



Oil Crops Outlook: February 2021

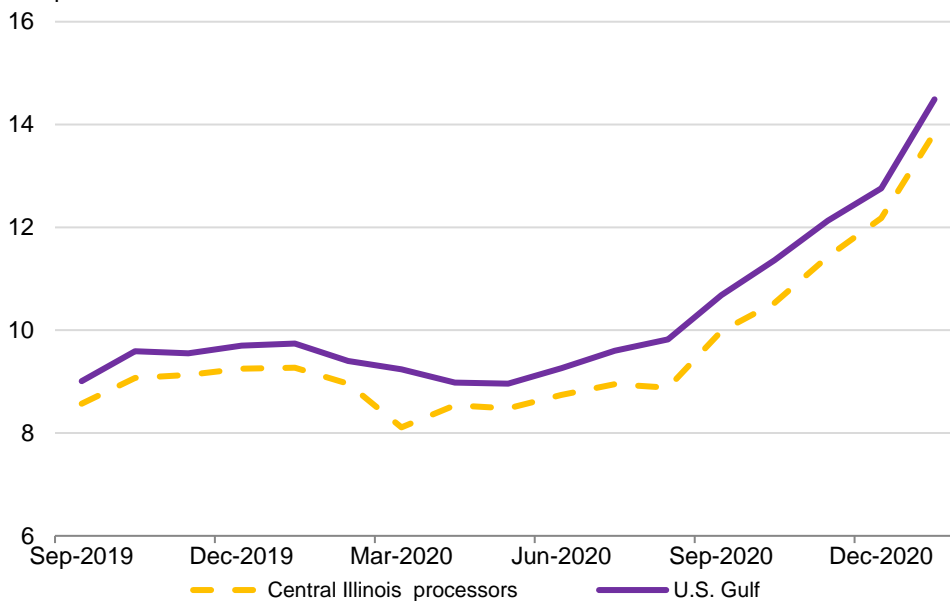
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Soybean Stocks Seen Tightening to a 7-Year Low

USDA raises its forecast of 2020/21 soybean exports by 20 million bushels this month to a record 2.25 billion. A reduced export forecast is entirely responsible for lowering this month's season-ending stocks forecast by 20 million bushels to a scant 120 million. For soybean oil, a January price boom prompted USDA to raise its forecast of the 2020/21 average price by 1.5 cents per pound to 40 cents. Total domestic disappearance for soybean oil in 2020/21 is forecast up by 100 million pounds this month to 23.3 billion on account of higher demand by biodiesel producers.

Figure 1
Costs of U.S. soybeans swell for both export and domestic users with fast-shrinking stocks

Dollars per bushel



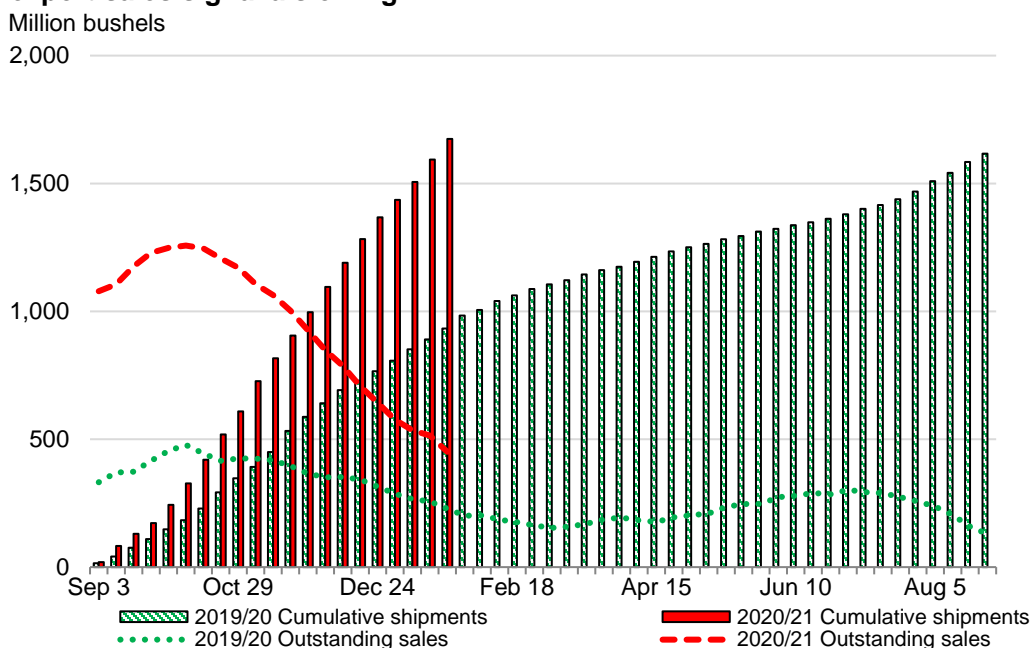
Source: USDA, Agricultural Marketing Service, *Central Illinois Soybean Processor Bids and Louisiana and Texas Gulf Export Bids*.

Domestic Outlook

Soybean Crushing Proceeds Unabated

Currently, U.S. soybean shipments are the dominant force in global trade. Few old-crop stocks remain in Brazil and little of the new crop has been harvested in South America. Consequently, recent exports from both leading export competitors have slowed to a trickle. In contrast, U.S. export commitments as of January 28 totaled 2.16 billion bushels—its highest level ever recorded for the date. Over the last 5 months, many of these sales have already been shipped. Even so, the rate of new sales is expected to cool fast due to plunging soybean stocks, a sharp increase in prices, and an impending Brazilian harvest. Throughout the second half of the marketing year, weekly U.S. shipments will necessarily exhibit a sudden and dramatic decline from the earlier level. USDA thereby raises its forecast of 2020/21 soybean exports by 20 million bushels this month to a record 2.25 billion. About 80 percent of the total exports forecast for 2020/21 have already been shipped by early February.

Figure 2
2020/21 soybean shipments are brisk but plunging outstanding U.S. export sales signal a slowing



Source: USDA, Foreign Agricultural Service, *Export Sales*.

Although competition for U.S. soybean supplies from the export market has been strong this season, domestic processors have also operated at a record pace. Like every month of the crop marketing year so far, the December 2020 crush (at 193.8 million bushels) is an all-time high for

the month. Compared with a year earlier, the cumulative September–December 2020 crush is up 6 percent to 752.4 million bushels. As with the export market, gains for domestic crushing over the remainder of the marketing year may be minimal. A principal reason is a spike in the cost of soybeans. Soybean cash costs for central Illinois processors in January averaged \$13.85 per bushel—up 39 percent since September. The dimming prospects for processor returns leave the forecast of the 2020/21 crush unchanged at 2.2 billion bushels. A reduced 2020/21 export forecast, then, is entirely responsible for lowering this month’s season-ending stocks forecast by 20 million bushels to a scant 120 million.

The value of soybean meal is climbing in step with soybean prices. The average price of soybean meal for all of 2020/21 is seen at \$400 per short ton—up \$10 from last month’s forecast. This is warranted by another price surge last month that moved the January monthly average up to \$439 per short ton from the December average of \$397. Even so, the percentage increase in soybean meal prices since September has now been surpassed by soybean price gains.

Soybean Oil Prices March Upward

Based on a higher December crush, an increase in soybean oil production for the month contributed to a rise for month-ending stocks by 101 million pounds to 2.22 billion. A temporarily higher inventory for soybean oil has not much tempered the rally in prices, though, as the demand outlook remains strong. Another factor reinforcing support for soybean oil prices is an ongoing recovery in crude oil prices, which affects the former through the biofuels market. In January 2021, central Illinois soybean oil prices swelled to 44.3 cents per pound from 40.9 cents in December 2020. Market values are now 34 percent above the January 2020 level. The last time soybean oil prices were so high was in mid-2013. The price boom prompts USDA to raise its forecast of the 2020/21 average price for soybean oil this month by 1.5 cents per pound to 40 cents.

Total domestic disappearance for soybean oil in 2020/21 is forecast up by 100 million pounds this month to 23.3 billion on account of higher demand by biodiesel producers. Last fall, use of soybean oil for biodiesel surged, with a 30-percent increase for October–November 2020 consumption versus a year earlier. In contrast, its use for biodiesel in 2019/20 did not pick up until the second quarter, when a \$1 per gallon blending credit had been restored through 2022. Demand for soybean oil as a biodiesel feedstock also benefited last spring when pandemic-related disruptions led to sharp reductions in the use of other alternatives such as distillers corn

oil and yellow grease. For 2020/21, subsequent gains for soybean oil may soon be limited by rebounding shares for these other biodiesel feedstocks. USDA raises its 2020/21 forecast for soybean oil use in biodiesel by 100 million pounds this month to 8.3 billion.

A very strong performance in January for U.S. soybean oil exports kept the 2020/21 trade on par with last year's robust rate. A rare, but exceptionally large tranche of soybean oil exports to India paced last month's shipments. USDA's 2020/21 soybean oil export forecast is unchanged at 2.75 billion pounds.

International Outlook

South American Soybean Crops are Delayed but Advancing

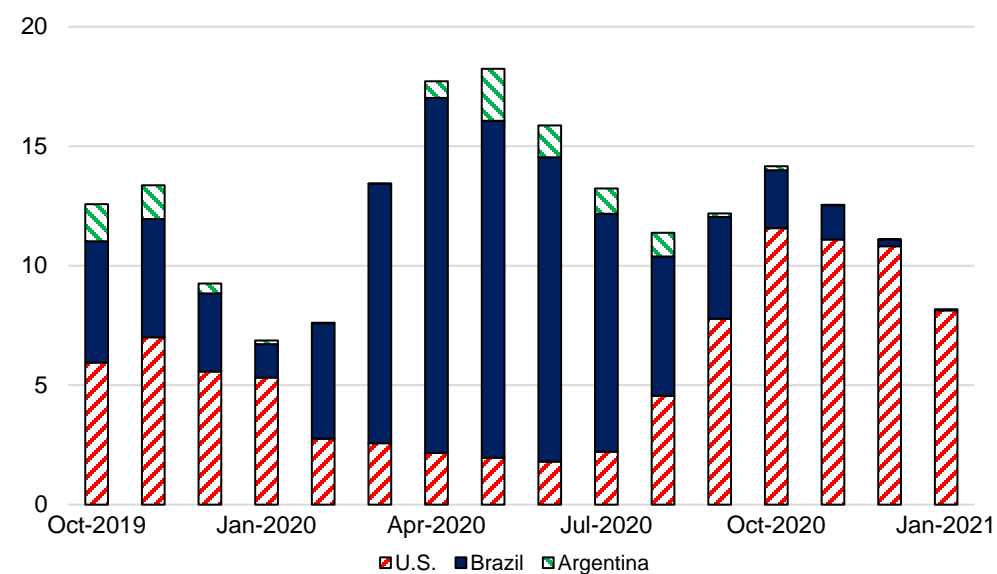
Harvesting of the first of Brazil's 2020/21 soybean crop is now underway, but (largely due to late planting) progress is behind its usual schedule. Only 4 percent of Brazil's soybean harvest had been completed by February 4, compared with 16 percent last year. On a 133-million metric ton crop, that year-to-year difference in the January progress amounts to 16 million tons fewer supplies harvested by the month's end. Recent harvesttime rains have exacerbated the delays. Consequently, receipt of new-crop soybeans at Brazilian ports is also lagging. Compared with 1.4 million tons of soybeans exported from Brazil in January 2020 (and 4.8 million in January 2019), last month's shipments totaled less than 50,000 tons. A long backlog of vessels is now waiting at the ports ready to receive crop supplies when they arrive.

Nevertheless, the deficit in new-crop shipments might be made up by an accelerating pace throughout February and March. If this is the case, USDA sees its 2020/21 export forecast for Brazil unchanged at 85 million tons, yet well below the 2019/20 total of 92.1 million. Brazil's slow start is extending the U.S. shipping season by several weeks. Being the sole alternative, any continuation of Brazil's delays could exert further upward pressure on U.S. soybean prices.

Figure 3

Leadership in global soybean exports is switching quickly

Million metric tons



Sources: USDA, Foreign Agricultural Service, *Global Agricultural Trade System*, and Argentine and Brazilian customs.

In Argentina, sowing of the 2020/21 soybean crop is now complete and a majority of the crop has progressed into the flowering stage of development. Conditions for some of the soybean-growing regions have stabilized after above-average January rainfall. The Argentine Agriculture Ministry reports that a high percentage of soybean crops are currently in good to very good condition. USDA leaves its forecasts of 2020/21 Argentine soybean production and exports unchanged at 48 million and 7 million tons, respectively.

Brisker Global Trade in Rapeseed is Seen

Year-to-date canola shipments from Canada are on a record pace, prompting USDA to forecast an increase for the country's 2020/21 exports to 10.7 million tons. This would be 700,000 tons above last month's forecast and up from 10 million in 2019/20. For the year to date, not quite half of the Canadian exports are destined for the EU-27+UK and China, where import demand has been robust. Following a reduced Canadian canola supply, an increase for this year's trade threatens to slash the country's season-ending stocks to an 8-year low of 1.2 million tons. As of December 31, Statistics Canada reports that mid-year canola stocks were already down by 24 percent from a year earlier. The tight ending stocks outlook for next summer has rallied Canadian futures market prices for canola close to a historic high.

Rapeseed imports by China for 2020/21 are forecast 500,000 tons higher this month to 3 million, which could support a domestic crush level at 15.5 million tons. Even so, rapeseed oil supplies in China may be unable to support gains in consumption. Reduced imports of rapeseed oil in 2020/21 are likely to offset higher domestic output.

Likewise, EU-27+UK rapeseed imports for 2020/21 are seen 200,000 tons higher this month to 6 million—only modestly lower than the 2019/20 record of 6.25 million. Now approaching the midpoint of the crop marketing year, EU importers have brought in nearly the same amount to date as they did a year ago. At the current rate of use, more EU-27+UK rapeseed imports have been needed to prevent an unusually low level of carryout stocks.

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