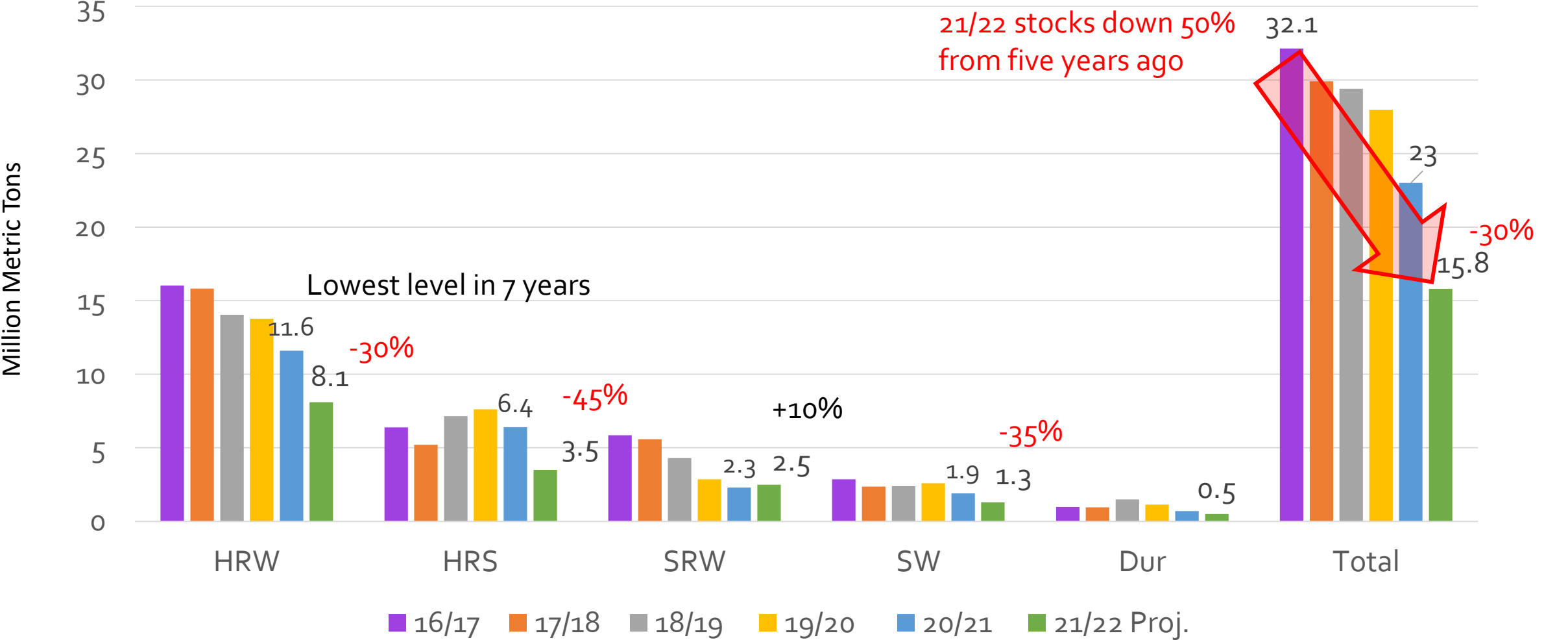
(All Wheat Classes: year-to-date)

Million Metric Tons



Source: USDA, Export Sales Report as of November 4, 2021

U.S. Wheat Ending Stocks Decline

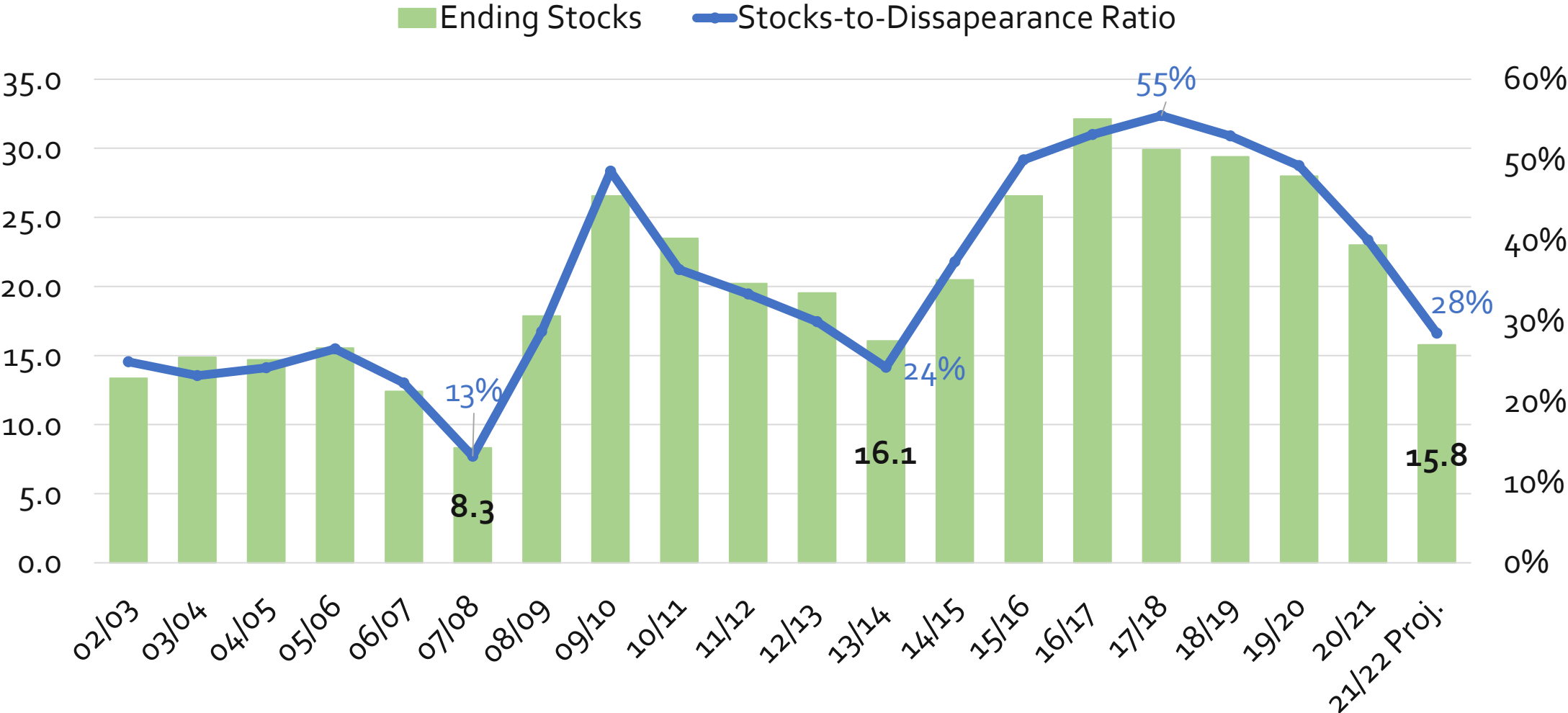


Source: USDA, November 9, 2021

U.S. Wheat Ending Stocks

Lowest Projected Ending Stocks Since 2008

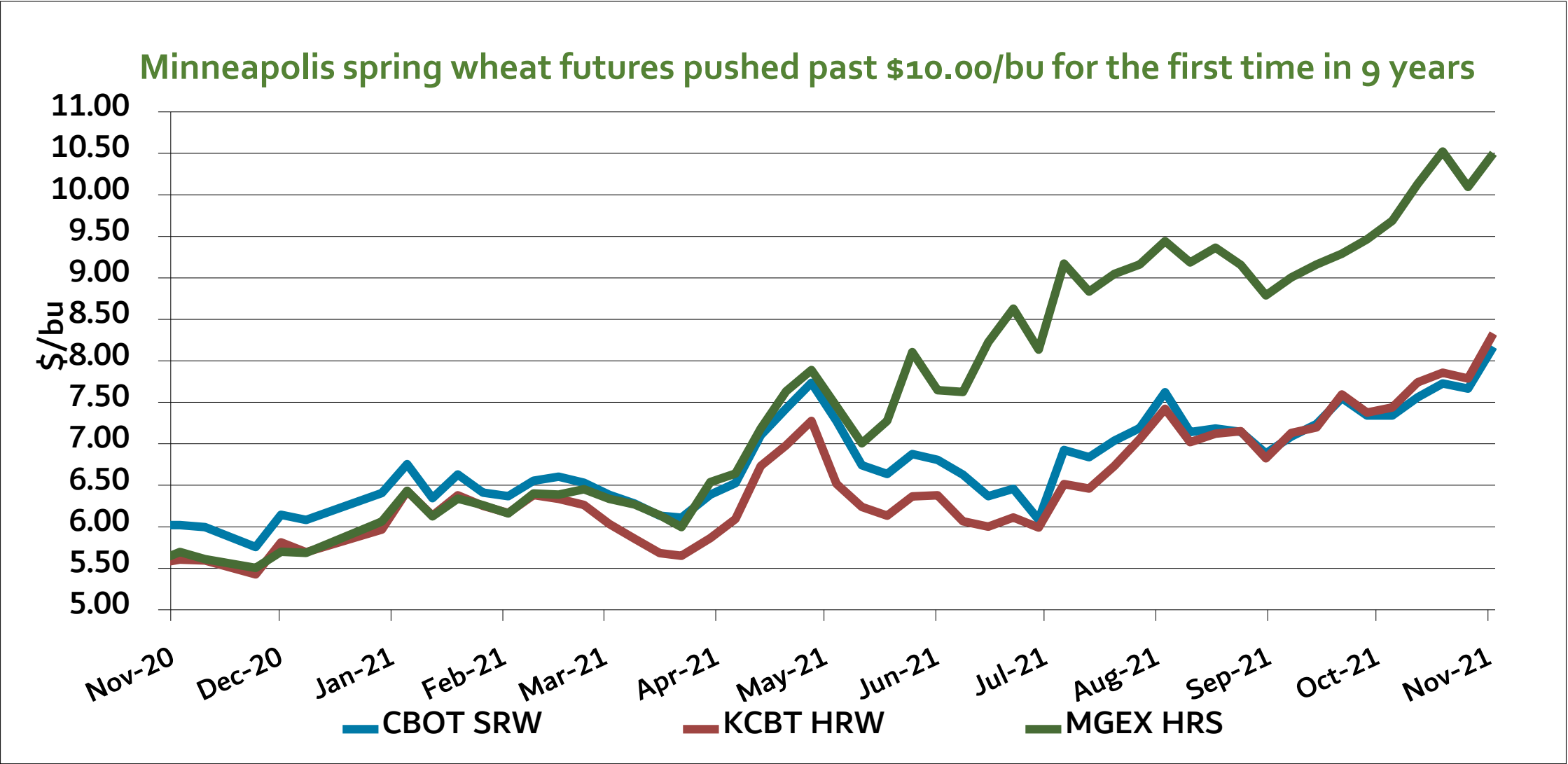
Million Metric Tons

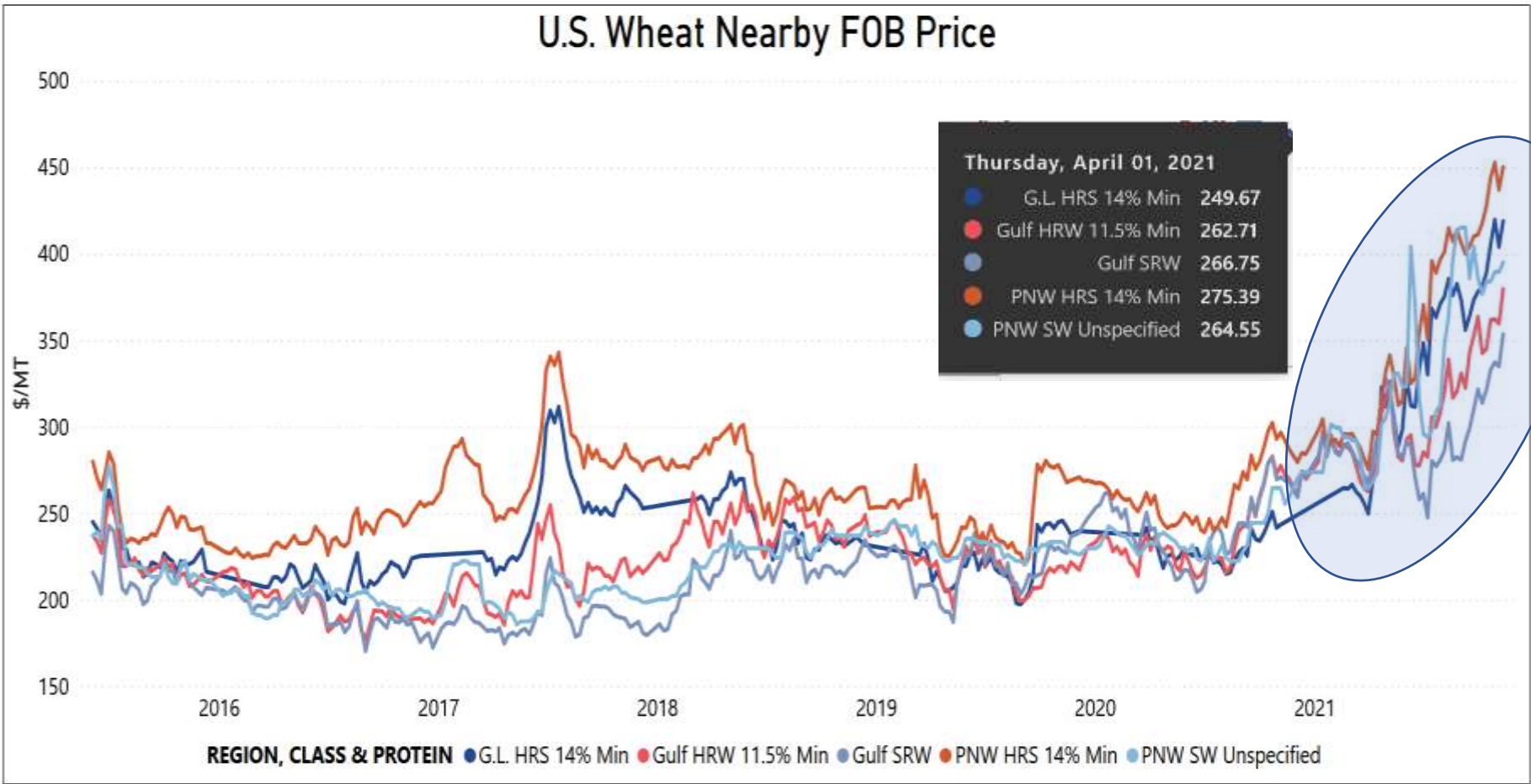


Source: USDA, November 9, 2021

The stocks-to-disappearance ratio is ending stocks over domestic utilization + exports.

Nearby Wheat Futures Settlement Prices





Friday, November 12, 2021		
G.L. HRS 14% Min	418.87	
Gulf HRW 11.5% Min	379.56	
Gulf SRW	353.47	
PNW HRS 14% Min	450.10	
PNW SW Unspecified	394.99	

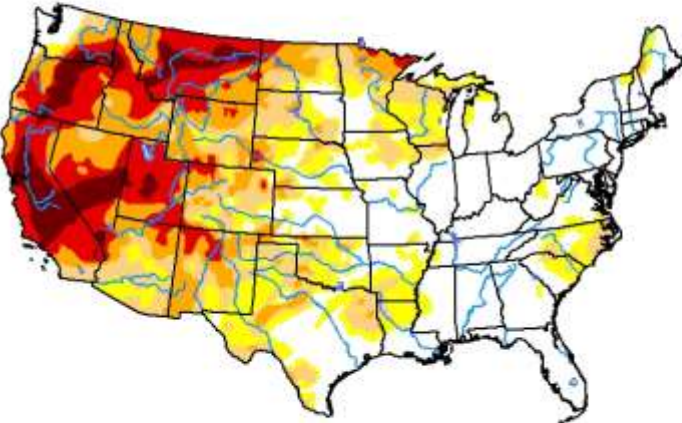
Since April 1, 2021

- Gulf HRS +\$169/MT +68%
- Gulf HRW +\$117/MT +45%
- SRW +\$87/MT +33%
- PNW HRS \$175/MT +64%
- SW \$130/MT +50%

Drought Conditions Still a Factor

U.S. Drought Monitor Contiguous U.S. (CONUS)

November 9, 2021
(Released Thursday, Nov. 11, 2021)
Valid 7 a.m. EST



Intensity:

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>

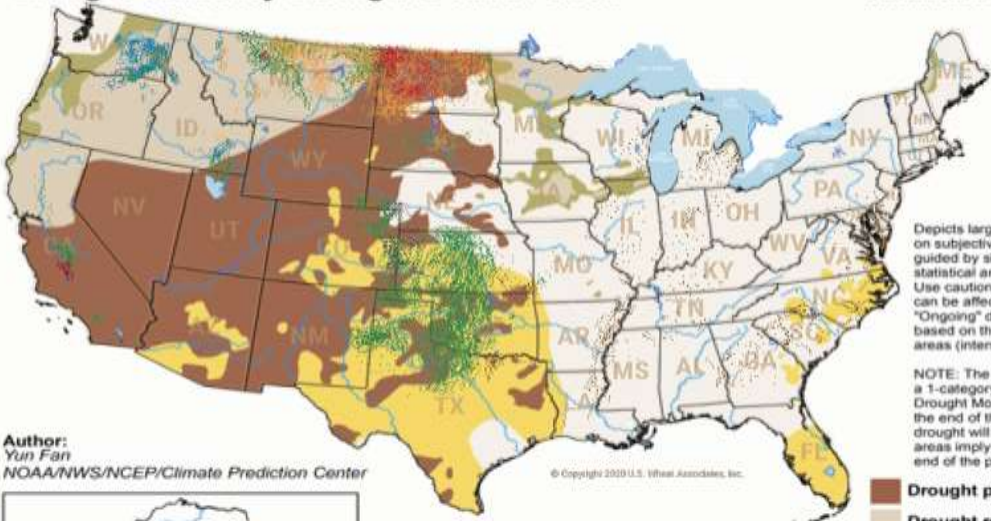
Author:
Curtis Riganti
National Drought Mitigation Center



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U.S. Seasonal Drought Outlook Drought Tendency During the Valid Period

Valid for October 21, 2021 - January 31, 2022
Released October 21, 2021



Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Use caution for applications that can be affected by short lived events. "Ongoing" drought areas are based on the U.S. Drought Monitor areas (intensities of D1 to D4).

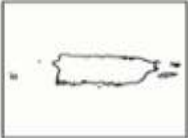
NOTE: The tan areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period, although drought will remain. The green areas imply drought removal by the end of the period (D0 or none).

Drought persists
Drought remains but improves
Drought removal likely
Drought development likely



<http://go.usa.gov/3eZ73>

Author:
Yun Fan
NOAA/NWS/NCEP/Climate Prediction Center



● Hard Red Winter (HRW)

● Soft Red Winter (SRW)

● Hard White (HW)

● Hard Red Spring (HRS)

● Soft White (SW)

● Durum

What's Ahead and Situations to Monitor

- Wheat production and quality in Australia
- Export capacity at Australian ports (already booked through February 2022)
- Russia's planned export quota in 2022
- Drought situation and growing conditions for winter wheat crops in the U.S. and Black Sea region
- Has the ocean freight market peaked?
- China's appetite for wheat imports in 2022
- India is projected to export 5 MMT of wheat (highest exports in 8 years)
- Fertilizer prices and availability of supply for spring crops next year

THANK YOU



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