Wheat

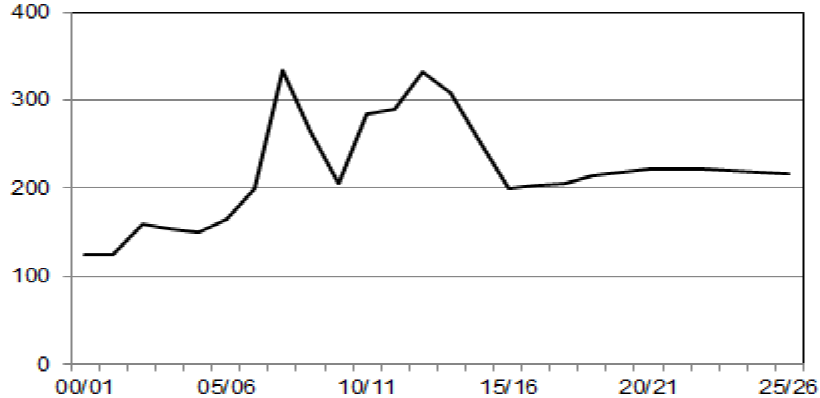
- Improvement in global production and a gradual recovery in ending stocks over the past three years have allowed the global wheat market to balance at much lower prices than in the 2007/08 to 2012/13 period.
- With the assumption of normal weather and average yields in coming years, supplies are expected to remain adequate to meet global demand at stable, lower prices. However, price levels will remain above those experienced prior to 2007/08 in order for wheat to successfully compete for land against other crops. In addition to wheat, this general pattern is expected for barley, which competes for land and substitutes in feed rations in most major producing areas.
- Despite the improved supply/demand balance which has eased wheat prices, the underlying costs of production have risen. Fertilizers and other agricultural chemicals, and other inputs are pricier than just a few years ago, but those prices are not expected to appreciate rapidly. However, currently low energy prices are only projected to increase moderately through 2020. This will help constrain increases in long-term prices necessary for meeting global wheat demand.

- Global wheat area is estimated to increase 2.3 million hectares, or about 1% in 2015/16. Russia and Ukraine account for this increase. Going forward, area will increase at a slower rate, with Argentina expanding slightly in the next several years as the elimination of the 23% export tax results in higher producer prices. Russia, Ukraine, and Kazakhstan will modestly increase wheat area, as well.
- Globally, wheat production increased by nearly 10 mmt, enough to keep up with global demand growth and maintain ending stocks. Production increases in Australia, China, the EU, Russia, Iran, Kazakhstan, Ukraine, Morocco, and Turkey more than offset declines in Argentina, Canada, and India.
- By the end of the baseline period, wheat area is projected to remain near the top of the range experienced in the past decade, and production will increase primarily through yield growth, which is projected to average around 1% per year.

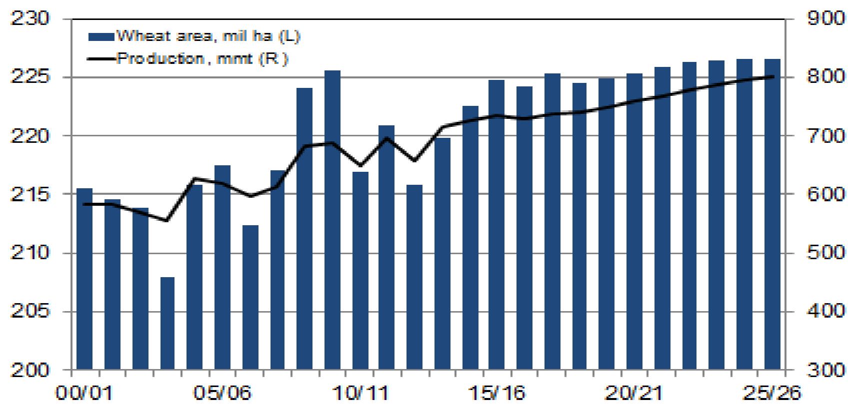
- Wheat food consumption will be driven primarily by global population growth. Income impacts on wheat vary across regions and income levels. Per capita consumption is declining in high-income countries where diets are less based on grains and more on meats and other foods. In many emerging countries, per capita consumption is already high and income growth will contribute little to demand.
- Health and weight issues also contribute to declining per capita consumption in developed countries. While grains, especially whole grains are important dietary components, the caloric intake of many populations in higher-income countries is well beyond daily nutritional requirements and a growing number of societies are faced with obesity issues.
- For developing countries, wheat per capita consumption is increasing as incomes above subsistence levels allow the population to diversify diets beyond traditional staples. Globalization also plays a role in changing diets in some nations as foods from other countries become available.

Wheat Market Balance No Longer Takes Higher Prices

Wheat price, HRW, U.S. Gulf, $/mt

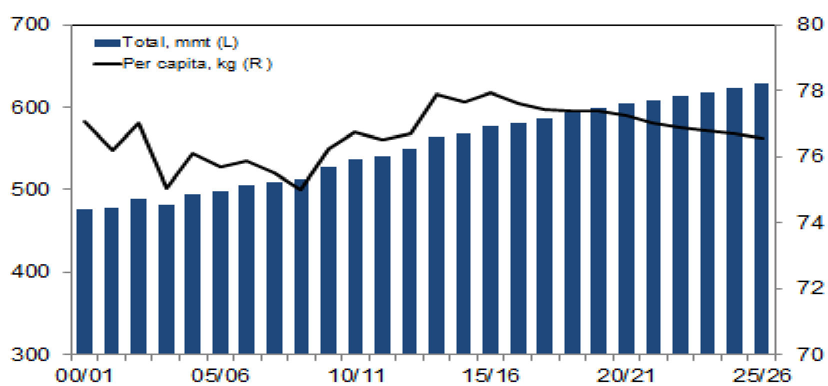


Wheat Area Expansion Potential Is Limited



Wheat Food Use Responds Little to Income Growth

Global wheat food use



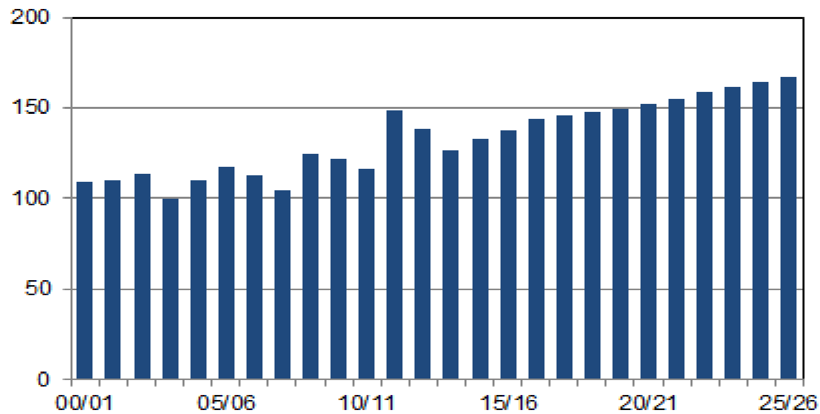
- While not the predominant grain for animal production on a global basis, wheat is vital for livestock feeding in some regions. The grain belt of the former Soviet Union and Europe traditionally feed large quantities of wheat as they have an advantage in production. In 2015/16, increased wheat feed use will be a result of higher production in Russia, Ukraine, and the European Union.
- Livestock production declines have slowed in Russia and Ukraine, and have turned the corner in Kazakhstan. During the baseline period, livestock production is expected to increasing again in major wheat feeding regions, and accompanying wheat feed use is expected to increase.
- Wheat feed use also tends to increase or decrease in a given year depending on wheat and competing feedgrain production and prices. When producers enjoy large wheat crops, wheat feeding generally increases in those countries, especially if some of that wheat is of lower quality.
- Conversely, when wheat crops are reduced other grains, especially corn are often imported to fill livestock feed requirements. During these periods, feed wheat prices generally rise compared to other feed grains, allowing producers to cut feed bills by substituting for wheat.

- Wheat trade is expected to be similar to last year's levels in 2015/16, although the share of specific importers and exporters will shift. Production increases in Russia, Ukraine, and Kazakhstan will boost exportable supplies in those countries. Exports are expected to drop relative to 2014/15 in India, the EU, and Canada. Turkey is expected to return to near self-sufficiency this year.
- Imports will increase in Brazil, Egypt, and Indonesia in 2015/16. Egypt will remain the single largest export market throughout the baseline, with Indonesia also consistently being a major importer.
- Rising global excess demand over the projection period will be met primarily by traditional major exporting nations. Trade will cover approximately 18% of worldwide consumption. Most major import destinations are expected to increase dependency on the world market in coming years.

- Globally, inventories are expected to increase by the end of 2015/16 by more than 18 mmt. This will be the third consecutive year of substantial rebuilding from the sharp drawdown of 2012/13. The increase in ending stocks is expected to occur primarily in the EU, China, Russia, and the U.S.
- China's stocks are much higher than the rest of the world when compared to domestic utilization. China's grain policies result in holding a large proportion of annual needs in reserve to buffer production shortfalls and high prices. In the past three years, China has been building wheat ending stocks, resulting in a substantial rise in the stocks-to-use ratio.
- Because China's grain markets are still relatively insulated from world markets, the inventories held by that country are not available to buffer production shortfalls in other parts of the world. As a result, that country's higher proportion of stocks does not reduce world market volatility.

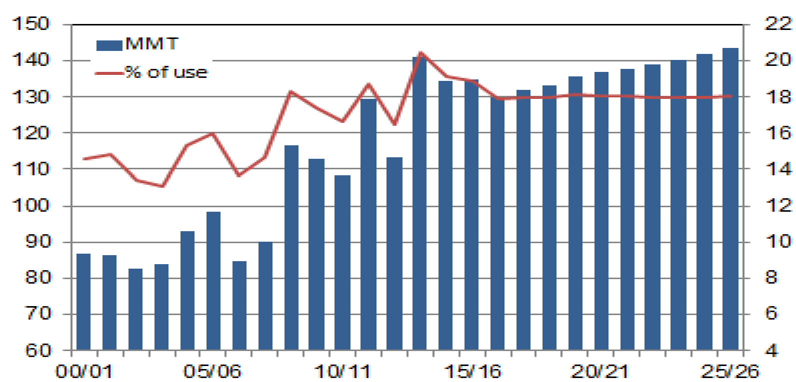
Feed Use Expands Primarily in the EU, FSU

Global wheat feed use, mmt



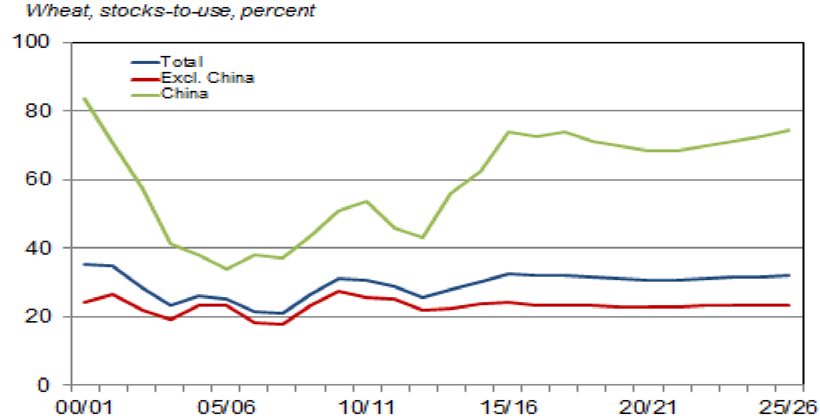
Trade Is Vital to the Global Wheat Market

Wheat net trade



China Is Now Building Wheat Security

Wheat, stocks-to-use, percent



World Wheat Supply & Utilization

	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
					(Million hectares)						
Area Harvested	215.8	217.5	212.3	217.1	224.1	225.6	216.9	220.9	215.8	219.9	222.5
					(Metric tons per hectare)						
Yield	2.90	2.84	2.81	2.82	3.05	3.05	2.99	3.15	3.05	3.25	3.26
					(Million metric tons)						
Supply	854.6	868.0	837.0	833.3	922.6	965.8	960.3	1,016.4	977.2	1,026.0	1,048.6
Production	626.8	618.8	596.7	612.6	683.6	687.1	649.3	696.6	658.3	715.4	725.9
Beginning stocks	135.7	156.4	153.4	133.6	128.7	169.1	203.2	198.7	197.8	177.0	194.0
Net imports	92.1	92.8	86.9	87.1	110.3	109.6	107.8	121.1	121.1	133.7	128.6
Utilization	761.7	769.6	752.4	743.2	805.9	852.7	851.8	887.1	864.0	884.8	914.4
Feed and residual	110.4	117.7	113.1	104.8	124.4	122.3	116.8	148.4	138.2	126.7	132.8
Food, seed & industrial	495.0	498.4	505.8	509.7	512.4	527.3	536.3	540.9	548.8	564.1	568.8
Ending stocks	156.4	153.4	133.6	128.7	169.1	203.2	198.7	197.8	177.0	194.0	212.8
Net exports	92.9	98.4	84.6	90.1	116.7	113.0	108.5	129.3	113.2	141.2	134.2
Total Demand	854.6	868.0	837.0	833.3	922.6	965.8	960.3	1,016.4	977.2	1,026.0	1,048.6

World Wheat Supply & Utilization

	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
					(Million hectares)						
Area Harvested	224.8	224.3	225.3	224.4	224.9	225.4	225.8	226.3	226.4	226.5	226.6
					(Metric tons per hectare)						
Yield	3.27	3.25	3.28	3.30	3.33	3.37	3.40	3.44	3.47	3.51	3.54
					(Million metric tons)						
Supply	1,081.2	1,087.8	1,100.0	1,106.8	1,116.5	1,125.7	1,137.1	1,150.7	1,164.7	1,178.8	1,193.4
Production	735.4	728.6	738.2	740.5	749.7	759.1	768.7	778.6	786.4	794.3	802.2
Beginning stocks	212.8	231.4	232.0	235.0	233.0	231.8	232.5	235.2	239.9	244.6	249.7
Net imports	133.0	127.8	129.9	131.4	133.8	134.8	135.8	136.9	138.4	139.8	141.4
Utilization	946.3	958.1	968.2	973.6	980.8	989.0	999.3	1,011.9	1,024.3	1,037.1	1,050.0
Feed and residual	137.3	144.3	146.3	147.5	149.7	152.2	155.4	158.5	161.2	163.8	166.7
Food, seed & industrial	577.5	581.9	587.0	593.0	599.3	604.3	608.8	613.5	618.5	623.5	628.4
Ending stocks	231.4	232.0	235.0	233.0	231.8	232.5	235.2	239.9	244.6	249.7	254.9
Net exports	134.9	129.7	131.8	133.3	135.7	136.7	137.7	138.8	140.3	141.7	143.3
Total Demand	1,081.2	1,087.8	1,100.0	1,106.8	1,116.5	1,125.7	1,137.1	1,150.7	1,164.7	1,178.8	1,193.4

Wheat Area Harvested

	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
						(Million hectares)					
Algeria	2.0	1.7	1.7	1.7	1.8	1.9	2.0	2.0	2.0	2.0	1.7
Argentina	6.4	5.5	6.2	6.6	5.3	4.0	4.8	5.2	3.6	3.5	4.2
Australia	13.4	12.5	11.8	12.6	13.5	13.9	13.5	13.9	13.0	12.6	13.8
Brazil	2.8	2.4	1.8	1.8	2.4	2.4	2.2	2.2	1.9	2.2	2.7
Canada	9.4	9.4	9.7	8.6	10.0	9.7	8.3	8.6	9.5	10.4	9.5
China	21.6	22.8	23.6	23.7	23.6	24.3	24.3	24.3	24.3	24.1	24.1
Egypt	1.1	1.3	1.3	1.3	1.2	1.3	1.3	1.3	1.4	1.4	1.4
EU-28	26.2	26.0	24.7	24.9	26.8	26.0	26.0	25.8	26.0	25.9	26.8
India	26.6	26.4	26.5	28.0	28.0	27.8	28.5	29.1	29.9	30.0	30.5
Iran	6.6	7.0	6.9	7.2	5.3	6.6	7.0	6.4	6.4	6.4	6.8
Japan	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Kazakhstan	11.8	11.8	11.9	12.7	12.9	14.3	13.1	13.7	12.4	13.0	11.9
Mexico	0.5	0.6	0.6	0.7	0.8	0.8	0.7	0.7	0.6	0.6	0.7
Morocco	3.1	3.0	3.1	2.6	2.9	3.0	2.9	3.0	3.1	3.3	3.1
Nigeria	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Pakistan	8.2	8.4	8.4	8.6	8.6	9.0	9.1	8.9	8.7	8.7	9.2
Russia	22.9	24.6	23.0	23.5	26.1	26.7	21.8	24.8	21.3	23.4	23.6
South Korea	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	8.6	8.6	8.6	7.7	7.7	7.8	8.0	7.7	7.8	7.7	7.7
Ukraine	5.5	6.6	5.5	6.0	7.1	6.8	6.3	6.7	5.6	6.6	6.3
United States	20.2	20.3	18.9	20.6	22.7	20.2	19.0	18.5	19.7	18.3	18.8
Uzbekistan	1.4	1.5	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Rest of world	17.2	17.3	16.6	16.8	15.8	17.5	16.6	16.6	17.0	18.1	18.1
World total	215.8	217.5	212.3	217.1	224.1	225.6	216.9	220.9	215.8	219.9	222.5

Wheat Area Harvested

	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
						(Million hectares)					
Algeria	2.1	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Argentina	3.5	4.0	4.5	4.8	4.8	4.8	4.8	4.8	4.8	4.7	4.7
Australia	13.8	14.2	14.3	14.3	14.5	14.5	14.5	14.6	14.6	14.7	14.7
Brazil	2.5	2.7	2.8	2.9	2.9	3.0	3.0	3.0	3.0	3.0	3.0
Canada	9.6	9.9	10.0	10.0	10.0	10.0	10.0	10.0	9.9	9.9	9.9
China	24.1	24.2	23.8	22.7	22.7	22.8	23.0	23.3	23.3	23.3	23.2
Egypt	1.3	1.3	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.3	1.3
EU-28	26.7	26.7	26.6	26.5	26.5	26.5	26.5	26.4	26.4	26.4	26.3
India	30.6	31.1	31.2	31.3	31.4	31.5	31.5	31.6	31.6	31.7	31.7
Iran	6.8	6.8	6.8	6.7	6.7	6.7	6.8	6.8	6.8	6.8	6.8
Japan	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Kazakhstan	11.5	11.7	11.9	11.9	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Mexico	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Morocco	3.2	3.1	3.1	3.1	3.1	3.1	3.0	3.0	3.0	3.0	2.9
Nigeria	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Pakistan	9.2	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Russia	25.6	24.9	24.8	24.8	24.8	24.9	25.0	25.1	25.3	25.4	25.5
South Korea	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	7.9	7.8	7.7	7.8	7.8	7.8	7.8	7.8	7.8	7.7	7.7
Ukraine	7.0	7.0	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
United States	19.1	17.8	18.3	18.2	18.2	18.1	18.1	18.1	18.1	18.1	18.1
Uzbekistan	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Rest of world	18.0	17.7	17.8	17.9	17.9	18.0	18.0	18.0	18.1	18.1	18.2
World total	224.8	224.3	225.3	224.4	224.9	225.4	225.8	226.3	226.4	226.5	226.6

Wheat Trade

	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
					(Thousand metric tons)						
Net exporters											
Argentina	11,896	9,632	10,715	11,185	6,768	5,096	9,481	12,921	3,548	2,248	5,465
Australia	14,644	15,930	8,634	7,371	14,632	14,706	18,478	24,533	18,504	18,459	16,450
Canada	14,619	15,735	19,114	15,720	18,493	18,640	16,132	16,864	18,470	22,824	23,633
EU-28	7,583	8,903	8,767	5,627	17,722	16,935	18,465	9,366	17,510	28,059	29,428
India	2,112	760	-6,627	-1,913	16	-160	-200	876	6,808	6,028	3,350
Kazakhstan	3,058	3,906	8,125	7,879	6,028	8,207	4,855	11,838	6,282	8,088	4,939
Pakistan	-815	-324	634	707	-1,049	130	1,288	1,048	798	350	-49
Russia	6,726	9,343	9,862	11,780	18,190	18,392	3,894	21,077	10,117	17,768	22,473
Turkey	1,627	3,089	641	-438	-1,230	1,074	-663	-177	-183	406	-1,885
Ukraine	4,369	6,393	3,285	902	12,964	9,309	4,261	5,352	7,145	9,687	11,242
United States	27,088	25,077	21,408	31,298	24,179	20,704	32,509	25,558	24,203	27,291	19,181
Total net exports	92,907	98,444	84,558	90,118	116,713	113,033	108,500	129,256	113,202	141,208	134,227
Net importers											
Algeria	5,337	5,471	4,860	5,883	6,307	5,155	6,516	6,496	6,455	7,462	7,242
Brazil	5,223	5,802	8,010	6,003	6,008	5,996	4,158	5,302	5,773	6,986	3,683
China	5,576	-268	-2,395	-2,786	-242	502	-14	1,955	1,991	5,884	1,123
Egypt	8,140	7,761	7,288	7,657	9,806	10,325	10,375	11,418	8,123	9,957	10,724
Indonesia	4,499	4,909	5,409	5,006	5,275	5,152	6,392	6,235	6,910	7,091	7,178
Iran	200	257	950	150	6,750	4,400	-170	708	6,461	4,635	5,100
Japan	5,321	5,046	5,330	5,362	4,884	5,206	5,577	6,058	6,323	5,854	5,616
South Korea	3,465	3,790	3,352	3,000	3,277	4,365	4,636	5,057	5,295	4,144	3,789
Mexico	3,193	3,018	3,059	1,881	1,936	2,357	2,583	4,230	3,094	3,314	3,342
Morocco	2,187	2,272	1,669	4,077	3,642	2,218	3,847	3,543	3,597	3,713	3,835
Nigeria	3,014	3,679	3,265	2,633	3,020	3,440	3,482	3,423	3,918	4,080	3,844
Uzbekistan	345	523	890	790	1,240	1,277	1,118	2,048	1,513	1,924	2,030
Rest of world	45,639	50,554	45,206	47,486	58,370	59,210	59,267	64,610	61,692	68,615	71,133
Total net imports	92,139	92,814	86,893	87,142	110,273	109,603	107,767	121,083	121,145	133,659	128,639
Residual	768	5,630	-2,335	2,976	6,440	3,430	733	8,173	-7,943	7,549	5,588
					(Dollars per metric ton)						
US SRW Gulf Port Price	141	138	171	310	206	187	282	261	309	268	223

Wheat Trade

	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
					(Thousand metric tons)						
Net exporters											
Argentina	5,922	5,611	7,544	8,712	9,153	9,335	9,463	9,628	9,696	9,679	9,632
Australia	17,844	19,290	19,624	19,797	20,106	20,303	20,380	20,534	20,694	20,878	21,042
Canada	20,004	19,442	19,848	20,117	20,380	20,542	20,676	20,798	20,940	21,083	21,235
EU-28	26,550	21,280	19,682	17,722	18,058	18,199	18,298	18,447	18,668	19,049	19,516
India	318	3,292	3,203	3,404	3,390	3,084	2,973	3,031	3,085	3,091	3,105
Kazakhstan	6,440	6,759	6,588	6,667	6,717	6,759	6,805	6,852	6,903	6,949	6,995
Pakistan	574	1,257	1,228	1,192	1,141	1,069	990	895	805	721	651
Russia	23,126	18,988	19,258	19,785	20,600	21,130	21,788	22,539	23,312	24,045	24,767
Turkey	192	-129	-134	8	121	218	309	378	421	459	475
Ukraine	15,412	12,529	12,347	12,460	12,534	12,579	12,583	12,560	12,526	12,475	12,420
United States	18,497	21,352	22,596	23,396	23,465	23,477	23,439	23,163	23,285	23,307	23,494
Total net exports	134,879	129,672	131,785	133,259	135,665	136,694	137,705	138,825	140,335	141,737	143,333
Net importers											
Algeria	7,440	7,297	7,028	7,250	7,318	7,422	7,544	7,663	7,819	7,917	8,017
Brazil	5,096	4,199	3,766	3,398	3,131	3,052	2,978	2,929	2,850	2,784	2,676
China	1,138	1,325	1,192	1,350	1,433	1,525	1,590	1,585	1,602	1,610	1,610
Egypt	11,127	11,844	12,175	12,570	12,860	13,194	13,421	13,675	14,067	14,394	14,714
Indonesia	7,802	7,681	7,929	8,151	8,372	8,590	8,814	9,053	9,291	9,527	9,752
Iran	3,399	2,427	2,720	2,885	3,046	2,961	2,853	2,720	2,661	2,651	2,650
Japan	5,531	5,440	5,440	5,440	5,440	5,440	5,440	5,440	5,440	5,440	5,440
South Korea	3,988	3,907	3,852	3,806	3,787	3,809	3,839	3,880	3,916	3,959	4,008
Mexico	3,309	3,188	3,312	3,351	3,353	3,343	3,346	3,364	3,394	3,436	3,481
Morocco	2,607	3,106	4,011	4,269	4,418	4,528	4,628	4,733	4,829	4,907	4,967
Nigeria	4,008	4,093	4,212	4,346	4,488	4,627	4,770	4,916	5,064	5,216	5,369
Uzbekistan	2,185	1,947	2,166	2,170	1,961	1,974	1,955	1,923	1,865	1,794	1,707
Rest of world	75,353	71,323	72,085	72,377	74,161	74,332	74,630	75,046	75,640	76,205	77,044
Total net imports	132,982	127,775	129,888	131,362	133,768	134,797	135,808	136,928	138,438	139,840	141,436
Residual	1,897	1,897	1,897	1,897	1,897	1,897	1,897	1,897	1,897	1,897	1,897
					(Dollars per metric ton)						
US SRW Gulf Port Price	185	188	190	199	203	206	207	205	205	203	201