

Wheat Market Impacts from the July 2011 USDA WASDE & Crop Production Reports

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Summary of July 2011 USDA WASDE & Crop Production Report Impacts for Wheat

The initial response of wheat markets to the Tuesday, July 12th USDA Crop Production and World Agricultural Supply Demand Estimates (WASDE) reports were negative. Wheat prices fell in response larger U.S. spring wheat production prospects than some analysts expected and to projections of increased corn ending stocks for the 2011/12 marketing year. Later in the week, grain prices moderated and in some cases moved higher as the market began focusing on emerging weather threats to 2011 U.S. row crops, continued spring wheat production issues, export market activity, and financial market trends.

More Spring Wheat Production Info Available in August: The USDA Crop production report indicated more 2011 spring wheat seeded acreage than many analysts believe to have been seeded in the Northern Plains states. To address this issue, USDA NASS announced that it was going to perform an additional crop acreage survey of the key northern plains states in July, with the results to be reported in the August 11th USDA Crop Production and WASDE reports. These August reports are likely to be critical to the direction of U.S. grain markets for the remainder of 2011 and on into 2012.

U.S. Wheat Ending Stocks and Price Projections: Even with these questions about U.S. spring wheat acres and production, the USDA projected that US wheat ending stocks will decline to 670 million bushels (mb) with 28% ending stocks-to-use (S/U) in MY 2011/12. U.S. cash wheat prices for MY 2011/12 are projected to be in the \$6.60-\$8.00 range (down \$0.40 per bushel). These MY 2011/12 projections are down from 861 mb ending stocks and 35.5% S/U in MY 2010/11. Current ending stocks and stocks-to-use measures are somewhat comfortably above lows set in MY 2007/08 of 306 mb ending stocks and 13.2% S/U. However, any further drops in projected U.S. wheat production in 2011 are likely to reduce the USDA's projection of MY 2011/12 ending stocks down closer to MY 2007/08 levels, and provide increased support for even higher U.S. wheat prices.

World Wheat Market Factors: Ending stocks of World wheat for MY 2011/12 declined marginally from June to 182 mmt (27.2% S/U). The 3 year trend towards higher World wheat usage since MY 2007/08 is set to continue in MY 2011/12. Whether World wheat production can keep pace with usage will determine the direction of World ending stocks in coming USDA WASDE reports. World wheat feeding could increase markedly in MY 2011/12 if 2011 U.S. and World coarse grain / corn production falters. Likely targets would be U.S. soft red winter wheat and carryover supplies of feed quality wheat from Australia and Canada.

Shifting Market Focus during July – early August: Wheat markets now will likely focus upon spring wheat and feedgrain crop development in the U.S. and Canada as well as in other parts of the world and outside financial markets until the next monthly USDA NASS Crop Production and WASDE reports are released on August 11th. More information will be available on 2011 U.S. spring wheat and other crop production, as well as on likely MY 2011/12 supply-demand balances and price direction.

I. U.S. Wheat Market Situation & Outlook

Wheat Market Direction ⇒ Continued support for wheat prices in 2011, due to a) tightening of U.S. and World supply-demand balances, b) the risk of further 2011 spring wheat production shortfalls in the U.S. and Canada, and c) cross-market impacts from increasingly likely tight corn supplies and financial /currency market events which are likely to increase the volatility of wheat markets.

U.S. Wheat Supply-Demand & Price Projections for MY 2010/11 & MY 2011/12

Changes in Old Crop MY 2010/11 U.S. Supply-Demand Balances: For the expired old crop marketing year of 2010/11 – covering the period of June 1, 2010 through May 31, 2011, the USDA made a number of changes in estimated usage that had the cumulative effect of raising U.S. wheat old crop ending stocks. These changes largely resulted from the June 30th Grain Stocks report which estimated June 1st U.S. ending wheat stocks to be larger (and March-May 2011 usage to be lower) than pre-report expectations.

Estimated MY 2010/11 feed and residual use of wheat was estimated to be 135 million bushels (mb), down 35 mb from the June WASDE report (Table 1). Seed use was estimated to be 73 mb, down 7 mb from June. Exports for MY 2010/11 were adjusted lower by 7 mb, down to 1.286 billion bushels (bb). Total U.S. wheat usage was also decreased by 52 mb to 2.423 bb. This is the 3rd largest amount of U.S. wheat used since MY 1994/95, behind 2.475 bb that same year and 2.427 bb in MY 1998/99. Since MY 1994/95 at least 2.298 bb of wheat was used in the following marketing years, i.e., 1995/96 through 2000/01, 2003/04, and 2007/08.

Table 1. U.S. Wheat Supply-Demand Balance Sheet: MY 2007/08 through MY 2011/12

(July 12, 2011 USDA WASDE Report)

Item	2007/08	2008/09	2009/10	2010/11	2011/12
Planted Area (million acres)	60.5	63.2	59.2	53.6	56.4
Harvested Area (million acres)	51.0	55.7	49.9	47.6	47.2
Yield per harvested acre (bushels/acre)	40.2	44.9	44.5	46.4	44.6
	million bushels				
Beginning Stocks	456	306	657	976	861
Production	2,051	2,499	2,218	2,208	2,106
Imports	113	127	119	100	100
Total Supply	2,620	2,932	2,993	3,284	3,067
Food Use	948	927	919	930	945
Seed Use	88	78	69	73	82
Exports	1,263	1,015	881	1,286	1,150
Feed & Residual	16	255	148	135	220
Total Use	2,314	2,275	2,018	2,423	2,397
Ending Stocks	306	657	976	861	670
% Ending Stocks-to-Total Use	13.2%	28.9%	48.4%	35.5%	28.0%
U.S. Average Farm Price (\$/bushel)	\$6.48	\$6.78	\$4.87	\$5.70	\$6.60-\$8.00 Midpoint = \$7.30

Estimated ending stocks of U.S. wheat for MY 2010/11 are 861 mb, up 52 mb from the June WASDE. Ending stocks-to-use for MY 2010/11 is projected to be 28.0% (down from 30.0% in June). Average U.S. wheat prices for MY 2010/11 are unchanged at \$5.70 per bushel.

2011 U.S. New Crop Wheat Production: Consistent with the June 30th USDA National Agricultural Statistical Service (NASS) Acreage report, the USDA projected 2011 U.S. planted wheat area to be 56.433 million acres (ma), down 1.588 ma from the June Crop Production report, but up from 53.603 ma planted in MY 2010/11. Harvested acreage was projected to be 47.174 ma, down from 47.8 ma in the June WASDE report. An additional USDA NASS acreage survey is planned for key northern Corn Belt states in July (i.e., Minnesota, North Dakota, South Dakota and Montana) to obtain more accurate information on late planted spring wheat and other field crops, with the results to be included in the August USDA NASS results.

Wheat yields in the U.S. for 2011 are projected to be 44.6 bu/ac, up 1.5 bu/ac from the June Crop Production report, but down from 46.4 bu/ac in 2010. The USDA projected 2011 U.S. wheat production to be 2.106 bb, up 48 mb from the June WASDE report, but less than 2.208 bb in 2010 and 2.218 bb in 2009.

- **Winter Wheat Production in 2011:** **Winter wheat planted area** is projected to be 41.108 ma in 2011, down 121,000 acres from June but up from 37.335 ma in 2010. **Winter wheat harvested area** in 2011 is projected to be 32.307 ma, up from 31.749 ma in 2010. **Winter wheat yields** for 2011 are projected to be 46.2 bu/ac, down from 46.8 bu/ac in 2010. **Winter wheat production** for 2011 is projected to be 1.492 bb, up from 1.485 bb in 2010.
- **2011 Winter Wheat Production in the Central & Southern Plains:** Among the Plains states affected by poor growing conditions for the 2011 Hard Red Winter wheat crop, **Kansas** HRW wheat production for 2011 was projected to be 273.0 mb – down from 360 mb in 2010 and 369.6 mb in 2009. **Oklahoma** HRW wheat production was projected at 74.8 mb, down from 120.9 mb in 2010. **Texas** HRW wheat production was projected to be 72.0 mb in 2011, down from 127.5 mb in 2010. **Colorado** HRW wheat production was projected to be 68.8 mb in 2011, down from 105.8 mb in 2010 and 98 mb in 2009. For these four states, projected 2011 HRW wheat production of 471.8 mb is down from 714.2 mb in 2010, a decrease of 242 mb or 10.1% of projected MY 2011/12 U.S. wheat total usage of 2.397 bb.
- **Soft Red Winter Wheat** production for 2011 is projected to be 458 mb, up 92.4% from 2010.
- **White Winter Wheat** is projected at 289 mb in 2011, up 5.1% from last year, with 231 mb being Soft White Winter wheat and the remaining 11-12 mb being Hard White Winter wheat.
- **Comments:** *The 220 mb increase in SRW wheat in 2011 compared to the previous year offsets 90.1% of the 242 mb decrease in the primary four HRW wheat states (KS, OK, TX, CO) for the same period. Taken together, higher softer red winter wheat production in the eastern Corn Belt and white wheat production elsewhere offset much of the reduced in hard red winter wheat production in the central and southern plains states.*
- **U.S. 2011 Spring Wheat Production:** **Other spring wheat planted area** is projected to be 13.627 ma in 2011, down 800,000 acres from June and below 13.698 ma in 2010. **Spring wheat harvested area** in 2011 is projected to be 13.220 ma, down from 13.359 ma in 2010. **Spring wheat yields** for 2011 are projected to be 41.7 bu/ac, down from 46.1 bu/ac in 2010. **Spring wheat production** for 2011 is projected to be 550.66 mb, down from 615.98 mb in 2010.
- **Comments:** *The July spring wheat production estimate is subject to change and likely to reduction, especially with the additional July 2011 survey of planted acres in Minnesota, North Dakota, South Dakota and Montana to be conducted by USDA NASS. A sizable reduction in projected 2011 spring wheat planted*

and harvested acreage could be reported in the August 2011 Crop Production report, with the resulting changes in projected 2011 U.S. spring wheat crop size having a marked negative impact on already tightening MY 2011/12 U.S. wheat supply-demand balances.

- **U.S. Wheat Supply-demand impact of an additional 1 million acre reduction in 2011 U.S. spring wheat acres:** It is possible that there may be at least 1 million less harvested spring wheat acres in the U.S. in MY 2011/12 than the July 2011 USDA NASS projection (i.e., 12.22 million acres or less instead of 13.22 ma). At the same 41.7 bu/ac harvested yield per acre for spring wheat in the July WASDE, this would reduce 2011 U.S. wheat production by 41,700,000 million bushels, from the current projection of 2.106 bb down to 2.064 bb. If projected MY 2011/12 U.S. wheat usage is unchanged at 2.397 bb, then all else being equal (i.e., beginning stocks & imports), MY 2011/12 ending stocks would be reduced to 628.3 mb, with % ending stocks-to-use declining to 26.2%. Any larger reductions in 2011 U.S. wheat production (say for example 2 million acres and 83.4 mb lower production) would likely push MY 2011/12 U.S. wheat ending stocks down to the 585-615 range mb, and U.S. wheat % ending stocks-to-use declining to near 25%-26%.
- **U.S. 2011 Durum Wheat Production:** Durum wheat planted area is projected to be 1.698 ma in 2011, down 667,000 acres from June and below 2.570 ma in 2010. Durum wheat harvested area in 2011 is projected to be 1.647 ma, down from 2.529 ma in 2010. Durum wheat yields for 2011 are projected to be 38.7 bu/ac, down from 42.4 bu/ac in 2010. Durum wheat production for 2011 is projected to be 63.72 mb, down from 107.18 mb in 2010.
 - **Comments:** Proportionally, the 35% reduction in U.S. durum harvested acreage and associated 40.5% reduction in durum production would be “catastrophic” if applied to either winter or spring wheat harvested acres or production in the U.S. in 2011. Given that durum wheat acreage/production makes up a small proportion of U.S. wheat totals, these shortfalls in durum production will not greatly impact U.S. wheat supply-demand balances. But still they are noteworthy for their relative magnitude.

Total New Crop Wheat Supplies & Use in MY 2011/12: Projected new crop MY 2011/12 U.S. wheat beginning stocks are 861 mb, up 52 mb from the June WASDE, and compared to 976 mb in MY 2010/11 and 657 mb in MY 2009/10 (Table 1). Imports of wheat into the U.S. are projected to be 100 mb, down 10 mb from June. Combined with projected 2011 U.S. wheat production of 2.106 bb, total supplies of U.S. wheat in MY 2011/12 are projected to be 3.067 bb, up 90 mb from the June WASDE report, but down from 3.284 bb in MY 2010/11. This level of 2011 U.S. Wheat is greater than 2.993 bb in MY 2009/10, 2.932 bb in MY 2008/09, and 2.620 bb in MY 2007/08 (the “watershed” tight stocks year in the U.S. wheat market since the early 1970s).

U.S. Wheat Usage in MY 2011/12: Domestic food use of U.S. wheat for MY 2011/12 is projected to be 945 mb, up from 930 mb in MY 2010/11, and from 915 mb in MY 2009/10.

- **Comments:** Food use of wheat in the U.S. closely follows population growth trends, and has been generally unresponsive to changes in the price of wheat. The unresponsiveness of U.S. wheat food use to cash wheat price changes reinforces the fact that actual wheat product makes up a small percent of the actual monetary value of a loaf of bread.

Seed use is projected to be 82 mb in MY 2011/12, up 7 mb from June, and above 73 mb in MY 2010/11 and 69 mb in MY 2009/10. Wheat exports are projected to be 1.150 bb, up 100 mb from the June WASDE, but down from 1.286 bb in MY 2010/11, and above 881 mb in MY 2009/10.

- **Comments:** The increase of 100 mb in projected MY 2011/12 U.S. wheat exports was a positive “surprise” in the July WASDE report. The combination of higher projected wheat prices and lower projected exports in MY 2011/12 is evidence that at least moderate “rationing” of wheat export demand is expected to occur.

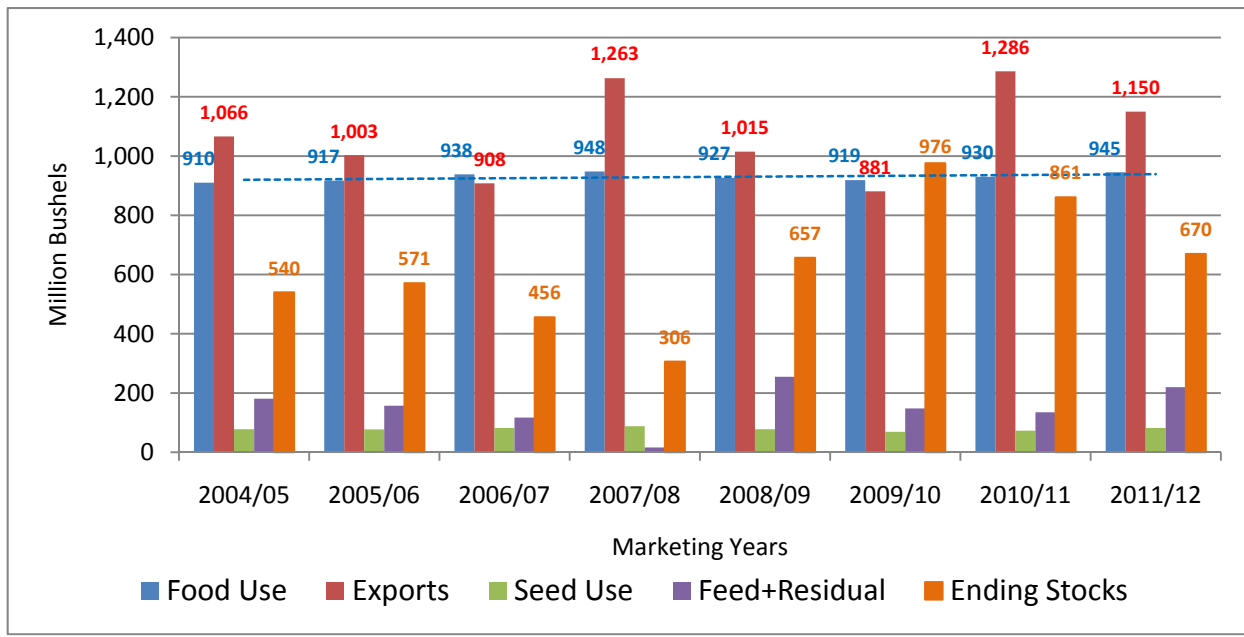
Feed and residual use of U.S. wheat is projected to be 220 mb in MY 2011/12, up from 135 mb in MY 2010/11 and 148 mb in MY 2009/10.

➤ **Comments:** *There is a reasonable possibility of significant U.S. corn production shortfalls occurring in 2011 – which would likely cause corn prices to rise and bring about more severe rationing of U.S. corn usage. If this occurs, it is likely that even larger increases in the usage of wheat in livestock feeding rations would occur in MY 2011/12 beyond current projections of 220 mb. Maximum feed use of wheat in the U.S. occurred in MY 1990/91 when 482 mb of wheat were fed domestically to livestock.*

U.S. Wheat Use and Ending Stocks Trends During MY 2004/05 through MY 2011/12: Food use of U.S. wheat has been consistently in the range of 910 to 948 mb for the MY 2004/05-MY 2010/11 period, averaging 927 mb per marketing year (Figure 1). The July WASDE forecast of 945 mb for MY 2011/12 is nearly equal to the top end of the range for the previous 7 year period.

For the MY 2004/05-MY 2010/11 period, exports of U.S. wheat have been variable, ranging from 881 mb to 1.286 bb per marketing year. The July WASDE U.S. wheat export forecast for MY 2011/12 of 1.150 bb is near the middle of the recent historical range – indicative of some moderation in U.S. wheat exports from the higher level of 1.286 mb in MY 2010/11. Projected wheat feed use of 220 mb for MY 2011/12 is below the maximum amount over the last 7 years of 255 mb in MY 2008/09. The largest amount of U.S. wheat fed since the early 1970s was 482 mb in MY 1990/91.

Figure 1. Trends in U.S. Wheat Use and Ending Stocks: MY 2004/05 through MY 2011/12
(July 12, 2011 USDA WASDE Report)



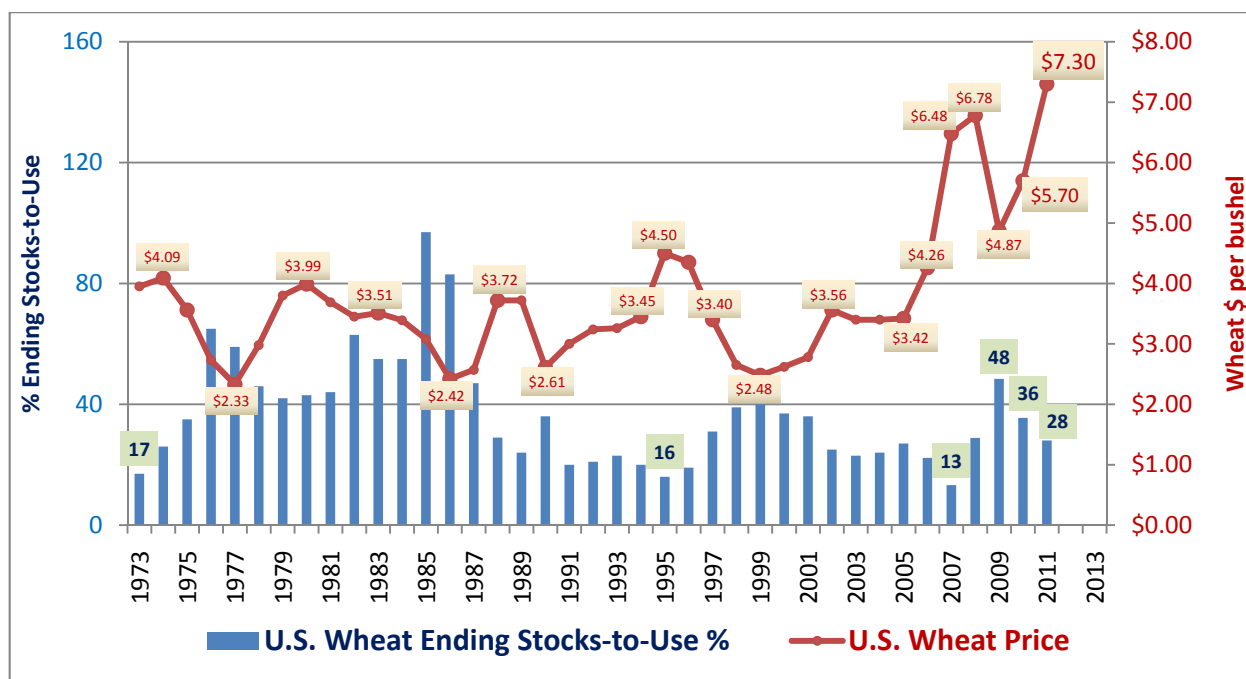
Wheat Ending Stocks in MY 2011/12: Ending stocks of U.S. wheat are projected at 670 mb in MY 2011/12, down 17 mb from the June WASDE report, and less than 861 mb in MY 2010/11 and 976 mb in MY 2009/10. This level of ending stocks represents 28.0% ending stocks-to-use, down from 30.0% in June. Projections of 28.0% S/U in MY 2011/12 compares to 35.5% in MY 2010/11, 48.4% S/U in MY 2009/10, 28.9% in MY 2008/09, and is markedly higher than the 60 year record low 13.2% ending stocks to use in MY 2007/08.

➤ **Comments:** Given the uncertainty about 2011 U.S. HRS wheat production, this projection for 670 mb ending stocks for MY 2011/12 is still “tentative”, and could possibly decline in the August and/or September U.S. wheat USDA supply-demand reports.

Projected U.S. Wheat Prices in MY 2011/12: U.S. season average cash wheat prices for MY 2011/12 are projected to be in the range of \$6.60-\$8.00 per bushel with a midpoint of \$7.30. This projection is down from a range of \$7.00-\$8.40 per bu in the June WASDE report, and compares to \$5.70/bu in MY 2010/11, \$4.87 /bu in MY 2009/10, the previous historic record high \$6.78 /bu in MY 2008/09, and \$6.48 /bu in MY 2007/08.

Relationship of U.S. Wheat Prices to % Ending Stocks-to-Use: Comparing U.S. wheat prices with U.S. wheat % ending stocks-to-use for the period since MY 1973/74 shows an inverse or negative relationship – with corn prices tending to move in the opposite direction of changes in % ending stocks-to-use (Figure 2).

Figure 2. U.S. Wheat Ending Stocks vs U.S. Avg. Cash Prices: MY 1973/74 through MY 2011/12
(July 12, 2011 USDA WASDE Report)



➤ **Comments:** U.S. wheat ending stocks-to-use for MY 2011/12 (28.0%) and MY 2008/09 (28.9%) are both markedly higher than MY 2007/08 (13.2%). Historically speaking, current projected U.S. wheat ending stocks-to-use of 28.0% for MY 2011/12 are not extremely tight – although potential spring wheat production shortfalls in 2011 could tighten supply-demand balances further. The recent trend since MY 2007/08 toward higher levels of wheat prices relative to price levels attained prior to that time is indicative of recent broader inflationary trends in agricultural, energy and other commodity prices.

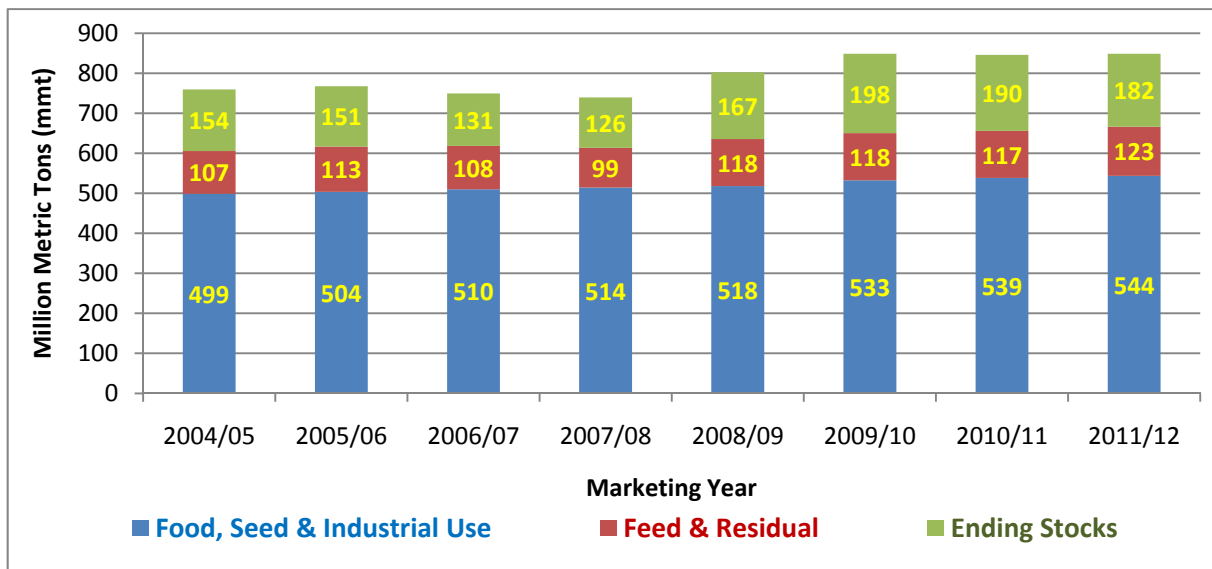
II. World Wheat Supply-Demand Balances

World Wheat Supply-Demand in MY 2011/12

In MY 2011/12 World wheat usage is projected to be 1.2% larger than production, leading to a 4.1% year-over-year decline in World wheat ending stocks. World wheat production prospects are still tentative, with production problems lingering in North America and the European Union. World wheat food, seed and industrial usage along with total wheat usage (FSI plus feed and residual usage) are projected to continue trending higher in MY 2011/12 (Figure 3). Projected MY 2011/12 World wheat ending stocks of 182.2 mmt would be the lowest in three marketing years, but still markedly higher than in MY 2007/08 and MY 2008/09.

Figure 3. World Wheat Usage & Ending Stocks: MY 2004/05 thru MY 2011/12

(July 12, 2011 USDA WASDE Report)



World wheat production in MY 2011/12 is projected to be 662.4 mmt, down 1.92 mmt (-0.3%) from June. Projected World wheat production of 662.4 mmt in MY 2011/12 is up from 648.2 mmt in MY 2010/11, but down from 684.3 mmt in MY 2009/10 (Figure 4).

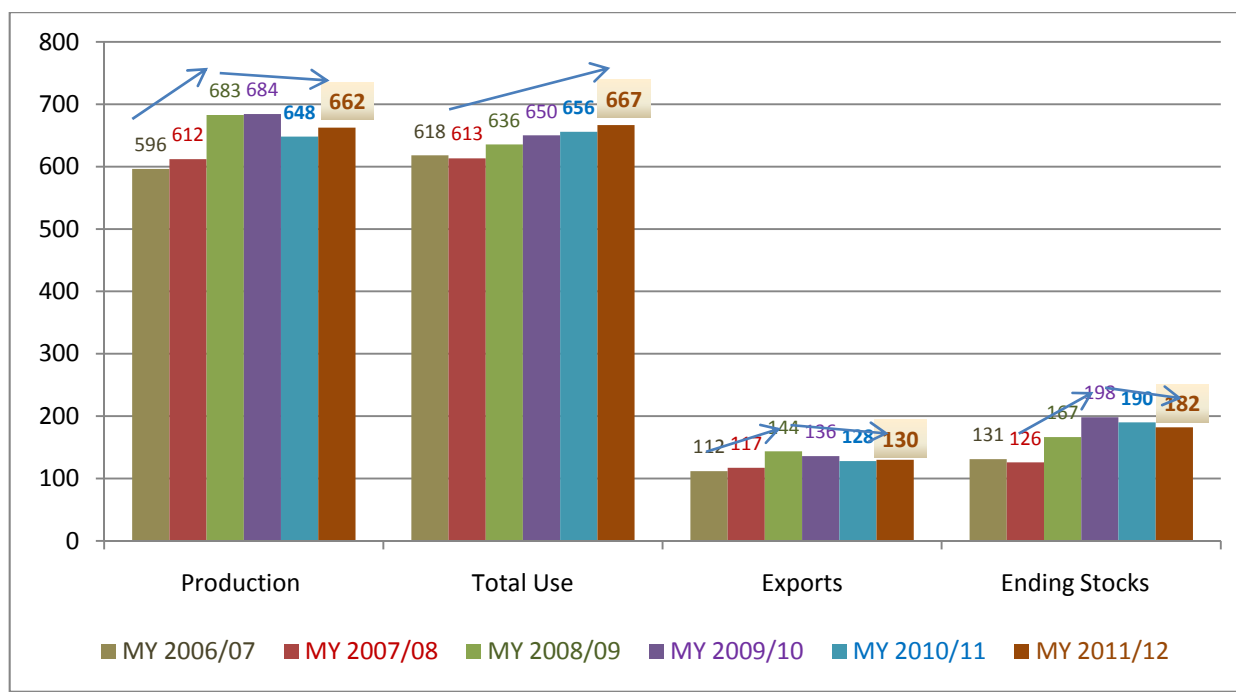
Total World wheat supplies are projected to be 852.4 mmt in MY 2011/12, up from 846.5 mmt in MY 2010/11 and 850.8 mmt in MY 2009/10.

World wheat trade is projected to be 130.0 mmt in MY 2011/12, up 2.1 mmt from 127.9 mmt, but less than 135.9 mmt in MY 2009/10 (Figure 4).

Total World use of wheat is projected to be 670.2 mmt, up from 656.6 mmt in MY 2010/11, and up from 652.5 mmt in MY 2009/10.

World wheat ending stocks are projected to be 182.2 mmt (27.2% S/U) in MY 2011/12, down from 190.0 mmt (28.9% S/U) in MY 2010/11, and down from 198.3 mmt (30.4% S/U) in MY 2009/10.

Figure 4. World Wheat Usage & Ending Stocks: MY 2007/08 through MY 2011/12
(July 12, 2011 USDA WASDE Report)



➤ **Comments:** Figure 4 illustrates the consistent growth that has occurred in World wheat usage since the record tight supply-demand situation in MY 2007/08. This has occurred in spite of volatile markets – both high and low. Figure 4 also illustrates how World wheat production has varied in recent years, with a strong uptrend from MY 2006/07 through MY 2008/09, a leveling off in MY 2009/10, and then declines occurring in MY 2010/11 and a uncertain – weather influenced supply-demand prospects in MY 2011/12.

Figure 4 also shows that while World wheat exports increased over the MY 2006/07 – MY 2008/09 period, they have generally declined since then, with final MY 2011/12 trade yet to be determined. Projected World wheat ending stocks in MY 2011/12 are 46 mb higher than the record low World wheat ending stocks year of MY 2007/08.

Risk of Declining World Wheat Ending Stocks: It seems improbable that World wheat ending stocks could fall to MY 2007/08 levels by the end of the current marketing year – absent unforeseen, exceptional, widespread World wheat production shortfalls from now through May 2012. Rather, further declines in production and tightening of World wheat ending stocks in MY 2011/12 could increase the possibility and risk of further World wheat ending stocks tightening and market volatility in MY 2012/13.

World Wheat Market Specifics

Prospects for MY 2011/12 World wheat supply-demand are very uncertain, depending on 2011 spring wheat production prospects in the U.S. and Canada, the extent of dry conditions in the European Union, and questions about wheat production in Asia, Australia, and elsewhere.

Global wheat production is projected to be 662.42 mmt in MY 2011/12, up 2.2% from 648.2 mmt in MY 2010/11, but down from 684.3 mmt in MY 2009/10. Projected foreign wheat production for MY 2011/12 605.1 mmt was down 3.23 mmt (0.5%) from June, up 2.8% from 588.1 mmt in MY 2010/11, and down from 623.89 mmt in MY 2009/10.

- **Higher** wheat production is projected in Kazakhstan (up 54.6% to 15.0 mmt), Russia (up 27.7% to 53.0 mmt), North Africa (up 18.6% to 19.1 mmt), Ukraine (up 6.9% to 18.0 mmt), and India (up 4.0% to 84.0 mmt).
 - Wheat production in the Former Soviet Union states (i.e., FSU-12 including Russia, the Ukraine, and Kazakhstan) is projected to be 99.5 mmt, a recovery of 22.9% over drought-plagued production in MY 2010/11 of 80.97 mmt. Ukraine wheat production prospects were dropped 1 mmt in July due to dry conditions in the northern part of the country.
- **Nearly unchanged** wheat production is projected in China (up 0.2% to 115.5 mmt), Argentina (unchanged at 15.0 mmt), and Pakistan (up 0.4% to 24.0 mmt).
- **Lower** wheat production is projected in Canada (down 7.2% to 21.5 mmt), the European Union (down 2.6% to 132.1 mmt), Brazil (down 18.6% to 4.8 mmt), Selected Middle East countries (down 11.7% to 17.3 mmt), the United States (down 4.6% to 57.32 mmt), and Australia (down 3.8% to 25.0 mmt).
 - Canadian spring wheat seeding problems along with persistent heavy rains and flooding into June have caused a 14% monthly decline in 2011 production prospects – from 25.0 mmt in the June WASDE down to 21.5 mmt in July.

Global wheat import projections of 126.4 mmt in MY 2011/12 are up 2.0 mmt (+1.6%) from June, but down from 127.2 mmt in MY 2010/11 and from 133.6 mmt in MY 2009/10.

- **Increased IMPORTS** are projected for MY 2011/12 in the European Union (up 66.7% at 7.5 mmt), Selected Middle East countries (up 2.9% to 13.75 mmt) and the Former Soviet Union or FSU-12 countries (up 2.1% to 5.75 mmt).
 - European Union wheat imports in MY 2011/12 increased 1 mmt from June to 7.5 mmt, up from 4.5 mmt in MY 2010/11 and from 5.52 mmt in MY 2009/10. A tightening of EU coarse grain supply-demand balances since MY 2009/10, drought-induced production shortfalls in the EU in MY 2010/11 and a tightening of EU wheat beginning stocks in MY 2011/12 are factors influencing the European Union to import more wheat in MY 2011/12.
- **Decreased or unchanged IMPORTS** are projected for MY 2011/12 in North Africa (down 13.2% to 20.3 mmt), China (unchanged at 1 mmt), Southeast Asia (down 3.7% to 14.2 mmt), and Brazil (unchanged to 6.7 mmt).
 - China wheat imports are difficult to predict. If the Chinese aggressively entered the World wheat import market in MY 2011/12 in order to try to either a) combat domestic food price inflation, b) to provide a competitive substitute for their tight supply of feedgrains in domestic livestock feeding rations, or c) to offset some domestic wheat production problems (or for all three reasons) it would likely provide strong support for World wheat prices.

Global wheat export projections of 130.0 mmt in MY 2011/12 are up 2.45 mmt (+1.9%) from June, and are comparable to 127.9 mmt in MY 2010/11 and 135.85 mmt in MY 2009/10.

- **Increased EXPORTS** are projected for MY 2011/12 in Russia (up from 4 mmt last year to 12.0 mmt), Ukraine (up from 3.7 mmt last year to 7.5 mmt), Kazakhstan (up from 5.4 mmt last year to 7.5 mmt), Pakistan (up 50.0% at 1.5 mmt), and Argentina (up 12.5% to 9.0 mmt).
 - The Black Sea Countries (Russia, Kazakhstan and the Ukraine) are recovering from drought and extremely low production in 2010. Due to improved 2011 wheat production prospects, Russia has let its wheat export ban from 2010 expire on July 1, 2011. However, Ukraine's projected exports for MY 2011/12 were reduced 1.0 mmt from June down to 7.5 mmt due to crop production problems.
- **Decreased or unchanged EXPORTS** are projected for MY 2011/12 in Canada (down 3% to 16.0 mmt), the European Union (down 31.8% to 15.0 mmt), the United States (down 18.9% to 28.6 mmt), and some lessor exporters, including Brazil (down 80% to 0.5 mmt), Selected Middle East (down 48.9% to 0.7 mmt), and China (unchanged at 1 mmt).
 - Canadian spring wheat seeding and production problems have negatively impacted MY 2011/12 export prospects, with a projected decline of 2.5 mmt to 16.0 mmt for MY 2011/12 from the June to the July USDA WASDE reports.
 - United States spring wheat seeding and production problems may further negatively impact MY 2011/12 U.S. wheat exports, although the extent of further reductions wont be quantified by the USDA until the August or September Crop Production reports.

Global wheat usage continues to trend higher, with record high use of 670.2 mmt projected for MY 2011/12, up 3.01 mmt (+0.5%) June, and up from 656.6 mmt in MY 2010/11 and 652.5 mmt in MY

2009/10. In the five years period of MY 2007/08 through projected MY 2011/12 levels, global wheat usage is projected to have grown by an average of 11.4 mmt (1.85%) annually.

- **Largest domestic users** of wheat (excluding wheat exports) are the European Union (up 1.2% to 124.0 mmt), China (up 1.4% to 111.0 mmt), India (up 2.6% to 84.7 mmt), Russia (up 4.3% to 41.5 mmt), North Africa (up 2.4% to 39.9 mmt), the United States (up 9.5% to 33.9 mmt), Selected Middle East Countries (down 1.9% to 31.3 mmt), Pakistan (up 0.9% to 23.4 mmt), Southeast Asia (down 2.1% to 13.75 mmt), Ukraine (up 1.7% to 11.8 mmt), Brazil (unchanged at 10.8 mmt), Australia (down 6.2% to 8.0 mmt), Canada (down 16.1% to 7.3 mmt), Kazakhstan (up 20.1% to 7.5 mmt), and Argentina (up 0.9% to 5.9 mmt).
- *Improved production prospects in the Black Sea region (including Russia, Kazakhstan, and the Ukraine) affect these wheat usage projections.*
 - Projected Russia wheat usage of 41.5 mmt in MY 2011/12 is greater than 39.8 mmt in MY 2010/11 and 40.5 mmt in MY 2009/10.
 - Projected Ukrainian wheat usage of 11.8 mmt in MY 2011/12 is marginally larger than 11.6 mmt in MY 2010/11, but less than 12.3 mmt in MY 2009/10.
 - Projected Kazakhstan wheat usage of 7.5 mmt in MY 2011/12 is greater than 6.2 mmt in MY 2010/11, but slightly less than 7.55 mmt in MY 2009/10.
- **Rationing of Wheat Use:** *High World wheat prices appear to not have had a noticeable negative impact upon World wheat usage, given projections of continued increases in World wheat usage for the last several years.*
 - Given the status of wheat as a staple in World diets, it is likely that extremely large, hyperinflationary increases in wheat prices would be required for significant decreases in World wheat usage to occur. Food demand for wheat appears to be “inflexible” in an economic sense, i.e., the quantity of wheat used for food consumption changes only marginally in response to larger proportional changes in wheat prices.

World Wheat Ending Stocks: Current projections of World wheat ending stocks for MY 2011/12 are tentative at this point in time. Uncertain wheat production prospects in the United States, Canada, China, Europe and elsewhere will be the determining factor in final World wheat ending stocks for MY 2011/12.

- **Projected World wheat ending stocks in MY 2011/12 = 182.19 mmt (27.2% S/U)**
 - Lowered by 2.07 mmt (-1.1%) from the June WASDE projection
 - Down from 190.0 mmt (28.9% S/U) for MY 2010/11, and down from 198.3 mmt (30.4% S/U) for MY 2009/10
- **The 12 largest countries or regions in terms of projected World wheat ending stocks holding for MY 2011/12 are:**

1) China	64.6 mmt	35.0% of World total
2) United States	18.3 mmt	10.0% of total
3) India	13.8 mmt	7.5% of total
4) European Union	12.3 mmt	6.8% of total
5) Russia	11.1 mmt	6.1% of total
6) North Africa	10.8 mmt	5.9% of total
7) Selected Middle Eastern Countries	8.6 mmt	4.7% of total
8) Canada	4.8 mmt	2.6% of total
9) Australia	4.3 mmt	2.3% of total
10) Pakistan	2.8 mmt	1.5% of total
11) Ukraine	2.7 mmt	1.5% of total
12) Argentina	2.6 mmt	1.4% of total