United States Department of Agriculture

Economic Research Service | Situation and Outlook Report

OCS-21k | November 12, 2021

Next release is December 13, 2021

# Oil Crops Outlook: November 2021

**Aaron M. Ates**

**Maria Bukowski**

In this report:

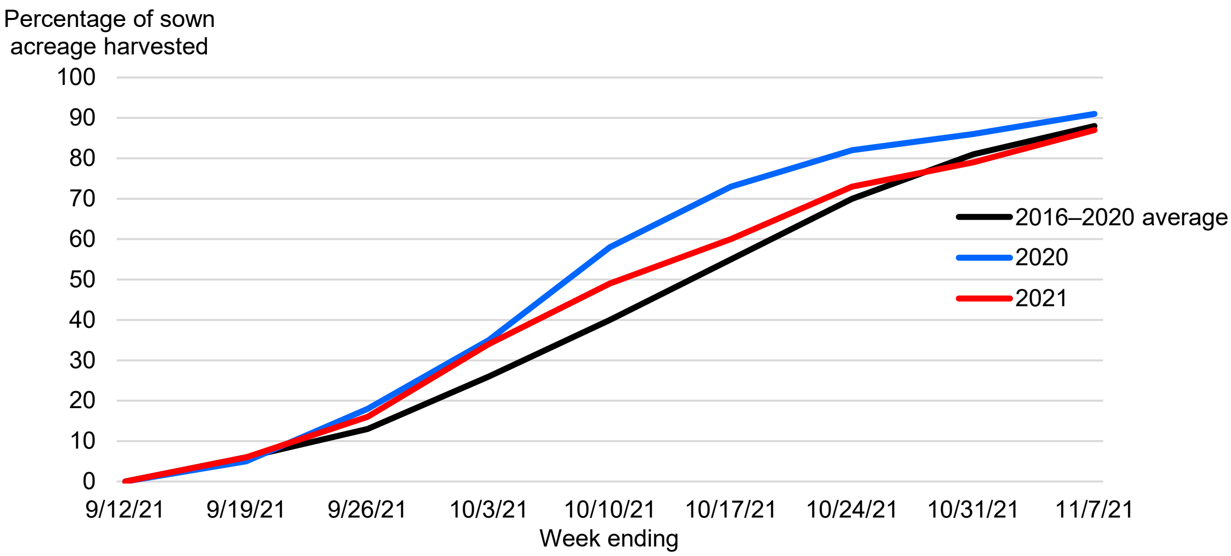


## Soybean Harvest Progress Back on Pace Following a Slow October

After a strong start to the 2021/22 marketing year, October weather conditions slowed U.S. soybean harvest progress. As of November 7, a reported 87 percent of the 2021/22 soybean crop had been harvested—slightly below the 2016-2020 average of 88 percent. For perspective, heavy rains in States including Indiana, Michigan, and Tennessee caused 10 to 20 percent less of planted soybean acreage to be harvested in each state relative to the 5-year harvest average. As of October 31, nearly 50 percent of cropland in many major soybean producing States had accumulated a surplus of topsoil moisture that is now in the process of drying out. Consequently, the delivery of soybeans has been delayed in some areas. If recent weather patterns persist, harvest progress may continue to lag, possibly impacting local elevator prices.

Approved by USDA's World Agricultural Outlook Board

**Historical U.S. soybean harvesting progress comparison**




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

# Domestic Outlook

## Soybean Demand Remains Stable as Yield Forecast Lowered

The average soybean yield forecast at 51.2 bushels per acre, down 0.3 from last month. This change in soybean yield shaved 23 million bushels off October's 2021/22 U.S. soybean production forecast, which now sits at 4.42 billion bushels. Total soybean supply is brought down to 4.7 billion bushels on unchanged import expectations.

Soybean exports for the 2021/22 marketing year began slowly in September, totaling 79.6 million bushels. For context, this is 87.4 million bushels below the 5-year average of 167 million bushels. However, as issues in the U.S. Gulf brought on by Hurricane Ida began to dissipate in October a slight uptick in the U.S. export program was observed. Even still, the U.S. soybean export pace for the 2021/22 marketing year is well behind that of the previous marketing year. Combined with a lower soybean production estimate, USDA has lowered the 2021/22 soybean export forecast by 40 million bushels to 2.05 billion bushels.

A continuation of muted domestic use and slow exports have resulted in a higher ending stocks estimate of 340 million bushels. This is expected to put pressure on soybean prices. Moreover, average soybean prices received by U.S. farmers in September were $1.50 per bushel lower than in August, at $12.20 per bushel. Hence, the seasonal average price forecast has been reduced by $0.25 per bushel to $12.10 per bushel.

## 2020/21 Soybean Oil and Meal Balance Sheet Estimates Nearly Finalized

Soybean oil and meal balance sheet estimates have been nearly finalized for the 2020/21 marketing year. A modest decrease in soybeans crushed during September 2021—down by 4 million bushels from August to 164.2 million bushels—is captured in the total marketing-year crush estimate of nearly 2.13 billion bushels. To summarize, soybean oil supply is up 171 million pounds to 27.2 billion pounds and demand is seen 153.2 million pounds lower at 25 billion pounds. This means an additional 324.2 million pounds of soybean oil will be carried into the 2021/22 marketing year versus last year. Total soybean meal supply and demand are down 0.45 million tons to 51.69 and 51.35 million tons, respectively.

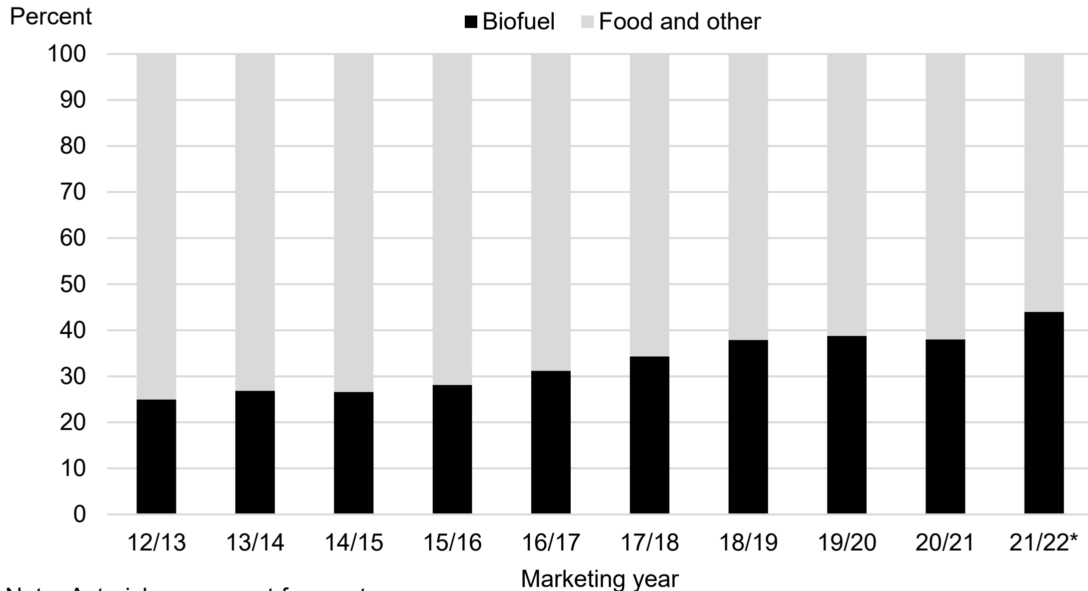
Credit-induced incentives received by renewable biofuel manufactures through the Low Carbon Fuel Standard (LCFS) impacted soybean oil prices. In fact, the 2020/21 season average soybean oil price reached a record $0.57 per pound. Although prices surged through the first half of the marketing year, they began to cool after June 2021. These market dynamics influenced soybean oil production, as well as the use of soybean oil in biofuel production and exports. Specifically, soybean oil production increased only slightly from the previous marketing year to just over 25 billion pounds. Year over year supply increased 171 million pounds as higher beginning stocks were partly offset by lower imports. Furthermore, domestic use is raised by 960 million-pounds to 23.28 billion pounds. In the global export market, U.S. soybean oil prices proved unfavorable for the export program. As such, soybean oil exports are seen nearly 40 percent lower than in 2019/20 at 1.72 billion pounds.

Strong soybean oil prices continue into October as the price for soybean oil at Decatur, Illinois was seen at $0.70 per pound. Soybean oil continues to expand its share of the crush margin, commanding nearly a 50 percent share in recent months, as biofuel demand remains strong. In turn, the anticipated increase in soybean oil demand supports the strengthened crush forecast over the upcoming marketing year. A new crushing paradigm has begun to slowly develop, shifting from the traditional focus of crushing soybeans for meal, to oil, and is expected to place pressure on meal prices in the process. Although the proportion of soybean oil used for biofuel production remained relatively unchanged in 2020/21, it is expected to capture a larger share (43 percent) of soybean oil production in 2021/22. As a result of heightened domestic soybean oil use, exports are forecast down from 2020/21 by 473 million pounds to 1.25 billion pounds in 2021/22.

A marginal decrease in soybean meal production was observed in 2020/21 from the prior year. Slow growth in domestic feed demand contributed to lower domestic disappearance, falling by 0.39 million short tons from last year to 37.58 million tons. Although meal exports were off to a strong start in 2020/21, they weakened throughout the summer months despite decreasing prices. Down by nearly 66,000 tons from the previous year, exports totaled 13.77 million tons in 2020/21. Imports came in 143,000 tons higher at 783 million tons.

Domestic use of soybean meal is anticipated to increase in 2021/22 as the availability of alternative protein meal sources—primarily canola and sun meal—is expected to decline. In response to the expected 320,000 ton-bump in domestic demand, 2021/22 meal production is forecast up to 51.7 million tons. Soybean meal prices are forecast at $325 per ton, down $67 per ton from 2019/20, as higher soybean oil prices have altered the impetus for crushing.

**Biofuel share of soybean oil use projected to rise**




Note: Asterisks represent forecasts.
Source: USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates.*

# International Outlook

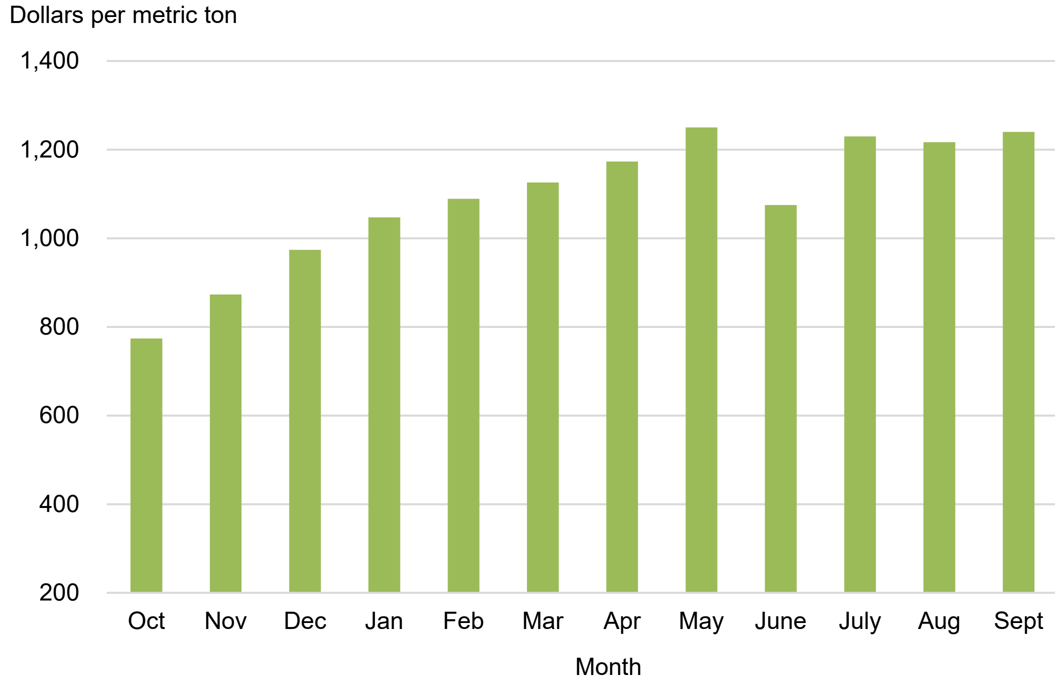
## Better Soybean Crop Helps To Relieve Tightness in Indian Domestic Meal and Oils Markets

Better soybean yields in India led the 2021/22 crop production forecast to increase by 0.9 million metric tons this month to 11.9 million metric tons. Year-over-year, soybean production increased by 1.45 million metric tons on improved weather conditions. A better harvest this year helps Indian soybean crushers expand the domestic production of soybean meal and oil. The domestic meal and oil prices have skyrocketed this year, incentivizing additional soybean crush. The prospective crush has been revised up by 0.4 million metric tons this month to 10 million—0.5 million metric tons higher than 2020/21. A higher soybean crush would also boost the soybean oil production forecast to 1.8 million metric tons. Soybean oil imports are forecast upwards for 2021/22 by 100,000 metric tons this month to 3.725 million and compared with 3.65 million for 2020/21. At the same time, domestic consumption of soybean meal is experiencing a healthy year-over-year growth of 11 percent. Indian soybean meal exports are forecast to reach 2.1 million tons in 2021/22, just slightly below the 2020/21 level.

## Indian Vegetable Oil Imports To Increase on Easing Import Duties

India’s effective import duties have been adjusted lower throughout 2021 to cool rising domestic vegetable oils prices. As imported oils account for two-thirds of domestic oil consumption in India, such measures have been warranted to moderate the costs of a food staple. Global vegetable oils values have strengthened this year to the highest level due to strong demand for food and renewable fuels and limited supply of palm and canola oil. Vegetable oils prices reached a record level this summer with crude palm oil averaging $1,230 per metric ton, or 73 percent higher than summer 2020.

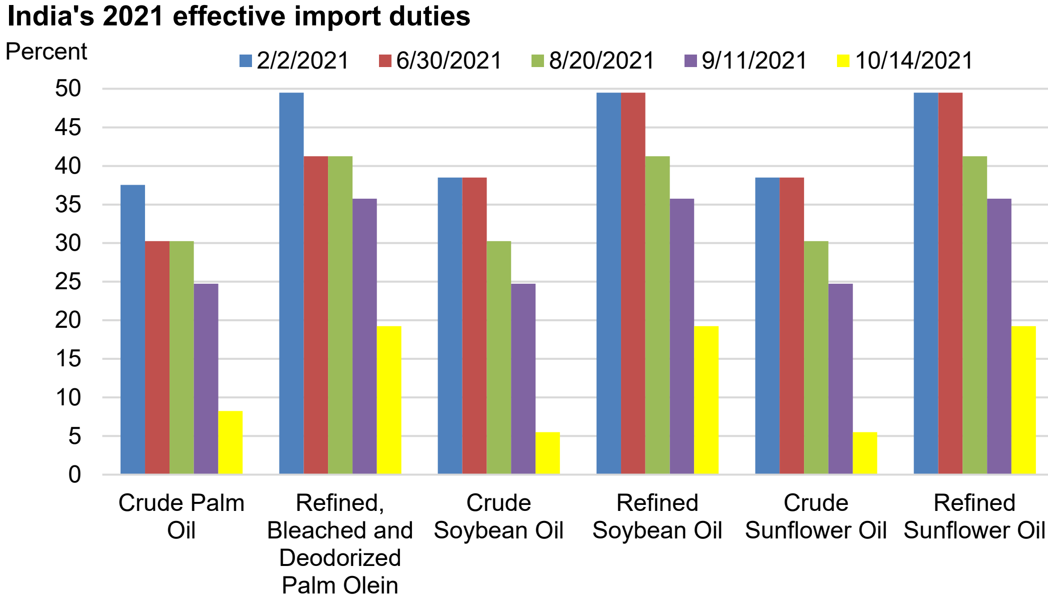
**2020/21 India crude palm oil prices, Cost, Insurance, and Freight (CIF) India ports**




Source: USDA, Economic Research Service using data from The Solvent Extractor's Association, India.

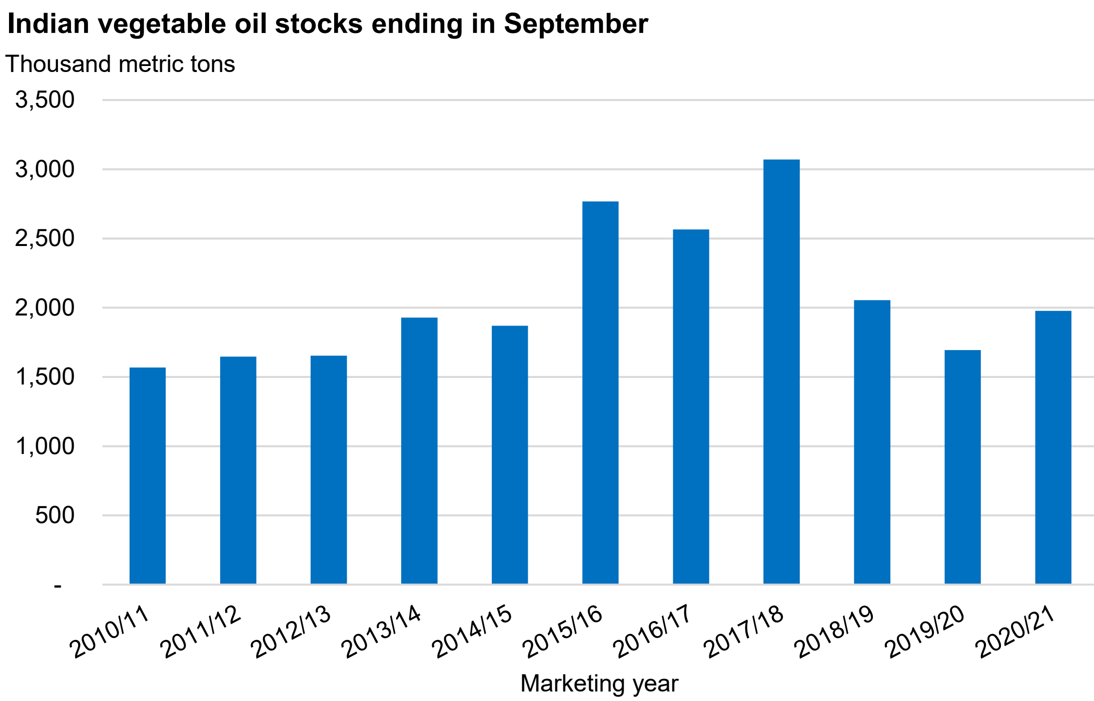
Thus, between February 2, 2021 and October 14, 2021, Indian effective import duties decreased by 29.3 percent for crude palm oil and 33 percent for both crude soybean oil and crude sunflower oil. Post reduction, the effective customs duty on crude palm oil is 8.25 percent. The effective duty on crude soybean oil and crude sunflower oil is 5.5 percent.

Duty cuts spurred crude palm oil imports in September to a record high level of 1.242 million metric tons and refined palm to 398,000 metric tons, based on Solvent Extractor's Association reporting. As such, the 2020/21 palm oil import forecast was revised up 470,000 metric tons to 8.47 million metric tons. With lower tariffs in place through March 31, 2022, the palm imports for 2021/22 are forecast up by 300,000 metric tons to 8.6 million metric tons.




Source: USDA, Economic Research Service using data from The Solvent Extractor's Association, India.

Imports of soybean oil in September also reached higher levels at 235,000 metric tons, leading to an increase of the 2021/22 soybean oil import forecast of 100,000 metric tons to 3.725 million metric tons. The record imports in September lifted vegetable oil stocks in India to 2 million metric tons as of October 1, 283,000 tons higher than the same period last year.




Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply, and Distribution*.

The Government of India is also implementing a limit on stocks of edible oils introduced in early October to prevent hoarding. The growing domestic consumption is currently absorbing a large portion of the ample import supplies.

## Argentine Soybean Crop Lowered

The 2021/22 global soybean production forecast is slightly down from last month's forecast—by 1.13 million metric tons—to 384 million metric tons. A 1.5 million metric ton decrease in Argentine soybean production, in conjunction with the aforementioned decrease in U.S. production, more than offsets increased production in other countries, like India. Although the Argentine soybean yield forecast remains strong at 3.02 metric tons per hectare, a decrease in planted and harvested soybean hectares has driven down the production estimate. In lieu of soybeans, Argentine farmers have opted to plant a more competitive crop—corn. As a result of the lower soybean supply, Argentine soybean exports are forecast down by 1 million metric tons to 5.35 million metric tons, lowering March 2022 ending stocks to 7.95 million metric tons. The reduction in Argentine soybean exports is offset by anticipated increases in Brazilian soybean exports on the global balance sheet. Brazil is expected to export a record 94 million tons of soybeans in the upcoming marketing year. With lower U.S. and Argentine exports, China imports are lowered 1 million tons to 100 million.

Not only have reductions in Argentine and U.S. soybean production estimates affected global exports, but also the global outlook for 2021/22 soybean ending stocks. The 2021/22 soybean ending stock estimate is lowered from October's projection by 787 million metric tons to 103.78 million metric tons. Although the monthly forecast has been reduced, global soybean stocks are rebounding in 2021/22 from 2020/21 by 3.7 million metric tons.

# Suggested Citation

Aaron M. Ates and Maria Bukowski, *Oil Crops Outlook: November 2021*, OCS-21k, U.S. Department of Agriculture, Economic Research Service, November 12, 2021.