Tighter wheat means higher prices

We expect both the global and US wheat market to tighten next season, which should mean that prices move higher from current levels. However, wheat could also get caught up in trade tensions with a large share of US production exported to global markets

The large share of US wheat exported leaves the market vulnerable to looming escalation in trade tensions

Source: USDA, ING Research

Wheat market tightens over 2024/25

The global wheat market is set to tighten over the 2024/25 season, with ending stocks falling 3.3% year-on-year to less than 258mt, which if realised would be the lowest ending stock number since the 2015/16 season. Despite the expectation of a tighter market, CBOT wheat prices have still come under pressure this year. This is likely due to the fact that the US market is expected to be looser over 2024/25, with ending stocks this season estimated to grow 17% YoY to 815m bushels (22mt).

However, European wheat prices have held up relatively better due to the EU crop falling to its lowest level since the 2007/08 season. Output is estimated to have fallen 9% YoY to less than 123mt. Weather conditions in winter 2023 weighed on EU plantings and yields have also not performed, which has hit output heavily. This has been largely driven by the EU's largest producer, France.

Another key producer which has seen a large decline in output this season is Russia. Production is estimated to have fallen 11% YoY to 81.5mt, the lowest level since 2021/22. A combination of frost and dry weather has led to a number of revisions to this season's Russian crop.

These large declines from Russia and the EU have been partly offset by increases or at least expected increases elsewhere. US wheat production is estimated to have grown around 9% YoY on the back of stronger yields. Meanwhile, Australian wheat output is also expected to see a strong recovery this season, growing 23% YoY to 32mt with a rebound in yields after last year's poor performance.

Aggregate global wheat production in 2024/25 will trend higher and despite marginal consumption growth, stocks are still forecast to edge lower.

And further tightening expected in 2025/26

Winter wheat plantings in the northern hemisphere for next season are now complete, and we're left with something of a mixed bag.

The initial condition of the US winter wheat crop was not great in late October. It has, however, improved through November, with the last reading of this year rating 55% of the winter wheat crop in good-to-excellent condition compared to 50% last year. For 2025/26, there is expected to be little change in total US wheat area. However, assuming yields fall back towards a five-year average, the domestic crop would fall by around 10% YoY. Coupled with little change in both domestic and export demand would mean that US ending stocks edge lower in 2025/26.

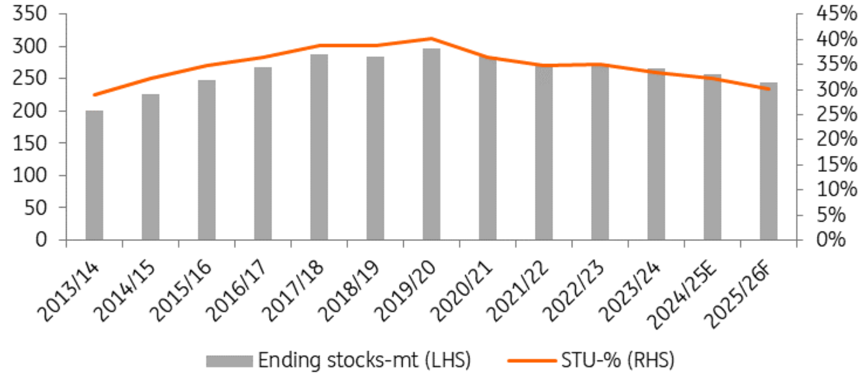
Following the poor EU crop this season, expectations of a recovery are expected for next season. Area is expected to grow, while yields being in line with the average should see the EU crop grow by 7% YoY to almost 132mt.

Similarly, it appears Ukraine has seen stronger winter wheat plantings, which could see the total wheat harvest growing by around 9% YoY to 25mt.

However, Russia is expected to see yet another poor crop. Dry weather through the autumn delayed plantings and as a result, area has also shrunk. This could see Russia's wheat crop fall around 1.5% YoY to almost 80mt. Concerns over a small crop have seen the Russian government reduce its export quota to 11mt from 15 February to 30 June 2025, down from 29mt for the same period this year. The cut in the quota wasn't too surprising given the poorer harvest this season and with prospects of another poor harvest. In addition, the government also raised the export duty for wheat.

Our early forecasts for the 2025/26 season see a further decline in ending stocks, with them potentially falling to their lowest level in over a decade. As a result, we expect CBOT wheat prices to trend higher through 2025 and currently forecast prices to average $6/bu over the year. However, similar to other grains, trade tensions are a downside risk.

Global wheat stocks set to fall further



US wheat vulnerable to a flare up in trade tensions

In the 2024/25 season, a little over 40% of the US wheat crop is estimated to be exported (fairly similar to the proportion of the US soybean crop exported), while only around 15% of the US corn crop is exported.

The large share of US wheat exported does leave the market vulnerable to an escalation in trade tensions. Around 11% of US wheat exports go to China, so US wheat is not as vulnerable as soybeans to escalation with China. However, US wheat is obviously more vulnerable in the case of a broader escalation in trade tensions.

Mexico is the largest offtaker of US wheat, taking 17% of US wheat exports. Clearly, any retaliatory tariffs on agricultural exports the US faces for a potentially aggressive trade approach could weigh on US exports, leaving its domestic market with larger-than-expected ending stocks and removing some of the constructiveness for the US market.

ING forecasts

	1Q25	2Q25	3Q25	4Q25	FY25
CBOT Wheat (USc/bu)	590	580	610	620	**600**

Source: ING Research

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