



Oil Crops Outlook

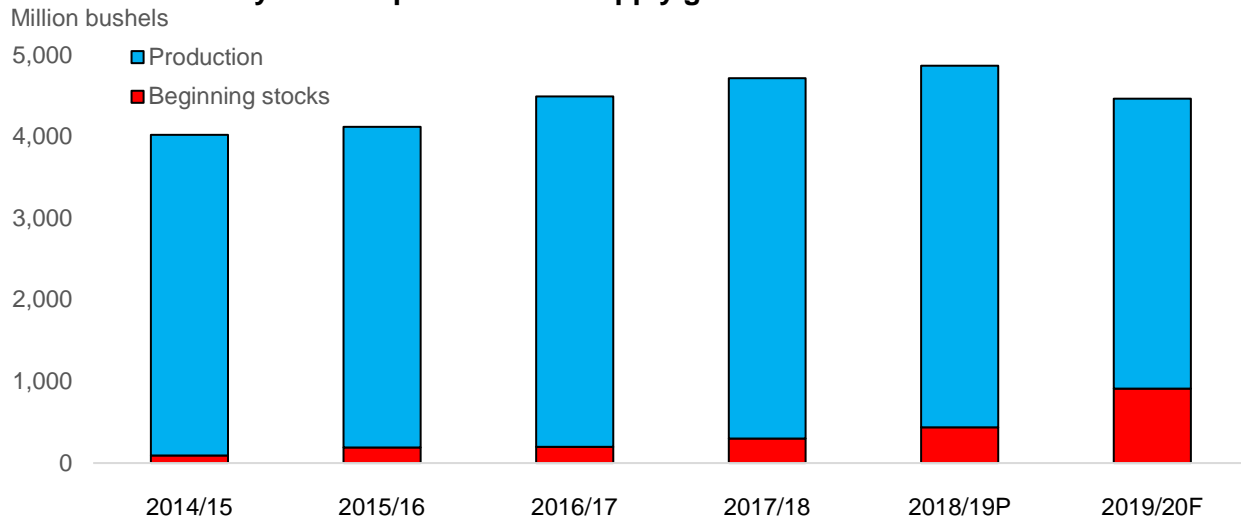
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Oil Crops Outlook monthly tables, in excel format, can be found on the Oil Crops Outlook report page on USDA's Economic Research Service website.

Low Yields Reduce 2019/20 Soybean Harvest

This month's *Crop Production* report lowers USDA's forecast of U.S. soybean production for 2019/20 by 82 million bushels to 3.55 billion. Mostly, the crop reduction is based on a lower yield, which is trimmed to 46.9 bushels per acre. Coupled with smaller-than-expected stocks carryover at 913 million bushels, total soybean supplies in 2019/20 are seen tightening by 175 million bushels to 4.5 billion. This month's changes in 2019/20 soybean demand forecasts are minimal, but a sharp decline for beginning stocks and new-crop production is now expected to slash season-ending stocks to 460 million bushels. USDA raised its forecast of the 2019/20 U.S. season-average farm price for soybeans by 50 cents per bushel this month to \$9.00 to reflect a tighter balance between supplies and use.

Figure 1
A reduced U.S. soybean crop to ease the supply glut in 2019/20



Sources: USDA, National Agricultural Statistics Service, *Grain Stocks* and *Crop Production*.

Domestic Outlook

U.S. Soybean Supplies Pared by Lower Yield and Stocks

This month's *Crop Production* report lowers USDA's forecast of U.S. soybean production for 2019/20 by 82 million bushels to 3.55 billion. After considering the latest U.S. farm program administrative data, USDA revised down the soybean acreage planted to 76.5 million acres and the harvested acreage by 240,000 acres to 75.6 million. Mostly, however, the crop reduction is based on a lower yield, which is trimmed to 46.9 bushels per acre. Last month's soybean yield estimate was 47.9 bushels while last year's final estimate was revised down to 50.6 bushels. New-crop yield forecasts are lowered for several States with more than half of the crop reductions stemming from Illinois, Nebraska, Iowa, and Minnesota. Crops also deteriorated in the Southeast, where a months-long dry spell has taken a toll on yields.

By October 6, only 14 percent of this year's soybean crop was harvested compared to the 5-year average of 34 percent. The slow harvest progress is a vestige of last spring's planting delays. Typically, the first autumn freeze in the Midwest arrives sometime in the first half of October, bringing an end to the growing season. Prior to October, however, no killing frosts have appeared except in some isolated northern areas. Circumstances are particularly fortuitous this year as above-average September temperatures have enabled full development of late-sown crops. Temperatures have stayed warm long enough for crops to attain maturation. However, many areas also lacked adequate moisture. Since August, soil moisture conditions throughout the Southeast deteriorated rapidly as the region received less than 40 percent of its usual rainfall. Each State in the region now has more than half of its topsoil moisture conditions rated as short to very short. In contrast, excessive moisture in North Dakota and South Dakota has contributed to considerable lags in soybean harvesting in those States.

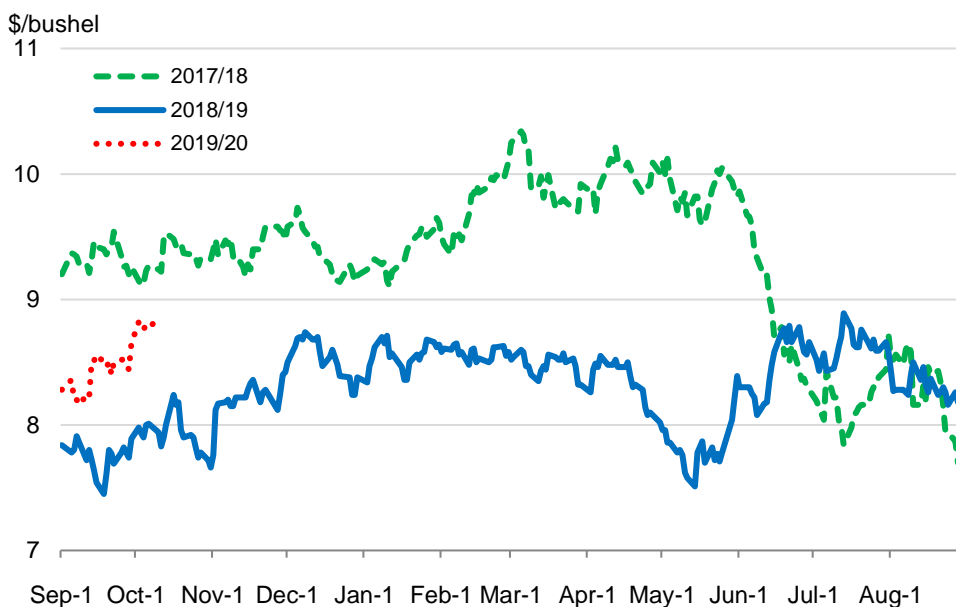
Total soybean supplies are seen tightening further in 2019/20 due to a smaller-than-expected stocks carryover. Last month, USDA's *Grain Stocks* report indicated that the September 1 soybean stocks totaled 913 million bushels—92 million below the prior forecast. USDA revised down its final crop production estimate for 2018/19 by 116 million bushels to 4.428 billion as a consequence. Collectively, the smaller new-crop outlook and lower old-crop carryover shrink the 2019/20 soybean supply to 4.5 billion bushels—down 175 million from last month's forecast.

Smaller Supply, Steady Demand To Halve Season-Ending Soybean Stocks

In a prelude to this month's U.S.-China trade negotiations, soybean exporters made strong gains in sales commitments to China over the past few weeks. Even with a modest revival in new soybean sales to China, U.S. outstanding export sales overall (through October 3) remain at an 11-year low. A contributing factor is an absence of sales to Argentina, which a year ago were exceptionally large. The forecast of U.S. soybean exports for 2019/20 is unchanged at 1.775 billion bushels.

USDA raised its forecast of the 2019/20 domestic crush this month by 5 million bushels to 2.12 billion. The increase is based on an outlook for higher domestic demand of soybean meal. Protein feed use will benefit from higher U.S. pork production next year in response to a brighter export market for meat. This month's changes in 2019/20 soybean demand forecasts are minimal, but a sharp decline for beginning stocks and new-crop production is now expected to slash season-ending stocks to 460 million bushels. By historical standards, the prospective carryout level is still high, yet the decline is substantial enough to moderately strengthen soybean prices in response. A higher level for the price of corn is also lending support to soybean values.

Figure 2
Strengthening Central Illinois soybean prices illustrate a tighter supply outlook



Source: USDA, Agricultural Marketing Service, *Grain Prices at Illinois Interior Country Elevators*.

By early October, central Illinois cash soybean prices have rallied close to \$9.00 per bushel compared to the September average of \$8.41. USDA accordingly raised its forecast of the 2019/20 U.S. season-average farm price by 50 cents per bushel this month to \$9.00. The tighter soybean supply is similarly supporting prices for soybean meal and soybean oil. Season-average price forecasts for soybean meal and soybean oil in 2019/20 were raised to \$325 per short ton for soybean meal (up \$20 from last month) and to 30 cents per pound for soybean oil (up 0.5 cent).

Canola and Sunflowerseed Crops Seen Modestly Expanding

U.S. production of canola in 2019/20 is forecast at a record 3.71 billion pounds based on near-records for acreage (2.04 million acres) and yield (1,860 pounds per acre). While a warm, wet summer benefited crop yields throughout the Northern Plains, harvest progress has been slowed by heavy September precipitation. In North Dakota and South Dakota, September rainfall was 2-3 times the usual amount. More recently, heavy snow has fallen on the Northern Plains. Cold and wet fall weather has prevented North Dakota farmers from harvesting more than 69 percent of the State's canola acreage as of October 6—compared to the 5-year average of 98 percent.

Despite a large domestic harvest, U.S. canola imports for 2019/20 are forecast to rise sharply to 1.5 billion pounds from 1.2 billion last year. Abundant supplies of U.S. and Canadian canola in 2019/20 should boost demand by crushers. With a strengthening demand for vegetable oil, the domestic crush may expand to a record 4.4 billion pounds from 3.8 billion in 2018/19. However, the large carryover of Canadian stocks, which dwarf U.S. supplies, may preclude a major price rally from the robust canola demand. In September, North Dakota cash prices for canola were still averaging around \$14.25/cwt, almost \$1 lower than a year earlier.

Similarly, the ample soil moisture in the Northern Plains last summer kept a large percentage of the country's sunflowerseed crop rated in good-to-excellent condition. This month, USDA is forecasting another excellent outcome for the sunflowerseed yield, which at 1,724 pounds per acre nearly matches last year's all-time record. A repeat of high yields means that most of this year's production increase for sunflowerseed can be attributed to area gains. Harvested acreage for sunflowerseed is up 7 percent from last year, with gains for both oil-type and non-oil-type acreage. USDA thus forecasts an expansion in 2019/20 sunflowerseed production to 2.25 billion pounds—a 7-percent gain from last year. In addition, USDA reported that September 1 sunflowerseed stocks had plunged to 286 million pounds, or by 26 percent compared to a

year earlier. So despite an improved 2019/20 sunflowerseed crop, the decline in beginning stocks results in almost no year-to-year increase for total supplies. Cash prices for sunflowerseed have remained steady.

International Outlook

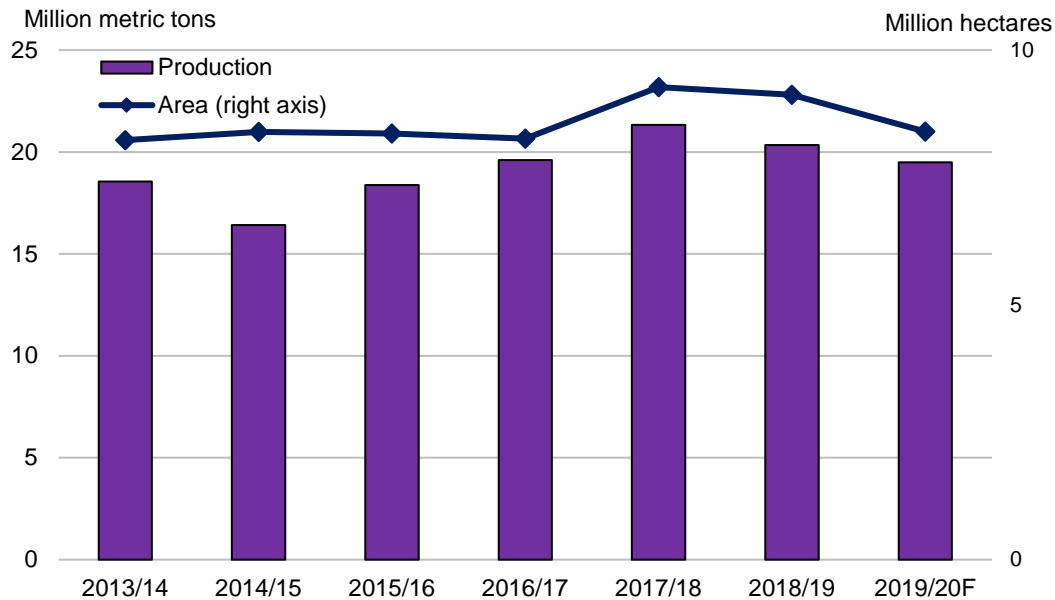
Weather Too Wet for Canadian Canola, Too Dry in EU and Australia

Global rapeseed production for 2019/20 is estimated at 68.6 million metric tons. The production change from last month is down 1 million tons due to reductions for Canada, the EU, and Australia. An expected outcome is that global rapeseed stocks will shrink. However, short supplies for some exporters may also dim the demand outlook for rapeseed, particularly in the EU and China.

This month, harvest losses are expected to lower the 2019/20 Canadian canola crop by 600,000 tons to 19.5 million. While growing conditions were more normal for other provinces, canola yields in Alberta were likely curtailed by a cumulative deficit in summer rainfall, which was nearly 30 percent below average. In addition, harvesting activity throughout Western Canada has been slowed over the last several weeks by unrelenting rain and a heavy snowfall. By early October, little more than 30 percent of the country's canola acreage had been harvested. Pods on unharvested canola crops are prone to shattering in such conditions. Farmers may also be forced to abandon some crops because of the high cost to dry them for storage and a likelihood of price discounts assessed for lower quality. This month's loss of new-crop production is partly offset by official data indicating a slightly higher beginning stocks level. As a result, Canadian season-ending canola stocks may decline to 3.6 million tons in 2019/20 from the 2018/19 record of 4.1 million.

Figure 3

Canadian canola production declines as lower area offsets a higher yield



Source: USDA, Foreign Agricultural Service, PS&D Online.

Once again, this year’s European Union rapeseed crop is downgraded— this month by 350,000 tons to 17.15 million. Dryness-related yield reductions for France, Poland, and Germany are primarily responsible for the latest change. At the same time, a lack of foreign supplies for export will ration the rapeseed that is available for processing in the EU. The EU rapeseed crush for 2019/20 is forecast down 350,000 tons to 22.05 million, compared to 23.2 million for 2018/19. Season-ending stocks of EU rapeseed could tighten considerably.

Australian canola production for 2019/20 is forecast down 100,000 tons this month to a disappointing 2.2 million. Soil moisture conditions were already poor this year in New South Wales, but since August, Western Australia has also seen a sharp deterioration. These two States account for 68 percent of this season’s canola area. Now, the 2019/20 crop production for Australia overall may barely exceed its drought-reduced 2018/19 harvest. All this crop reduction is seen dimming the outlook for Australian canola exports in 2019/20 to 1.7 million tons. If realized, the Australian exports would fall to a 9-year low.

Lower Peak Seen for Ukraine Sunflowerseed Yields

Global sunflowerseed production for 2019/20 is forecast down 1.2 million tons this month to 51.4 million. Reductions for Ukraine, the EU, and Argentina more than offset an increase for the United States.

Farmers in Ukraine harvested about two-thirds of the country's sunflowerseed crop by early October. Based on official harvest results, this year's sunflowerseed yield in Ukraine is still poised to establish a record high. However, the cumulative yield data for sunflowerseed to date indicates a yield slightly below USDA's previous forecast, prompting a lowering of the current forecast. Expected sunflowerseed production in Ukraine for 2019/20 is thereby reduced by 1 million tons this month to 14.5 million. Processing rates for sunflowerseed in Ukraine should stay robust, but a reduced supply could now shave the 2019/20 crush demand to 14.3 million tons from 14.8 million in 2018/19.

EU sunflowerseed production in 2019/20 is forecast down by 100,000 tons this month to 9.8 million. Crop yields in France and Spain were stressed by a summer heat wave and drought. Even so, the EU crop would still exceed last year's harvest of 9.5 million. This is due solely to a 6-percent increase in sunflowerseed area (principally in Romania and France). The loss of new-crop supplies in the EU could be accommodated with a more modest increase for the crush and by further drawing down season-ending stocks.

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