



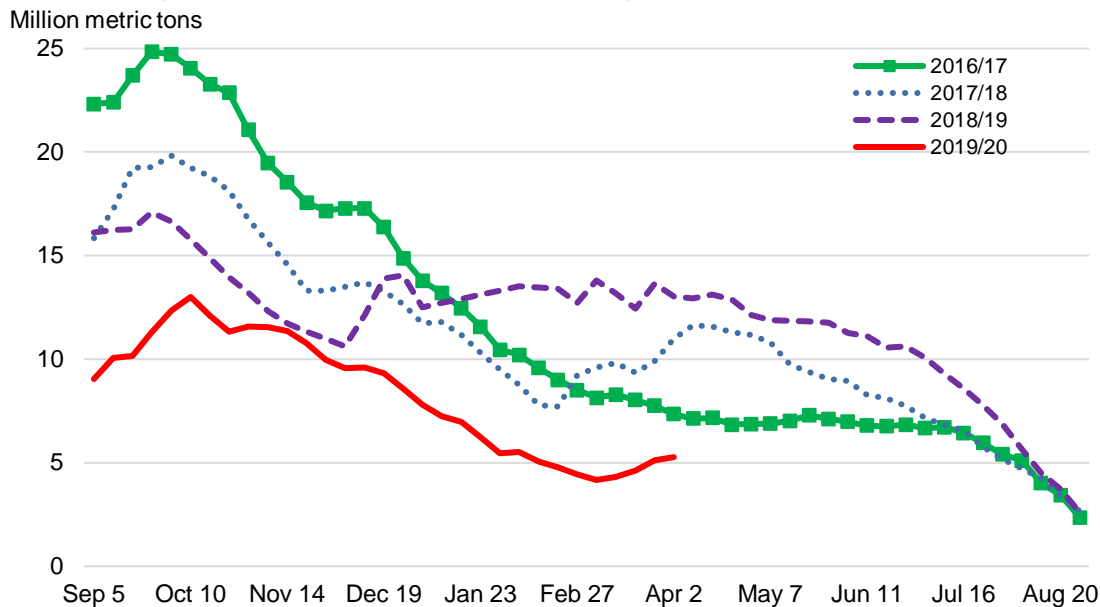
Oil Crops Outlook

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U.S. Soybean Product Exports Gain from Lagging Argentine Trade

This month, USDA boosts its forecast of the 2019/20 soybean crush by 20 million bushels to a record 2.125 billion, based on steady soybean meal demand. A current shortfall in Argentine shipments raises forecast soybean meal exports by 250,000 short tons this month to 13.45 million. A higher crush is more than offset by a decline for soybean exports (by 50 million bushels to 1.775 billion). Demand revisions boost the 2019/20 season-ending stocks forecast by 55 million bushels to 480 million.

Figure 1
Outstanding U.S. export soybean sales lack signs of previous summer revivals



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

Domestic Outlook

Domestic Soybean Crush is Supported by Stronger Meal Use

An enhanced U.S. market for soybean crushing stems from strengthening demand for soybean meal. This month, USDA boosts its forecast of the 2019/20 soybean crush by 20 million bushels to a record 2.125 billion. Although recent values for soybean oil have fallen precipitously, crushing margins have remained steady. A simultaneous plunge in the March average soybean cash price paid by central Illinois processors (to \$8.11 per bushel from \$8.96 in February) has sustained the profitability of crushing. The processing margin is also bolstered by a recovery for the monthly soybean meal average price, which rallied in March to nearly \$312 per short ton from \$295 in February.

Support for the domestic use of soybean meal derives from robust year-to-year gains in livestock production, especially for hogs. Another factor contributing to higher soybean meal demand is a contraction of protein substitutes. That particularly applies to the corn byproduct feeds produced at ethanol plants. Thus, domestic soybean meal disappearance for 2019/20 is forecast 300,000 short tons higher this month to 37.1 million. U.S. exports of soybean meal in 2019/20 are being buoyed, as well, by a current shortfall in Argentine shipments. This supply deficit was tempered by uncommonly strong U.S. exports in the February–March period. The export forecast is up 250,000 short tons this month to 13.45 million. The brighter demand outlook for soybean meal leaves the forecast of its 2019/20 average price unchanged at \$305 per short ton.

An anticipated revival in export demand for soybeans is still pending, however. In March, export inspections of soybeans exhibited a typical seasonal decline in falling to 83 million bushels versus 103 million in February. But unlike a year ago, when large outstanding sales powered a summer boom for soybean shipments, current bookings are considerably lower. U.S. soybean exports for 2019/20 are seen 50 million bushels lower this month to 1.775 billion.

USDA's *Grain Stocks* report last month indicated that March 1 soybean stocks totaled 2.253 billion bushels—a 17-percent decline from a year earlier. Farm stocks data from the survey include estimates of crops still in the field (but expected to be harvested) after some farmers could not fully harvest them last fall. Based on the data for March soybean stocks and September–February use, the seed and residual use is forecast 25 million bushels lower this month. The combined effect of this month's demand revisions is to boost the 2019/20 season-

ending stocks forecast by 55 million bushels to 480 million. A higher stocks carryout may pressure soybean prices but that may only modestly affect the 2019/20 average. Due to the advanced level of farm marketing, USDA's forecast of the U.S. season-average farm price is trimmed by 5 cents this month to \$8.65 per bushel.

The soybean oil market may encounter a pronounced impact on domestic consumption this year from rising unemployment and temporary closures of restaurants nationwide. U.S. soybean oil domestic disappearance for 2019/20 is seen down by 500 million pounds this month to 22.4 billion. Of that amount, edible use may decline by 200 million pounds to 14.7 billion pounds. Lagging demand for use in biodiesel accounts for the remaining reduction, which is forecast contracting 300 million pounds to 7.7 billion.

Figure 2
Soybean oil price volatility increases as output expands and domestic use dims
 Cents/pound



Source: USDA, Agricultural Marketing Service, *Central Illinois Soybean Processor Report*.

In contrast, U.S. export demand for soybean oil is quite solid. Cumulative 2019/20 soybean oil shipments through March now exceed last year's pace by more than 400 million pounds. Recent U.S. export sales have accelerated on account of slower Argentine deliveries. Also aiding the soybean oil sales in developing countries is a rationing of Southeast Asian palm oil shipments. For 2019/20, USDA expects the shipments abroad to strengthen by 300 million pounds to 2.4 billion, versus 1.9 billion in 2018/19. Due to higher production and lower domestic use, 2019/20 season-ending soybean oil stocks is now seen staying moderately more abundant than a year ago. A sharp fall for the price of soybean oil in March (from 30.3 cents per pound to

27 cents) reflects the suddenly altered demand outlook. USDA lowered its season-average price forecast by 1.5 cents to 30 cents per pound.

Soybean Planting is Seen Recovering This Year

On March 31, USDA's *Prospective Plantings* report indicated that U.S. farmers intend this year to plant 83.5 million acres of soybeans. If realized, the 2020/21 soybean acreage would be 7.4 million acres (10 percent) above last year's sowing campaign that was plagued by wetness. However, the present volatility of crop markets since the survey was conducted in early March may make farmers' intentions highly tentative.

Planting intentions for sunflowerseed this year are also poised for a rebound. March 2020 stocks of sunflowerseed are at a 4-year low, which has supported prices to their highest level since 2015/16. Encouraged by a comparatively strong value of the crop, farmers intend to sow 1.56 million acres of sunflowerseed—up 15 percent from 2019/20. South Dakota may show the biggest acreage gain, which now would have the most sunflowerseed acreage of any State.

In contrast, canola planting this year may slip 2.5 percent to 1.99 million acres. Existing supplies of canola are more plentiful, particularly in neighboring Canada, which is keeping prices near a 4-year low.

U.S. peanut acreage is expected to expand 7 percent to 1.5 million acres. Farms in the top-producing State—Georgia—would account for 70 percent of this year's expected gain for sown acreage.

International Outlook

Soybean Crops Quickly Worsen in Southern Brazil, Argentina

USDA lowered its forecast of Brazil's 2019/20 soybean harvest this month by 1.5 million metric tons to 124.5 million. Rainfall was well-below average for much of Brazil throughout February and March. That was not a major problem for most of Brazil's soybean-growing regions given their advanced stage of soybean crop development. By early April, more than 86 percent of the country's soybean harvest was complete. Indeed, record soybean yields are anticipated for several States. In contrast, the dry spell is slashing crop yields for Brazil's last State to harvest (Rio Grande do Sul). Despite this month's reduction, the 2019/20 soybean crop will remain the country's largest ever.

Similarly, soils in Argentina dried out between mid-February and mid-March with scant rainfall and high temperatures during the period. Soybean crops for the major production States of Cordoba, Santa Fe, and Buenos Aires were thereby stressed during a key period for flowering and pod formation. Because of reduced expectations for harvested area and yields, USDA lowered its Argentine crop forecast by 2 million tons this month to 52 million.

Labor Issues are Disrupting South American Supply Chain

Spurred by a record harvest and high domestic prices, Brazilian soybean exports in March swelled to 11.6 million tons. That places the cumulative rate of Brazilian shipments for October 2019-March 2020 up by 4 percent over last year's record. April shipments could be even higher. The brisk pace encouraged USDA to boost its 2019/20 export forecast this month by 1.5 million tons to 78.5 million. Much of the trade expansion is destined for China's market, where soybean imports are forecast up 1 million tons this month to 89 million tons. The recent collapse of Brazil's exchange rate is keeping Brazilian supplies favorably priced against U.S.-originated soybeans.

And, to help counter a decline in Argentine soybean meal supplies, Brazil's domestic soybean crush may also climb by 500,000 tons to 44.25 million. Higher use—coupled with a reduced new-crop forecast—may tighten soybean stocks in Brazil on September 30 by 3.5 million tons to 29.7 million. If realized, this inventory would be a 4-year low, possibly setting the stage for a revival in U.S. soybean demand later this year.

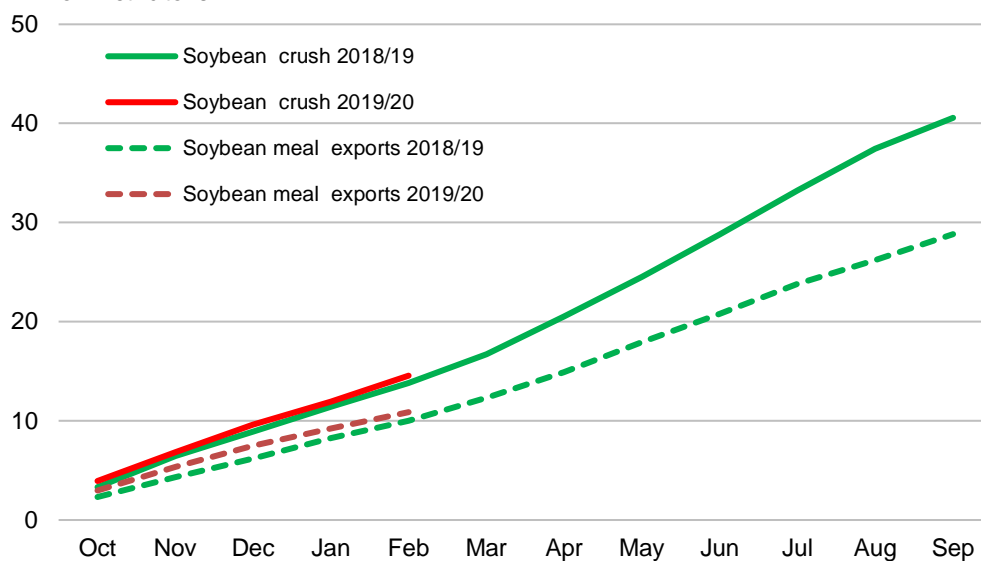
Despite the recently torrid pace for soybean exports from Brazil, shipments may soon slow. Transportation problems within the country are looming. Even through a national emergency, Brazil's agriculture and food processing-related commerce is considered essential. Yet at the same time, the predominant mode of shipping soybeans within the country is via trucks. National safety regulations mandate that truck drivers take regular rest periods. But drivers are now finding it more difficult to do so due to local restrictions on obtaining services during their stops. The supplies arriving at ports could begin to wane. Ports are also operating with a reduced staff.

In Argentina, only 10 percent of the new-crop soybeans were harvested as of early April. Even so, harvesting should advance quickly over the next two months. The usual flush of new-crop supplies may not have the same benefit for processors, though, as they are having more difficulty procuring soybeans this season. While this is partly due to an increase in export taxes and a depreciating currency, other new supply bottlenecks are developing. Near the industry's center of Rosario, local authorities are closing roads and preventing trucks hauling soybeans from reaching the plants. Emerging supply shortages prompted USDA to lower its forecast of the 2019/20 soybean crush this month by 2 million tons to 41.6 million.

Figure 3

Argentine soybean industry is hampered by tighter supplies, higher export taxes

Million metric tons



Source: Argentine Ministry of Agriculture.

In line with a reduced soybean crush, lower supplies of Argentine soybean meal shrank its exports for January-February 2020 to a 5-year low. The dimmer outlook for Argentine soybean meal exports led USDA to reduce its 2019/20 forecast by 1 million tons to 29 million. Additional

soybean meal shipments from the United States and Brazil may only partly offset the reduction in Argentine exports, which could scale back imports by several countries. Argentine soybean oil exports for 2019/20 are also forecast down by 300,000 tons to 5.5 million.

Soybean deliveries are backing up at Argentine port facilities, too. These include Paraguayan barge shipments via the Parana River for export. Currently, the water level on the river is also low, which is restricting the weight of cargoes. So, for vessels waiting at Rosario ports, loading delays are lengthening. Furthermore, ships arriving at ports have not been allowed to berth until foreign crew members have undergone health inspection. Argentine exports for March typically tend to be at a seasonal low but the situation may postpone a subsequent ramping up of shipments.

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