



MARKET SNAPSHOT WHEAT

June 30, 2022

Executive Summary

Drivers for the wheat and pulse industry include weather, government payments and a diminished global wheat crop.

- Weather has varied by region, but an overall wet spring should benefit Northwest winter wheat yields.
- Emergency Relief Program payments hit wheat growers bank accounts in May, fortifying already strong profits from the 2021-22 crop.
- International heatwaves and geopolitical tensions caused declines in global wheat production.

12-Month Profitability Outlook



Northwest FCS' 12-month outlook anticipates profitable returns for wheat producers. Government weather relief programs bolstered growers' already strong 2021 revenues. A wet, cool spring in the Northwest has producers monitoring for rust, but most wheat is in good condition. In Montana, drought conditions are causing headwinds for wheat yields.

Northwest Situation

Cool, wet spring weather across the Northwest has benefitted wheat production with a forecasted production of 305 million bushels of winter wheat, up 51.1% year over year. The majority, 61.3%, of Northwest winter wheat is reported to be in good or excellent condition.

Washington recently received substantial moisture, up to 1-2.5 inches of rain during the first week of June. Wet weather has left Washington winter wheat in a strong position, with yields forecasted above average and manageable rust issues. Washington State University released a stripe rust update for the Palouse area finding the first detection of stripe rust on June 17, producers are applying a second round of fungicides to protect plant health.

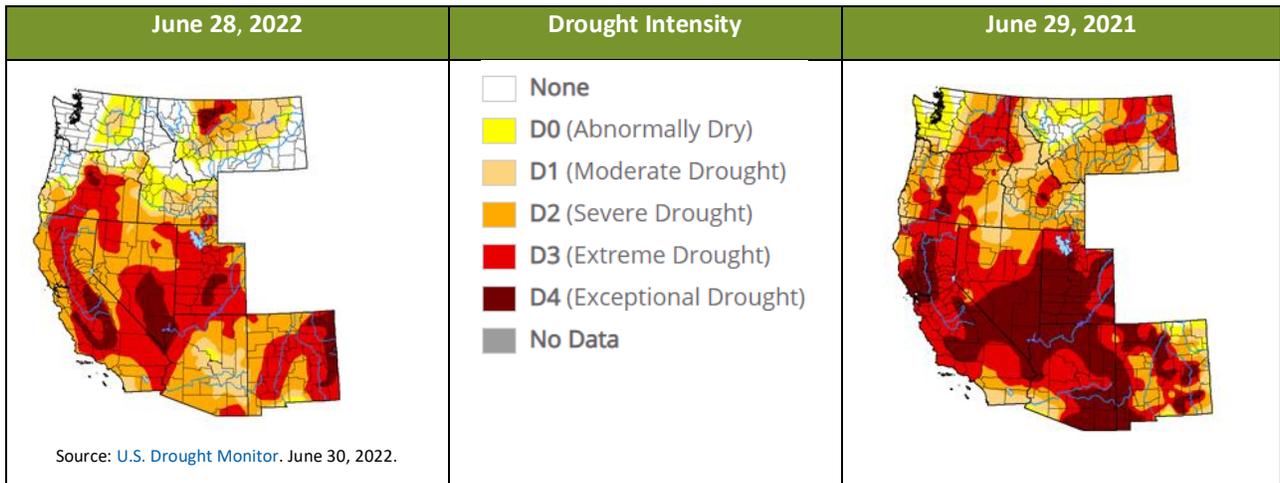
In the Palouse region, spring wheat and barley is one to two weeks behind normal growth due to the below average temperatures while pulse crops have emerged throughout most of the region. Spring canola in Washington is in excellent condition with 97% of the crop emerged by June 5. Canola growers are witnessing historically high prices with recent prices quotes for GMO Canola at \$0.3296 per lb. for September, up almost 50% year over year. PNW region canola growers have experienced ideal growing conditions and anticipate above average crops.

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Cool temperatures and rain have left eastern Oregon wheat crop about 2 weeks behind a normal harvest schedule. Timely spring rains improved crop conditions and have alleviated drought concerns but increased stripe rust and cheat grass. In north-central Idaho, spring flooding led to an increase in prevent plant acres. In areas that were not impacted by floods, the overall wheat condition was good with 74% of winter wheat acres in good or excellent condition.

Wheat conditions in Montana vary greatly by region with 55% of the state suffering from abnormally dry conditions, and May was one of the top ten coolest springs on record. Wheat was stressed by lack of moisture and cool weather, leaving many producers hesitant to apply additional fertilizer and inputs until they are certain that yields are worth the additional costs. Grain producers in the Golden Triangle are suffering from extremely dry conditions with the Missouri River near Great Falls discharging 6,810 cubic feet per second on June 8 (<25th percentile). Even with sporadic rains in early June, winter wheat yields in the Golden Triangle will likely fall to 25 bushels per acre, down from the normal 45-60 bushels per acre. In eastern Montana, late spring rains left wheat conditions and growers optimistic.

U.S. Drought Monitor



Despite initial concerns, wheat producers in the Northwest were generally able to secure all needed inputs. Even with increasing input costs, small grain growers should have significant profits supported by favorable global grain prices and federal program payments.

Program Payments

The Farm Service Agency issued the first phase of Emergency Relief Program (ERP) on May 18, 2022. Producers are eligible if they purchased federal crop insurance and reside in a county that had a D2 (severe drought) for eight consecutive weeks or a greater level of drought intensity (D3 – extreme drought or higher) for any time during 2020 or 2021. Many Northwest growers automatically qualified and are receiving payments directly to their accounts. ERP payments were at the 80% coverage level or up to \$125,000 per person or legal entity. Producers who have at least 75% of their average adjusted gross income from farming can be eligible for additional funds of up to \$250,000 per person or legal entity.

Emergency Relief Program Eligible Counties



Source: USDA Farm Service Agency, Compiled by Northwest Farm Credit Services.

National

U.S. wheat production for 2022-23 is projected at 1,737 million bushels, up 5.5% from 2021-22. Winter wheat production is forecast at 242 million bushels, up 45% from the previous year. The improvements in Northwest soft white winter wheat production is driven by better yields following recovery from last year’s drought. However, 49% of the U.S. winter wheat acres are in drought. Hard red winter wheat in the southern plains and portions of Montana that did not receive rain will likely be the most heavily impacted by dry conditions.

Spring wheat planting was delayed by late rains and flooding in Minnesota and North Dakota. On June 5, the USDA reported only 82% of spring wheat planted, 15% behind the five-year average. Northwest spring wheat acres were planted on schedule and over 90% of spring wheat had emerged by June 12. Montana spring wheat faces the harshest drought conditions in the nation with 25% of acres rated as poor or very poor condition.

U.S. Wheat Supply and Use

	2021-22 Estimated	2022-23 Projected	% Year-Over-Year Change	Direction
Area Planted	46.7	47.4	1.5%	↑
Area Harvested	37.2	37.1	-0.3%	↓
Yield	44.3	46.9	5.5%	↑
Beginning Stocks	845	655	-29.0%	↓
Production	1,646	1,737	5.2%	↑
Imports	95	120	20.8%	↑
Total Supply	2,586	2,512	-2.9%	↓
Total Domestic Use	1,126	1,110	-1.4%	↓
Exports	805	775	-3.9%	↓
Ending Stocks	653	627	-4.1%	↓
Avg. Farm Price (\$/bu)	7.50	10.75	30.2%	↑

Source: World Agricultural Supply and Demand Estimates. June 10, 2022.

Wheat prices hit all-time highs for farmers and consumers. The 2022-23 average farm price reached a record of \$10.75 per bushel driven by accelerating operating costs and reductions in the 2022-23 global wheat crop. The Consumer Price Index (CPI) reflected an 11.6% annual increase in cereal and cereal product prices. However, the forecasted price increases that were announced in early June have slowed towards the end of the month. 2023 future contract prices fell more than \$3 per bushel from Mid-May to late June with futures contracts for the 2022-23 crop at \$9.00-\$9.50 per bushel. The decline in futures prices indicates the market does not expect that wheat can sustain \$10 per bushel prices.

Consumers are unlikely to see cereal prices go down this year with the USDA forecasting an additional 7%-8% increase in retail cereal prices by 2023. Processors are passing increases in operating costs onto consumers. One major retailer of cereal products increased their prices five times in the last year.

World Outlook

Global wheat production is forecast at 773.4 million metric tons (5.6 million metric tons lower than last year), with lower production from the European Union, Ukraine and India. In Europe, winter wheat conditions are deteriorating as drought damages the crop. The war in Ukraine continues to threaten global wheat supplies, as pre-war Ukraine exported 8.5% of global wheat. The U.S. has announced they will bring temporary grain storage on the Polish/Ukraine border to extract some of the estimated 20 million tons of grains in storage from Ukraine. Ukraine's 2022-23 wheat crop is projected at 31.76 million metric tons, 41% lower year over year.

Record heat waves in India have damaged wheat crops and yields have plummeted. Crops were stunted by the hottest March in a century, with temperatures peaking at 120 degrees Fahrenheit in late April. Initial estimates report 10%-15% of the wheat crop has died (10.9-16.4 MMT) and yields are forecasted to decrease 25% (the average national yield was 51.1 bushel per acre in 2021).

India is the second largest global producer of wheat with most grain used to meet domestic demand (22.8% used to support domestic welfare programs) and India only exports 5.5 MMT (2.7% of global exports) annually. India had committed to increase global exports by 1 MMT in 2022 to address shortfalls from Ukraine. However, lower domestic wheat production recently led India to place a ban on wheat exports to manage domestic food security and, consequently, further spiking global wheat prices.

China is the largest global wheat consumer. Their current winter wheat crop was described as "the worst in history" by the Minister of Agriculture and Rural Affairs Tang Renjia. Heavy rainfalls and flooding delayed planting for one-third of all wheat acres. To encourage farmers to plant more wheat acres next year, China is buying domestic wheat for 30% more than the 2021 minimum purchasing price.

Despite decreases in global production, the grains market is expected to have record exports. Exports are being fueled by countries liquidating grain reserves and stockpiles due to high prices and extreme demand. In total, an additional 11.8 million tons of wheat has been traded that would have otherwise been stored.

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GrainNet News

www.grainnet.com

Kansas State Ag Manager Grain Marketing

www.agmanager.info/grain-marketing

Merchants Exchange of Portland, Oregon

www.pdxmex.com

Minneapolis Grain Exchange

www.mgex.com

National Grain and Feed Association

www.ngfa.org

Pacific Northwest Grain and Feed Association

www.pnwgfa.org

Port of Portland

www2.portofportland.com

U.S. Wheat Associates

www.uswheat.org

USDA – U.S. Department of Agriculture

www.usda.gov

USDA National Agricultural Statistics Service

www.nass.usda.gov/Publications

USDA Weekly Weather and Crop Bulletin

www.usda.gov/sites/default/files/documents/wwcb.pdf

USDA World Agricultural Supply and Demand Estimates

www.usda.gov/oce/commodity/wasde/index.htm

World-Grain

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World Malting Barley Report

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