

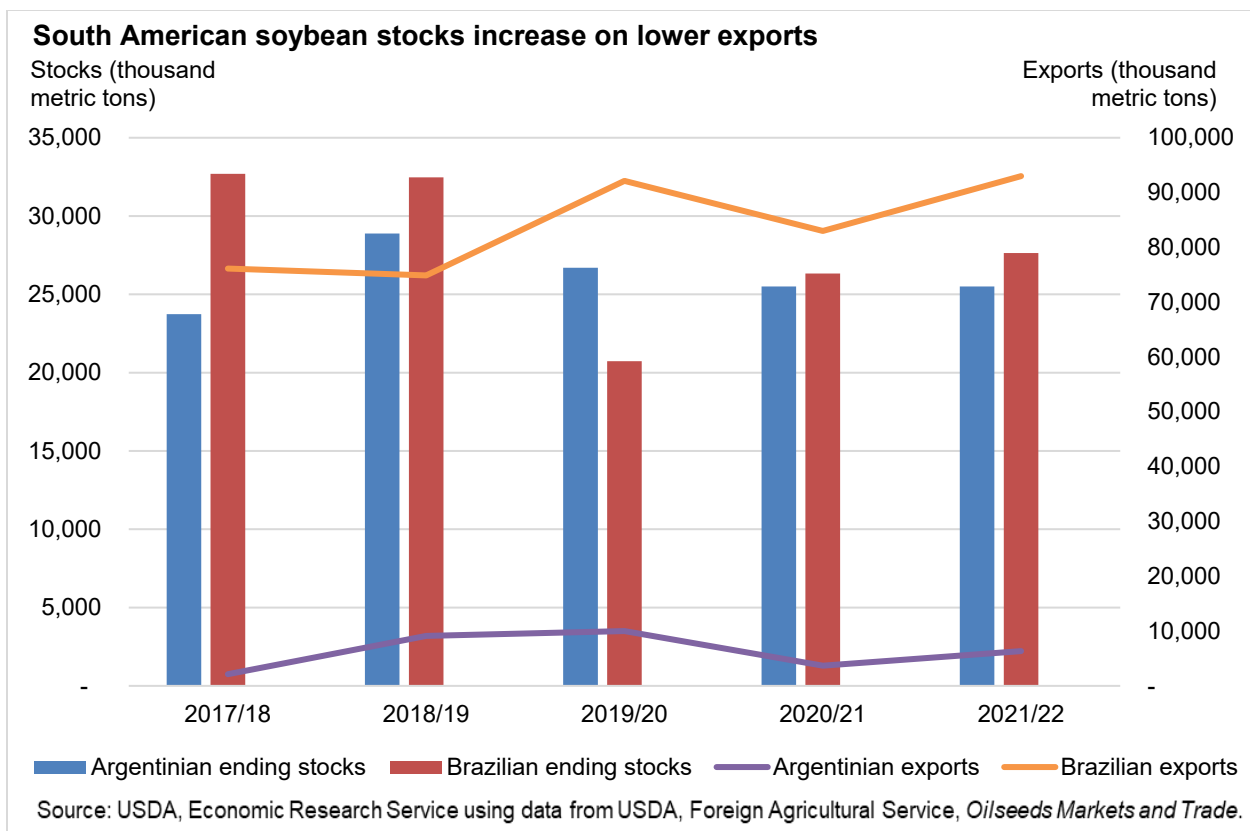


Oil Crops Outlook: July 2021

Candice Wilson
Dana Golden
Aaron Ates

2020/21 South American Soybean Exports Lowered on Drought and Decreased Chinese Demand

USDA has lowered its soybean export forecast for Argentina and Brazil for the 2020/21 marketing year by 2.65 and 3 million metric tons, respectively. The expected decrease comes on the heels of drought conditions in Argentina limiting the ability of exports to reach the port for shipment. Additionally, weaker demand from China's crush sector has decreased the need for soybean imports from Brazil. As such, 2020/21 exports from Argentina and Brazil are forecast at 3.7 and 83 million metric tons. Although China is expected to draw down its soybean stocks to account for less imports from Brazil, ending stocks in both Argentina and Brazil are expected to increase in both 2020/21 and 2021/22 from last month's forecast as shown in the graph below.



Domestic Outlook

Soybean Crush Lowered on Declining Soybean Meal Domestic Use

The forecast for 2020/21 soybean crush has been lowered by 5 million bushels to 2,170 million bushels reflecting a reduced forecast in soybean meal domestic use. Soybean meal production was also lowered by 0.2 to 51.4 million short tons to coincide with the anticipated reduction to crush volumes. Although strong demand for imports of soybean meal in the beginning of the marketing year have led to an expected increase of 100,000 to 800,000 tons, domestic use for soybean meal is forecasted to decline by 0.15 to 37.8 million tons. Weaker demand contributed to a decrease in the expected soybean meal yearly price from \$405 per ton to \$395 per ton. USDA has also reduced the outyear soybean meal average price to \$395 per ton.

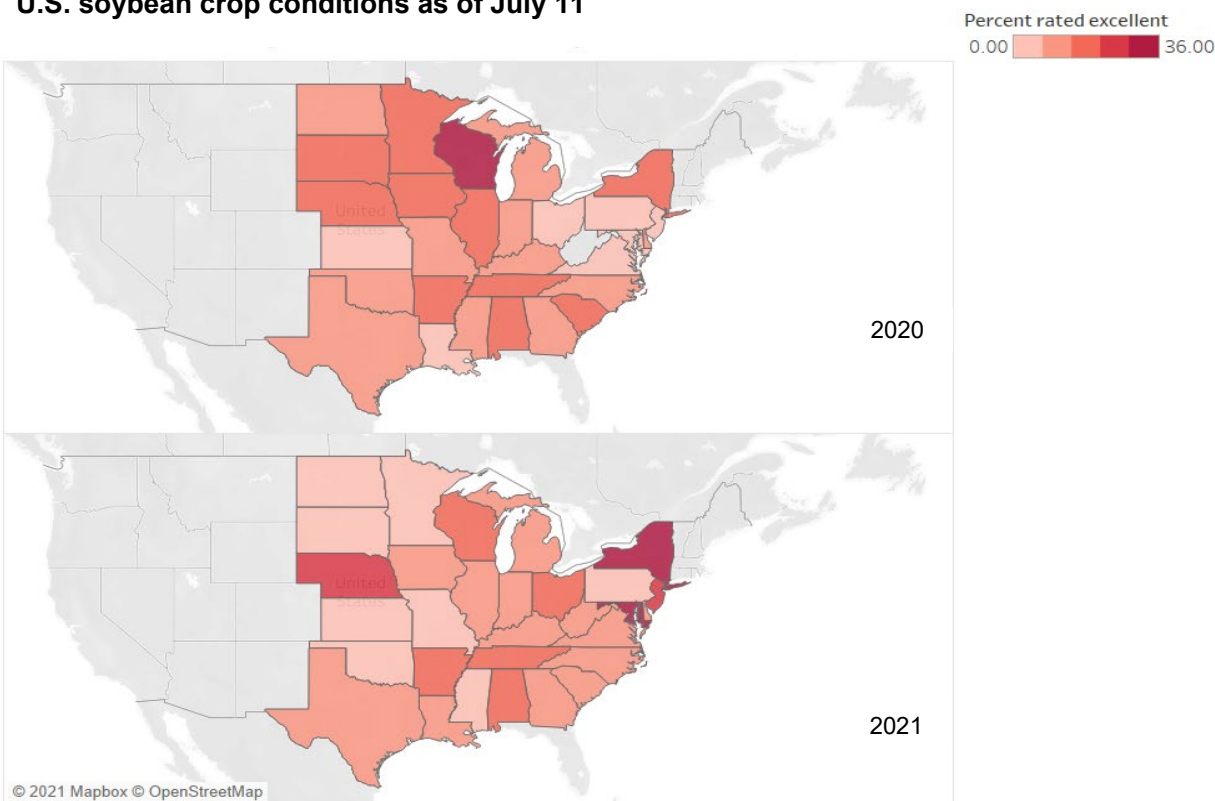
Although domestic soybean crush is expected to decline slightly, higher extraction rates led USDA to leave its soybean oil production forecast relatively unchanged for 2020/21 at 25.4 billion pounds. High prices for US. soybean oil have severely limited exports in recent months.

As such, the 2020/21 export forecast for soybean oil has been reduced by 125 million pounds to 1,775 million pounds. With monthly soybean oil export volumes cooling, the rise in soybean oil production is expected to be captured by the domestic market. More specifically, soybean oil used for biodiesel will decline by 200 million pounds with a 300-million-pound increase to soybean oil used for food and residual use to 14.6 billion pounds. However, despite the forecasted increase to domestic use, the forecasted average annual price for soybean oil has been reduced to \$0.575 per pound.

The season-average price forecast for soybeans was also revised down this month, dropping by \$0.20 to \$11.05 per bushel. With a large share of soybeans sold using forward pricing earlier in the 2020/21 marketing year, lower prices in previous months have placed downward pressure on the average yearly price. This revision is partly based on information provided by the National Agricultural Statistics Service's (NASS) *Grain Stocks* report. Stocks of soybeans in all positions declined 44 percent from last year to 767 million bushels. The decline in soybean stocks held by farmers limits the volume of soybeans available for marketing at higher prices in the last quarter of this crop year. In fact, onfarm stock totals declined more than any other category, dropping to 220 million bushels, a 65 percent decrease from last year. Supporting this expectation that less soybeans are available for marketing, USDA has lowered its 2021/21 soybean export forecast by 10 million bushels to 2.27 billion bushels. Additionally, imports are reduced by 15 million bushels to 20 million bushels. Nevertheless, the lower crush forecast and nearly offsetting trade balance has allowed 2020/21 ending stocks to remain unchanged at 135 million bushels.

Given this marketing year's tight stocks and higher prices, anticipated acreage for the 2021/22 soybean crop were increased in the NASS *Acreage* report. The 87.6 million acres forecasted for planting in 2021 represents a 5 percent increase from last year's acreage totals which are in-line with projections from NASS's March *Prospective Plantings* report. Conditions for the new crop are generally positive. As of July 12, 2021, NASS estimates indicate 59 percent of the crop is rated as good/excellent with 46 percent of soybeans blooming—an increase of 6 percent from the five-year blooming average of 40 percent. Drier conditions in the upper Midwest have yet to make a measurable impact on soybean conditions but are being monitored closely. Given this information on the 2021/22 marketing year soybean crop, USDA has left its forecasts for the 2021/22 soybean crop unchanged. However, recently reduced soybean prices heading into the new marketing year have led to a decline in the season-average soybean price forecast for 2021/22, dropping \$0.15 to \$13.70 per bushel.

U.S. soybean crop conditions as of July 11

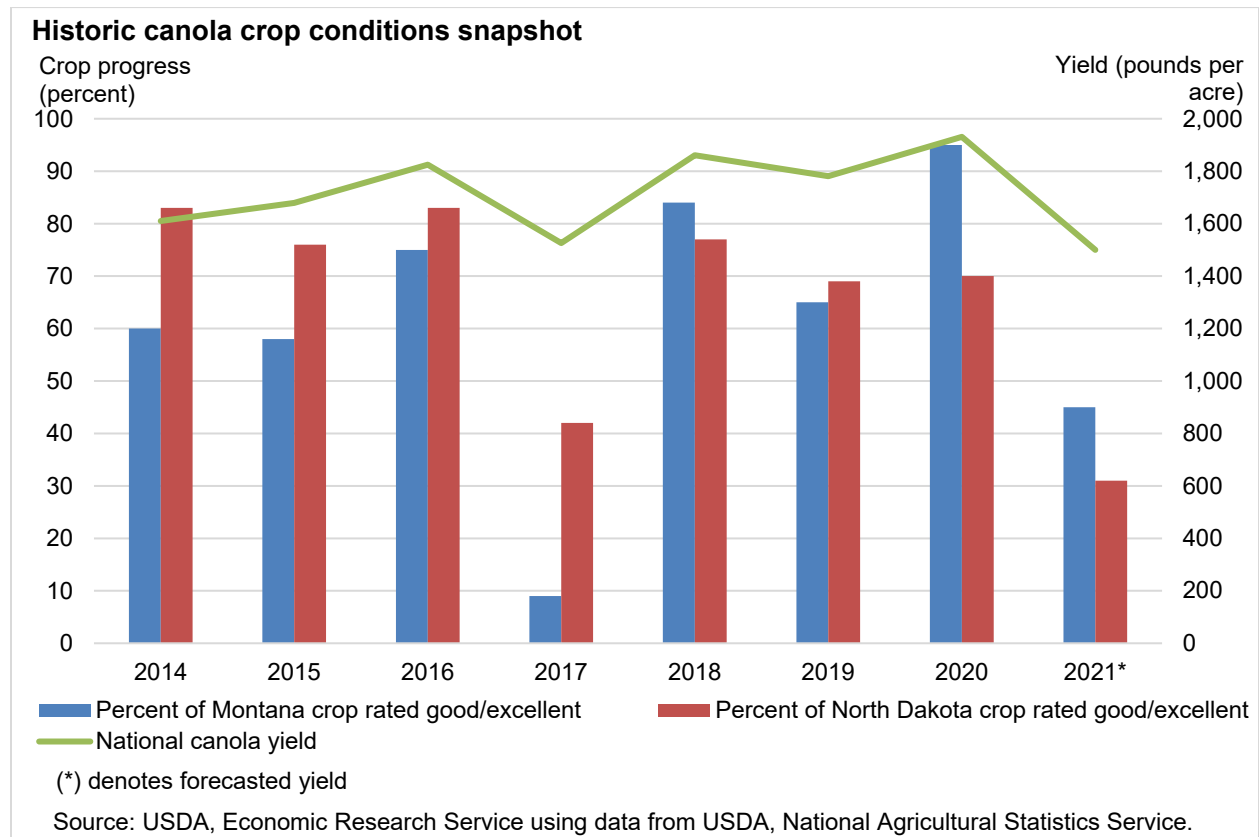


Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service.

Decline in Outyear Canola Production Offset by Increased Sunflower, Cottonseed, and Peanuts

A 112-thousand-acre reduction to planted area and a reduced yield forecast stemming from dry conditions have led USDA to reduce the 2021/22 canola production forecast down by nearly 944 million pounds to 2,934 million pounds. Yield was reduced by 400 pounds per acre to 1500 pounds per acre as drought and soaring temperatures continue to affect the Upper Plains. The crush forecast for the 2021/22 year also took a hit on lower anticipated supplies, dropping by nearly 700 million pounds to 3,997 million pounds. Concern over supplies and high demand for oilseeds domestically helped boost the expected canola seed price for next year, jumping \$2.30 to \$28.60 per bushel. Naturally, the reduced crush forecast had a downward effect on canola oil and meal production. Canola oil production declined to 1,693 million pounds, leading a 265 million pound decline in domestic use. Canola oil used for food and biodiesel were reduced by 165 million pounds and 100 million pounds, respectively. The price forecast for 2021/22 canola oil was also raised on strong demand and an expected reduction to production, increasing by

\$0.05 to \$0.76 per pound. Forecasted canola meal production was reduced by nearly 184 million pounds to 1,154 million pounds on the lower crush with a \$5.00 increase to price at \$345 per ton. Although canola production is expected to take a hit in 2021/22 due to unfavorable growing conditions, sustained demand for vegetable oil has driven production increases for other domestic oilseeds. Sunflower seed production was increased to 2,173 million pounds on larger planted area. Forecasted cottonseed production was also increased 485 thousand tons to 5,855 thousand tons. Slightly larger planted area for peanuts has also led to a 145 million pound increase to the 2021/22 peanut production forecast that now sits at 6,465 million pounds.



International Outlook

Global 2021/22 Oilseed Production Increased on Higher Sunflowerseed and Rapeseed Despite Lower Canadian Canola Production

As demand for vegetable oil continues to grow, global oilseed production was raised by 2.5 million metric tons to 635.4 million metric tons, mainly on higher sunflowerseed production. Russian sunflowerseed production is expected to increase by 2.0 million metric tons to 16.5 million metric tons, reflecting higher area shown in government planting progress reports.

With early season drought in the Canadian plains, USDA has forecasted a 300 thousand metric ton decline in canola production for 2021/22. Without a substantial increase in rainfall, this production estimate could face further reductions as more becomes known about crop conditions. Although USDA has projected this decline in production, the 20.2 million metric tons of expected production next marketing year represents a 3-year high for Canadian canola—likely as a result of strong global demand for oilseeds. Rapeseed production in the European Union has also been revised down by 200 thousand metric tons to 17 million metric tons. This decline in production is partially offset by a forecasted import increase to 150 thousand metric tons, primarily from Australia, Ukraine, and Russia.

Even though Canada and the EU are the two largest producers of canola/rapeseed, their expected production declines have been counteracted by increases in production elsewhere for the 2021/22 marketing year. Australian canola production is expected to increase by an additional 300 thousand metric tons to 4.3 million metric tons. Strong gains are also expected for rapeseed production in China (increasing by 200 thousand metric tons to 14 million metric tons), Russia (increasing 100 thousand metric tons to 2.45 million metric tons), and Ukraine (increasing 100 thousand metric tons to 3.1 million metric tons). In total, USDA forecasts global production for canola/rapeseed to reach 74.1 million metric tons, a 3 percent increase from the nearly 71.8 million metric tons of production expected in 2020/21.

Indian Cottonseed Production Lowered for 2020/21; Higher Oilseed Demand Leads to Increased Peanut Production and Palm Oil Imports

Drier conditions have also played a role in Indian cottonseed production for the 2020/21 marketing year. Patchy rainfall during India's current monsoon season is expected to reduce the cotton crop for the world's largest producer. India's production is expected to decline by 297 thousand metric tons to 12.0 million metric tons. Despite this reduction in cottonseed production, India appears to still be seeking to capitalize on the growing global demand for oilseeds. Indian peanut production for the 2021/22 crop year was raised by 300 thousand metric tons to 6.3 million metric tons on larger area. In addition to increasing its annual production of oil crops, India has also grown to be a large consumer of oilseeds and products, particularly palm oil. As the world's largest buyer of vegetable oil, India has been particularly vulnerable to the soaring prices seen in oilseed and vegetable oil markets. In a bid to reduce domestic prices for palm oil and tame food price inflation, the government has reduced the import tax on palm oil from 15 percent to 10 percent. Given this policy change, USDA has increased India's forecasted palm oil imports 150 thousand metric tons for the 2020/21 marketing year and 100 thousand metric tons in 2021/22.

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