



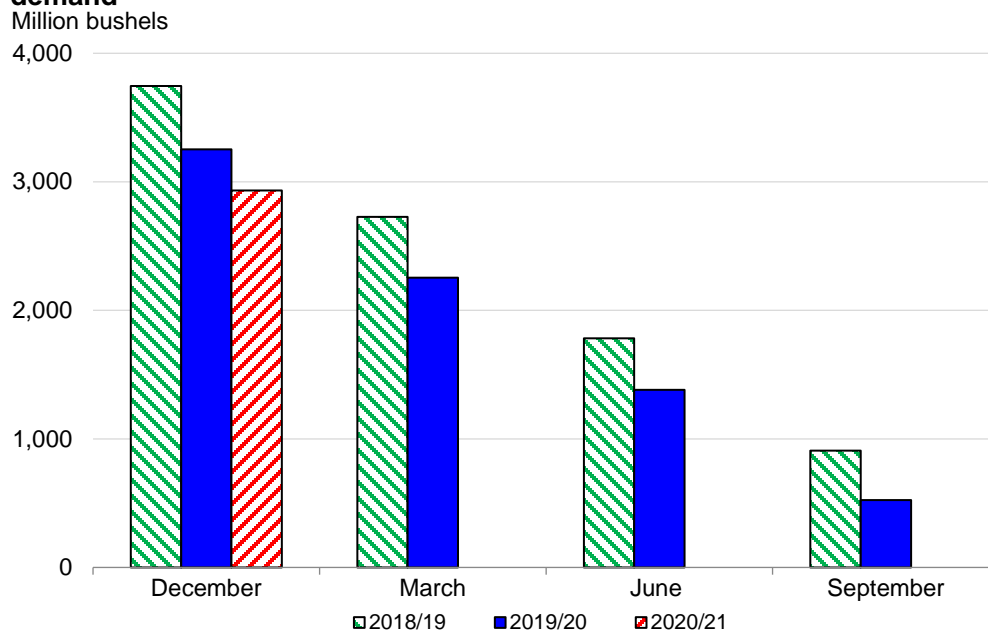
Oil Crops Outlook: January 2021

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Robust Use Reduces 2020/21 Soybean Stocks

The final estimate of the 2020/21 U.S. soybean crop is 4.135 billion bushels, which is down 35 million from the previous forecast. The decline stems from a reduction for the U.S. average yield to 50.2 bushels per acre from the previous forecast of 50.7 bushels. With record first-quarter demand, USDA edges up its forecast of the 2020/21 crush by 5 million bushels this month to an all-time high of 2.2 billion. Based on this month’s crop and use changes, USDA forecasts a plunge in 2020/21 season-ending stocks from 525 million bushels in 2019/20 to a 7-year low of 140 million. The 2020/21 U.S. average farm price for soybeans is seen climbing to \$11.15 per bushel, its highest level since 2013/14.

Figure 1
First quarter U.S. soybean stocks shrink with brisk domestic and export demand



Source: USDA, National Agricultural Statistics Service, *Grain Stocks*.

Domestic Outlook

Price Surge for Soybean Products Spurs a Record Crush

This month, USDA's National Agricultural Statistics Service published its *Crop Production—2020 Summary* report. The publication includes an estimate of the 2020/21 U.S. soybean crop at 4.135 billion bushels, which is down 35 million from the previous forecast. The decline stems from a reduction for the U.S. average yield to 50.2 bushels per acre from the previous forecast of 50.7 bushels. Reduced final estimates for soybean yields in Minnesota, Iowa, and Kansas more than offset higher estimates for Illinois and Missouri.

In contrast, U.S. harvested soybean acreage edged up by 29,000 acres from the previous forecast to 82.3 million, mainly related to higher estimates for Missouri, Pennsylvania, and South Dakota. While new-crop soybean production is below more optimistic early forecasts, it still exceeds last year's harvest by 583 million bushels. A smaller gain, however, is seen for the 2020/21 total soybean supply (up 219 million bushels to 4.7 billion). Compared with 2019/20, the larger soybean harvest is partly countered by a considerably lower level of beginning stocks. This season's expected supply includes a forecast of larger than usual U.S. imports of soybeans—to 35 million bushels.

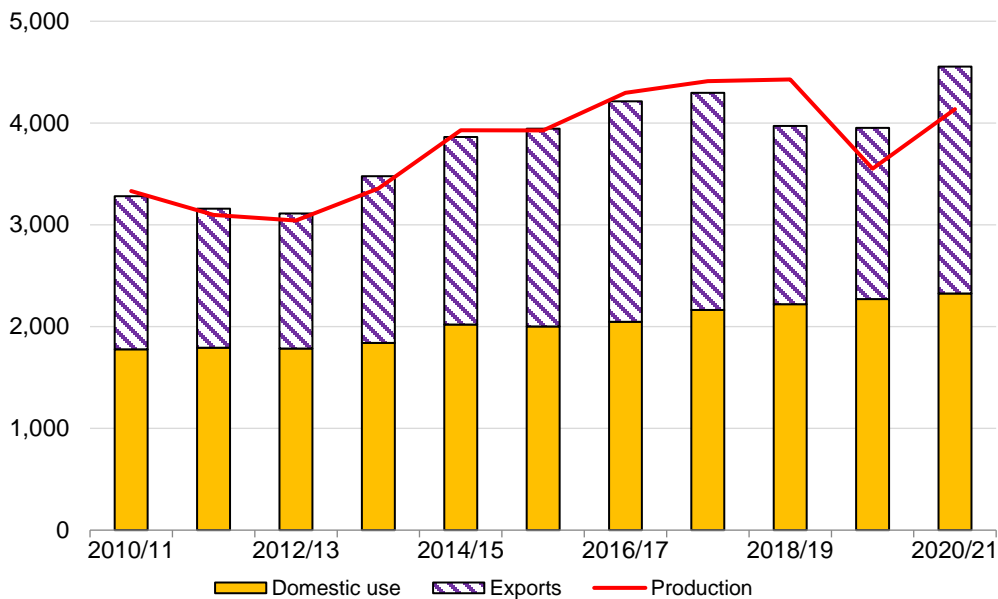
First-quarter demand for the 2020/21 soybean crush summed to a record 559 million bushels. A brisk rate for soybean processing is encouraged by escalating values of the soybean products. December soybean meal prices reached their highest value in central Illinois since November 2014 by averaging \$397 per short ton, versus \$388 in November. The robust market led USDA to raise its forecast of the 2020/21 average price for soybean meal by \$20 per short ton this month to \$390. Rising cash market prices are a response to swiftly tightening soybean supplies and a brighter outlook for soybean meal exports. This month, USDA forecast 2020/21 soybean meal exports 250,000 short tons higher to 14.25 million. Consequently, USDA is prompted this month to edge up its forecast of the 2020/21 crush by 5 million bushels to an all-time high of 2.2 billion. Nevertheless, gains by processors may diminish over the last 3 quarters as they may be more constrained by a comparable surge in the cost of soybeans.

According to USDA's latest *Grain Stocks* report, U.S. soybean stocks on December 1, 2020, totaled 2.933 billion bushels. Despite a higher 2020/21 supply, the December inventory incurred a year-to-year decline of 10 percent. That outcome for soybean stocks was precipitated by unprecedented first quarter domestic use and export shipments. Soybean exports this season

Figure 2

Soybean use in 2020/21 to well exceed production gains

Million bushels



Sources: USDA, National Agricultural Statistics Service, *Crop Production* and World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*.

have swelled by 80 percent compared with the first quarter of 2019/20. Based on this month's crop and use changes, USDA forecasts a plunge in 2020/21 season-ending stocks from 525 million bushels in 2019/20 to a 7-year low of 140 million. If realized, the stocks-to-use ratio on August 31 sinks to 3.1 percent, one of the lowest ever.

Prospects for less than a 2-week year-end soybean supply are rallying market prices to their highest level since 2013/14. The 2020/21 U.S. average farm price for soybeans is seen climbing to \$11.15 per bushel versus last month's forecast of \$10.55 and the 2019/20 average of \$8.57 per bushel. Cash prices in many locations are now approaching \$14.00 per bushel, although much of the crop has already been sold at a lower value.

Soybean Oil Prices Push Higher on Bidding Between Users

USDA also acknowledges the strength of the soybean oil market with a 2.5-cent hike in its 2020/21 average price forecast to 38.5 cents per pound. In December, soybean oil prices swelled by 3 cents per pound to a monthly average of 40.9 cents per pound. Soybean oil exports from Argentina (the global market leader) are lagging on recent strikes by unionized workers at the country's crushing plants and ports. The temporary disruption in Argentine shipments is sparking more interest in U.S. soybean oil supplies. Price support is also coming from a tight global market for palm oil.

Strong domestic demand for soybean oil also contributes to the market strength. Soybean oil continues to make up a high share of the total feedstock used to produce biodiesel. Use of soybean oil for methyl ester-based biodiesel is forecast 100 million pounds higher this month to 8.2 billion. At the same time, demand for soybean oil is also growing by producers of another biofuel—renewable (nonester) diesel. Overall domestic use of soybean oil is expected 200 million pounds higher this month to 23.2 billion. Export sales of soybean oil are also doing quite well this season.

Good Supplies Aid Canola and Sunflowerseed Demand

Despite an 11-percent decline for sown canola acreage in 2020/21 (to 1.83 million acres), a record yield provides a modest gain for domestic production to 3.46 billion pounds. Total supplies of the crop could be further supplemented by an expansion of canola seed imports. Canadian crop supplies are adequate and prospects for domestic demand of canola oil and meal are good. Therefore, USDA forecasts an increase in 2020/21 canola seed imports to 1.3 billion pounds versus 1.25 billion the previous year. The combination of a larger crop, import gains, and higher beginning stocks could expand the 2020/21 total supply of canola seed by 6 percent. The 2020/21 domestic crush for canola may rise to 4.4 billion pounds from 4 billion in 2019/20, although this may lead to lower season-ending stocks.

U.S. sown area for sunflowerseed in 2020/21 expanded by 27 percent to 1.72 million acres. Mostly favorable weather in the Northern Plains also provided a boost to the 2020/21 U.S. average sunflowerseed yield to a record 1,790 pounds per acre. Both factors contributed to a strong rebound for estimated sunflowerseed production in 2020/21 to 2.98 billion pounds from 1.96 billion last year. Growers in North Dakota and South Dakota harvest most of the country's sunflowerseed acreage and are responsible for most of the overall increase in production. That higher output swells the 2020/21 sunflowerseed supply by 31 percent to 3.46 billion pounds, which should support a higher demand. Even so, the large harvest may balloon season-ending sunflowerseed stocks to a 4-year high of 503 million pounds (compared with 194 million in 2019/20).

Oil-type sunflowerseed comprised 83 percent of the 2020/21 production gain, which at 2.617 billion pounds is a gain of 852 million pounds from last year. Additional supplies are likely to expand the crush by 21 percent from 2019/20 to 1.2 billion pounds. Much of the associated increase in sunflowerseed oil and sunflowerseed meal production will be consumed domestically. Output of non-oil type sunflowerseed this season is substantially higher, too, due

to a 74-percent increase for harvested acreage and a strong rebound in yields to 1,712 pounds per acre. Those changes contributed to a sharp increase for non-oil type production in 2020/21 to 365 million pounds from the previous year's total of 190 million.

Peanut Production Surges on Higher Acreage and Yields

U.S. peanut acreage in 2020/21 rebounded by 16 percent to 1.66 million planted acres. Georgia alone accounted for 59 percent of the acreage increase. In contrast, the national average yield declined to 3,796 pounds per acre from 3,934 pounds in 2019/20. The combination raises U.S. production to 6.13 billion pounds and the third-largest harvest ever. This is down 509 million pounds from last month's forecast but up 12 percent from 2019/20. However, lower beginning stocks for 2020/21 would moderate the gain in total supplies.

There is an abundant supply of peanuts available to support demand this season. Growth in domestic use of peanuts is anticipated to increase 14 percent in 2020/21 to 4.87 billion pounds. In contrast, 2020/21 peanut exports may decline moderately from 1.6 billion pounds in 2019/20 to 1.5 billion. That would still represent the third-largest exports on record. Season-ending peanut stocks could end up 6 percent lower to 1.99 billion pounds, which will help provide support for prices.

The final estimate of 2020/21 cottonseed production totals 4.6 million short tons, a downward revision by 300,000 tons from the December forecast. A 23-percent reduction from the 2019/20 cottonseed crop is derived from a 25-percent decline in harvested cotton area and a slightly higher cottonseed-to-lint ratio. A more constrained supply is forecast to moderately reduce the cottonseed crush (by 4 percent to 1.65 million tons), while feed use plunges by 28 percent to 2.8 million tons.

International Outlook

Poor Moisture Curbs Argentine, Uruguayan Soybean Yields

Global soybean production for 2020/21 is forecast down by 1.05 million metric tons this month to 361 million. A higher production estimate for China is more than offset by lower expected crops in Argentina, Uruguay, and the United States.

For Argentina, USDA lowered its forecast of 2020/21 soybean production by 2 million tons this month to 48 million based on a dimmer yield outlook. Western and southern regions of Argentina had cumulative precipitation for October-November 2020 that was down one-third from usual. Despite this, December through March weather typically has the most influence on Argentine crop yields. Early indications are poor, though, as December rainfall was only half of the long-term average. All of this month's Argentine crop reduction is anticipated to trim back the country's season-ending soybean stocks.

Last month's strike by Argentine workers at crushing plants was resolved in early January. Wage demands by workers at the country's ports also were settled. Yet, members of several major Argentine farm organizations are still withholding crop sales in protest of Government policies. Even though there now is some prospect for an uptick in soybean meal production, the disruption in December shipments will be hard to make up. Argentine soybean meal exports for 2020/21 are seen 400,000 tons lower this month to 26.3 million. The slack in global soybean meal trade is being made up by a recent expansion of shipments from the United States.

In contrast, a different story has developed for Argentine exports of soybean oil. Output of soybean oil still lags due to a sluggish crushing pace. But oil exports are thriving as foreign import demand is robust (particularly by India). Low domestic use for biodiesel has enabled Argentine soybean oil exports to continue supplying the international market.

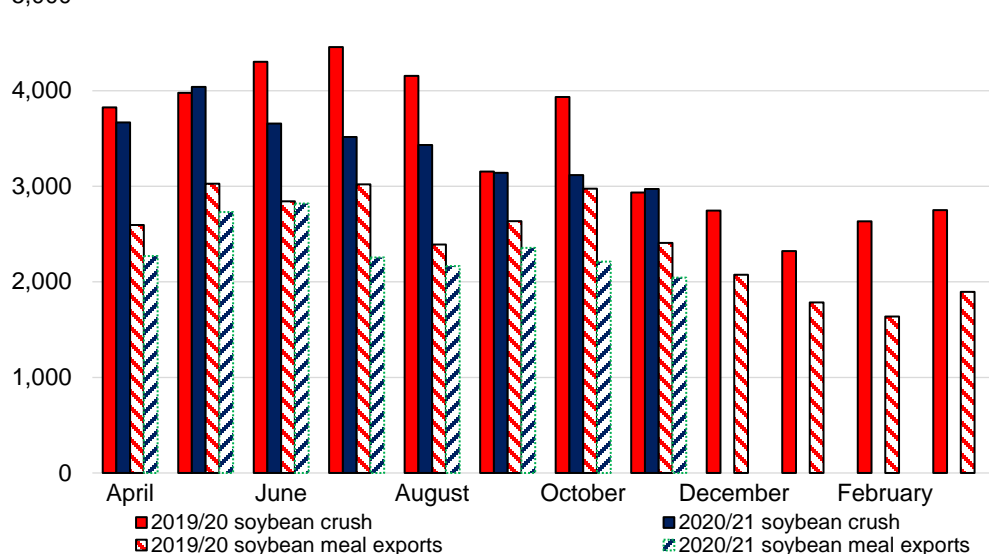
As in Argentina, the western part of Uruguay is dry, which held down 2020/21 soybean planting and is stressing the crops that were sown. Based primarily on a lower yield outlook, USDA forecasts soybean production in Uruguay for 2020/21 at 2.2 million tons on 1 million hectares harvested—down 200,000 tons from last month's forecast. All the crop reduction for Uruguay is expected to lower 2020/21 soybean exports to 2.1 million tons.

Figure 3

Argentine soybean meal exports slowed by a sluggish soybean crush

1,000 metric tons

5,000



Source: Argentine Ministry of Agriculture, Livestock, and Fisheries.

Higher China Soybean Yields to Buoy Stocks

China's soybean harvest for 2020/21 is estimated 2.1 million tons higher this month to a record 19.6 million. The change reflects official data indicating higher soybean area in China (up 6 percent from 2019/20 to 9.9 million hectares) as well as yields.

Despite an increase for domestic soybean production, it has little bearing on China's import demand for 2020/21, which is forecast unchanged this month at 100 million tons. While the country's crushing capacity is predominantly located near its southern ports and livestock farms, China's own crop is less accessible as it is primarily grown in the northeast. A higher crop may modestly boost food use, but most of the gain may simply accumulate in the Government stocks reserve.

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