

## Q3 2025 OUTLOOK

# Wheat Market Navigates Strong Global Production

By Marc Rosenbohm

### REPORT SNAPSHOT

**Situation:** Though still expected above year-ago levels, low U.S. wheat acres and declining U.S. spring wheat production estimates should support prices if export demand remains strong. Globally, wheat production is expected to rise due to recoveries in the European Union (EU), Russia, and Canada, though regional weather risks may influence future price movements.

**Outlook:** With a strong start to exports, there is potential for higher prices ahead if production around the world comes in lower than expected or prices for feed grains move higher.

### U.S. SUPPLIES HIGHEST SINCE 2020/21

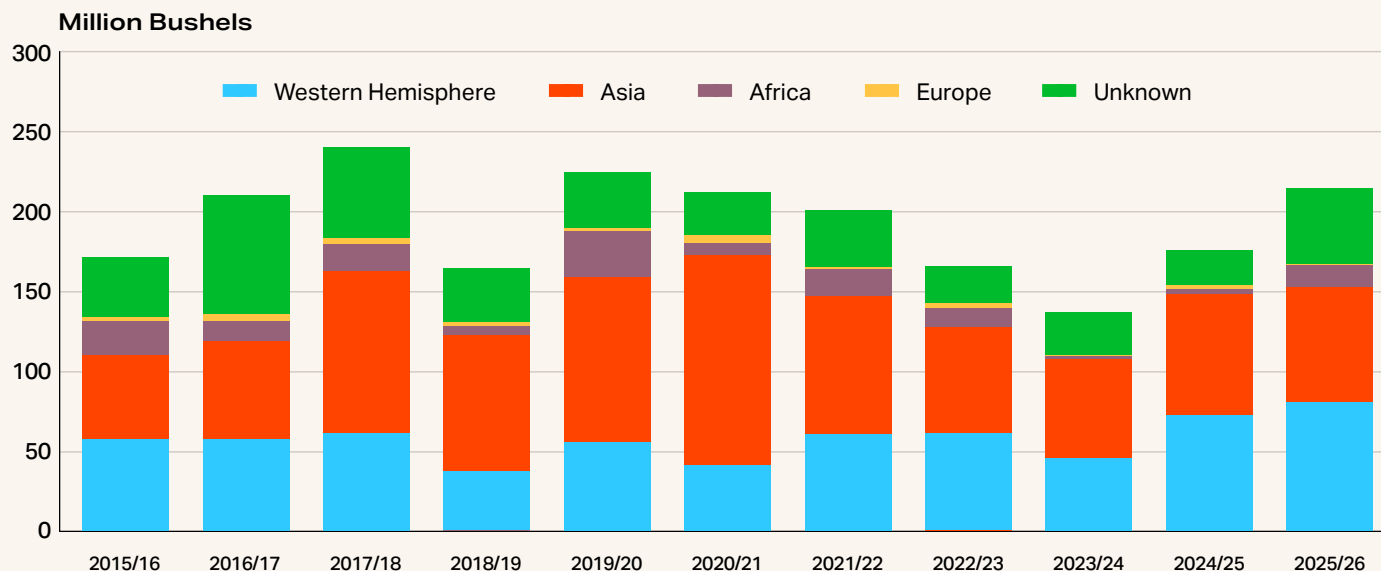
Wheat supplies have weighed on market prices both in the U.S. and around the world, pushing cash prices of U.S. wheat down to levels competitive with corn. Over the next several months, I expect U.S. wheat prices to continue to be influenced by export demand and other feed grain prices as wheat competes for feed use domestically.

According to the June 30 Acreage report, U.S. wheat supplies likely have tightened as USDA reduced the harvested acre estimates for winter wheat. Unless offset by higher yields, which will be confirmed in the July World Agricultural Supply and Demand Estimates (WASDE), we'll have lower winter wheat production.

I currently estimate spring wheat production to fall 13% to 540.5 million bushels as a 2.1% increase in durum wheat acres is more than offset by a 5.5% decline in other spring wheat acres. A return to lower trend yields in other spring wheat makes up the rest of the production decline.

USDA yield estimates, as well as recent crop tour results, suggest average winter wheat yields should continue to be good, though variable, despite pockets of dryness, disease and other issues. The average will mask the regional variability in yields and protein levels given these issues. Farmers should continue to monitor quality reports and protein premiums as they make marketing decisions.

## Initial Wheat Export Commitments Supportive of Prices



Note: Export commitments as of the first report each marketing year  
Source: USDA FAS, Terrain

Farmers completed planting spring wheat this year well ahead of the 5-year average pace despite some weather challenges. Initial crop condition ratings came in on the low end of expectations (at just 45% good-to-excellent), leading markets to worry about the spring wheat crop. In more recent weeks, those condition ratings have improved and as of June 30 stand at 53% good-to-excellent, alleviating (at least so far) some of the market worries about spring wheat supplies.

Exports continue to recover from their low in 2023/24, reaching an estimated 820 million bushels in the 2024/25 marketing year that just concluded. Export commitments at the end of the 2024/25 marketing year for new crop 2025/26 wheat were 50%, or 27 million bushels, higher than the 10-year average for hard red winter wheat (HRW) and 34%, or 10 million bushels, higher for soft red winter wheat (SRW).

While it is early in the year and not all commitments turn into shipments, these export commitments continue to be supportive of wheat prices.

If the smaller production estimates are confirmed in the July WASDE, this would tighten the all-wheat balance

sheet and push ending stocks closer to 850 million bushels, assuming all other consumption estimates from June don't change. This could offer some support to wheat prices.

### HIGHER GLOBAL PRODUCTION DESPITE WEATHER CHALLENGES

USDA currently projects global wheat supplies to increase by about 1% while growth in world consumption is up slightly more than 1%, resulting in a projected decrease in world stocks for the 2025/26 marketing year. However, if I exclude the projected decline in Chinese wheat stocks, the stocks in the rest of the world are projected to rise for a second straight year, to 138.2 million metric tons, up from the recent low of 134.5 million metric tons in 2023/24.

A recovery in EU production and higher production expectations for Russia, Canada and Argentina are adding to global supplies. There have been weather issues in Russia, which could limit their upside average yield potential, but production is likely to rebound from last year with yields only slightly below their trend of 46.9 bu./ac.

Tariffs on Canadian canola meal and oil by China likely have influenced some farmers to shift planting from

canola to spring wheat. Canola acres are reported down 2.5% to 21.5 million acres while all wheat is up 1% to 26.9 million acres with a shift toward durum and away from other spring wheat within the spring wheat category. With these estimates in line with USDA's June estimates, 2025/26 Canadian wheat export levels are expected to be similar to year-ago levels.

Concerns early this year about dryness in parts of China's wheat region appear to have faded as, according to USDA, their yields are currently projected just 1% below trend of 90.5 bu./ac. We will know if their production falls short of projections by whether they buy foreign wheat later in the year, which could further support prices.

### WHEAT PRICE OUTLOOK

As we begin the 2025/26 marketing year, spot wheat prices in certain parts of Kansas have been on par with corn, suggesting feed use could help support domestic consumptions. With an increase in projected supply of both HRW and SRW for the ongoing harvest, wheat prices likely remain on par with corn in those markets. In the short run, prices are likely to remain tethered closely to corn prices unless we see significant

demand materialize for wheat, or another negative supply surprise.

Currently, I project the all-wheat season average price to be \$5.60/bu., slightly above the USDA's most recent projection. If export demand holds, the spring wheat crop yields fall below trend, or corn prices increase from weather or other events, average wheat prices could be higher than currently projected.

Conversely, if feed demand falls due to lower corn prices or export shipments fall short of current expectations, prices could fall below \$5.60/bu.

### WATCH FOR PRICING OPPORTUNITIES

With the global uncertainties and wheat prices currently competing with corn for feed use domestically, farmers should watch markets over the next quarter for pricing opportunities. I see at least three potential events to watch for that could offer these opportunities:

- Short-term weather concerns that lead to a rally in prices

## HRW-Corn Price Spread Stays in Feed Substitution Territory



Sources: USDA AMS, Terrain

- Smaller-than-expected production in either the EU or Russia
- Higher prices for feed grains, supporting wheat prices as well

However, these events may not happen. Your risk management plan and marketing strategies should be ready for the case where these potential price rallies do not materialize.



## ABOUT THE AUTHOR



**Marc Rosenbohm** is Terrain's senior grain and oilseed analyst. He previously held research and economist positions at the University of Missouri's Food and Agricultural Policy Research Institute and the World Agricultural Economic and Environmental Services in Columbia, MO. Marc brings experience in modeling, projections, forecasts, scenario analysis and outlooks for a wide range of U.S. and global crop markets. He grew up on his family's corn, soybean and hog farm in northwest Missouri.

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