



Oil Crops Outlook

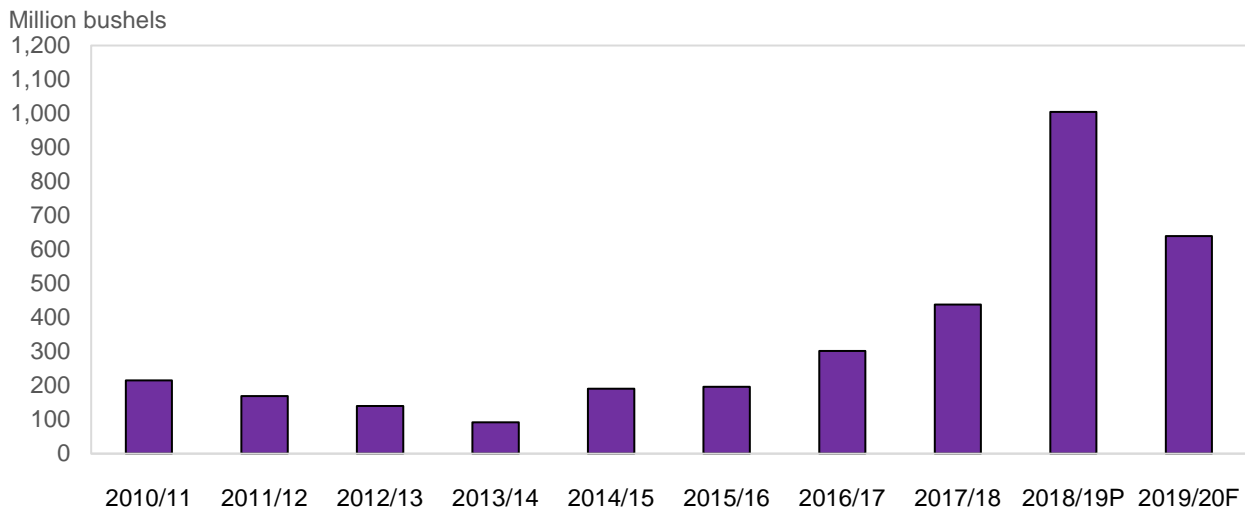
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Oil Crops Outlook monthly tables, in excel format, can be found on the Oil Crops Outlook report page on USDA's Economic Research Service website.

A Sharply Lower Crop To Slash Burdensome Soybean Stocks in 2019/20

The NASS September *Crop Production* report lowered the U.S. soybean yield forecast by 0.6 bushel to 47.9 bushels per acre. Based on a lower yield, the U.S. crop for 2019/20 is trimmed 48 million bushels this month to 3.633 billion. Although USDA left its forecasts of new-crop soybean demand unchanged this month, lower supplies are expected to reduce 2019/20 season-ending soybean stocks by 115 million bushels to 640 million. The expected stocks reduction prompted USDA to raise its forecast of the U.S. season-average farm price by 10 cents to \$8.50 per bushel.

Figure 1
Season-ending soybean stocks to shrink in 2019/20 following a much lower crop



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

Domestic Outlook

Lower Yield Reduces Forecast of U.S. Soybean Production

This month, USDA's National Agricultural Statistics Service—in addition to its farmer-reported yield survey and remote sensing analysis—conducted its first objective yield survey for the 2019/20 soybean crop. For the top 11 soybean producing States, this survey randomly sampled fields from the June acreage survey. Between August 24 and September 1, NASS enumerators determined the density of plants and the number of branches and flowers from a section of a field. Based on the crop's maturity level, the number of pods is then calculated with these data. If pods with beans are present on the plants, they are counted and weighed. Historical parameters are key elements of this month's yield forecast, since the percentage of soybean acreage that was setting pods by September 1 was only 86 percent—the lowest since 1981.

Weather in August is usually a critical determinant of U.S. soybean yields. Throughout the Midwest, precipitation and temperatures this August mostly stayed near historical averages. Nevertheless, the soybean crop has had less time to produce vegetation this summer than most years. An extended 2019 growing season (through the end of September) would be highly beneficial.

The September *Crop Production* report incorporates information from the yield surveys to indicate an updated U.S. soybean yield forecast of 47.9 bushels per acre. The forecast is down 0.6 bushel from last month and below last year's 51.6 bushels. As of September 8, 55 percent of the soybean crop was rated in good-to-excellent condition, down 13 percentage points from a year earlier. The principal yield-related crop losses from last month are reported in Illinois, Iowa, and Minnesota, but there are reductions for 10 other States, as well. Based on a lower yield, the U.S. crop for 2019/20 is trimmed 48 million bushels this month to 3.633 billion.

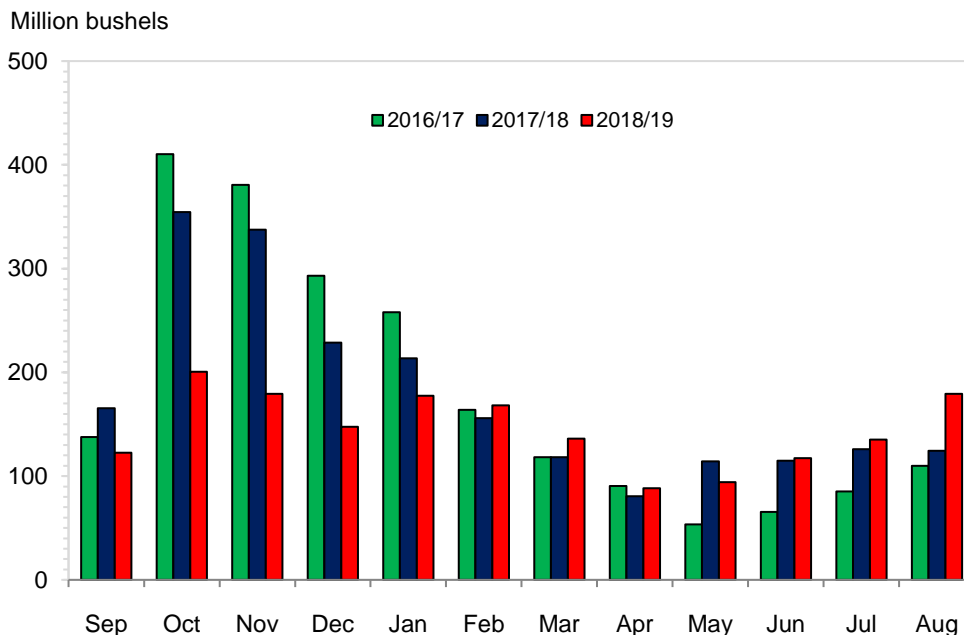
Despite its delayed start, the soybean crop is now well advanced into pod development. Many soybean fields, however, are still quite green at a time when they have typically turned yellow. Ordinarily, only a small percentage of soybeans—mainly in the South—are mature enough to be harvested in September. Harvest progress this season is behind due to lengthy planting delays last spring. Soybean crops must proceed through essential stages of maturing and drying. So, the greater part of the 2019/20 harvest will not take place until well into October—weather permitting.

Although USDA left its forecasts of new-crop soybean demand unchanged this month, a reduced 2019/20 carryout is anticipated based on lower production and beginning stocks. Compared to last month, the decline in soybean supplies is forecast to reduce 2019/20 season-ending stocks by 115 million bushels to 640 million. The expected stocks reduction prompted USDA to raise its forecast of the U.S. season-average farm price by 10 cents to \$8.50 per bushel.

Soybean Demand Ends Strongly for 2018/19

Domestic soybean crushing rebounded in July to 179.5 million bushels after slumping to 157.6 million bushels in June, when some processors took downtime for servicing of equipment. The late seasonal strength prompted an increase in USDA's estimate of the 2018/19 crush this month by 20 million bushels to 2.085 billion. Increases in domestic use and exports of soybean meal largely account for the stronger crush demand. Domestic soybean oil use is also seen 250 million pounds above last month's forecast.

Figure 2
U.S. soybean exports display a less pronounced seasonal pattern in 2018/19



Source: USDA, Foreign Agricultural Service, *Global Agricultural Trade System*.

Similarly, U.S. soybean exports concluded the 2018/19 crop year with a flourish. At 180 million bushels, August export inspections of soybeans totaled an all-time high for the month. The data rounds out the September-August crop marketing year with an atypical export pattern; August shipments were nearly as high as in October and November. The unseasonably strong revival

in U.S. export demand this summer was stimulated by competitive prices and a slowing of shipments from Brazil. China accounted for a majority of the August gain in U.S. soybean shipments, which surged when sales that were booked early this year finally got shipped. As a consequence, USDA raised its 2018/19 estimate of U.S. exports this month by 45 million bushels to 1.745 billion. While this summer's strong demand pace pares carryout soybean stocks by 65 million bushels from previous expectations, the revised forecast of 1.005 billion bushels still represents an all-time high.

Record Peanut Yields Temper Prices and Boost Domestic Food Consumption

As of September 8, 64 percent of U.S. peanut acreage was rated in good-to-excellent condition, compared to 72 percent a year earlier. The national average yield is forecast at 4,086 pounds per acre, ranking behind only the 2012/13 record. The expected yield is up 78 pounds per acre from last month and 95 pounds above 2018/19. Forecast yields held steady or higher for most of the peanut growing States, except for Virginia. Compared to last year, the largest yield gains are expected for Florida, Mississippi, North Carolina, and Oklahoma. Forecast U.S. production for 2019/20 is revised up 7 percent from last month to 5.65 billion pounds.

Certified acreage data indicates that the 2019/20 U.S. peanut area planted stayed flat—at 1.4 million acres. However, several of the peanut producing States, particularly Georgia and Florida, are likely to have an increase in area harvested and production.

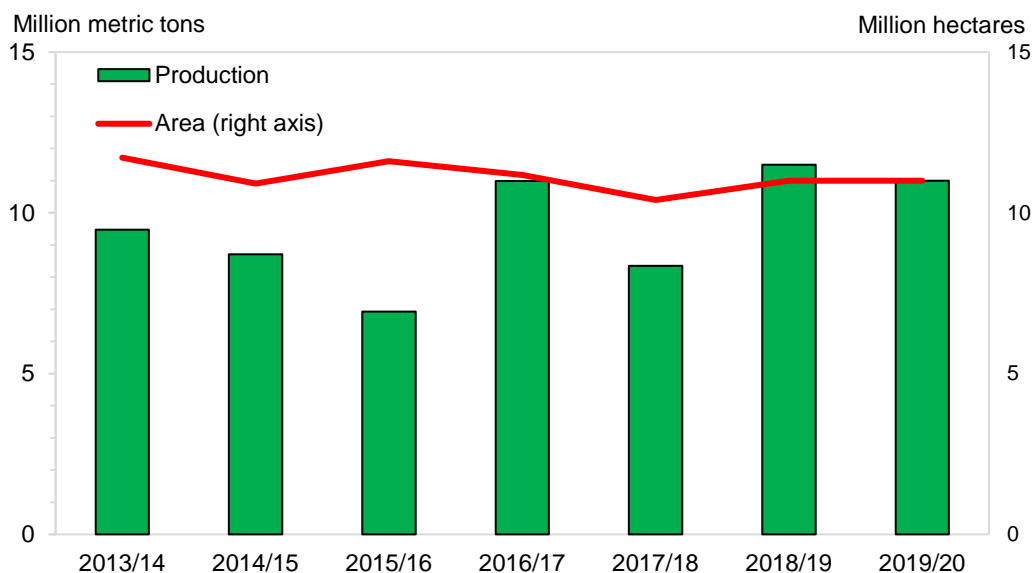
Season-ending peanut stocks were at an all-time high after the record 2017/18 crop. Since then, lower crops have gradually trimmed inventories. The expectation for 2019/20 season-ending peanut stocks is 2.2 billion pounds, a decline of 194 million pounds from 2018/19.

International Outlook

Indian Soybean Crop Benefits From Improved Rainfall

USDA lowered its 2019/20 forecast of global soybean production by 447,000 metric tons this month (to 341.4 million) as larger crops for India, Canada, and China were offset by reductions for the United States, Ukraine, and the EU. Indian soybean production for 2019/20 is forecast up 700,000 metric tons this month to 11 million tons due to an improved yield outlook. A larger expansion for this year's sown soybean area was precluded by a late start for the summer monsoon. The rains strengthened throughout August, though, with favorably moist growing conditions finally arriving in the top soybean production regions of central India. Larger Indian crop supplies are expected to boost the 2019/20 soybean crush by 200,000 tons to 9.7 million. Additional output would likely buoy season-ending inventories, as well.

Figure 3
Indian soybean production is supported by stable area and yields



Source: USDA, Foreign Agricultural Service, PS&D Online.

Canadian soybean production in 2019/20 is forecast 300,000 tons higher this month to 6.5 million. The production gain is based on a recent official survey indicating that this year's sown soybean area is now 100,000 hectares above farmers' spring intentions, particularly in Ontario. Canadian soybean area for 2019/20 is estimated at 2.3 million hectares. Compared to last year, however, the decline in acreage exceeds 9 percent and is largely responsible for an expected 11-percent decline in output. As in the United States, Canadian soybean yields will be curtailed

by a late start for planting and summer dryness. Additional production is expected to boost Canadian soybean exports in 2019/20 by 200,000 tons to 4.6 million.

Until last month, growing conditions for Ukraine's soybean crop had been relatively favorable. Then, August rainfall suddenly ceased in the main soybean production region of central Ukraine. Lower yields are expected to trim the 2019/20 soybean crop by 200,000 tons to 3.6 million. Soybean exports from Ukraine may reach only 1.9 million tons in 2019/20, compared to 2.45 million in 2018/19.

EU Rapeseed Crush To Dip With Poor Crop, Lack of Import Sources

Global rapeseed production for 2019/20 is forecast down 939,000 tons this month to 69.5 million, mainly due to reductions for the EU, Australia, and Ukraine. For the EU, a spring drought—coupled with sharply lower area—have led to its smallest rapeseed harvest since 2006/07. Expectations for the EU rapeseed crop in 2019/20 are downgraded further this month by 500,000 tons to 17.5 million due to lower estimates for the UK, Germany, and France.

While the potential for EU rapeseed imports is heightened by a deficit in domestic supplies, external sources may be more constrained. EU rapeseed imports for 2019/20 are forecast at a record 5.1 million tons, where the usual exporters include Australia and Ukraine. But new-crop production losses for both countries may not accommodate much more expansion of trade. Even when coupled with an unusually dramatic drawdown of EU carryout stocks, these imports may not prevent a year-to-year decline in the rapeseed crush. Next year, that loss of EU rapeseed oil supplies could constrict its use for the production of biodiesel.

The Australian canola crop for 2019/20 is seen declining 300,000 tons this month to 2.3 million. In August, Australian crop conditions deteriorated with worsening rainfall deficits. The most acute dryness is in the northern part of New South Wales. No more than 2 inches of precipitation have fallen in the region in the 4 months since planting. In contrast, growing conditions for the States of South Australia, Victoria, and West Australia are more favorable. Many canola fields in Australia are passing through the flowering stage, when moisture is critical for seed development. Poor yield prospects and the rising value of forage is leading some farmers to cut the canola crop for hay instead. Shrinking supplies may curtail 2019/20 Australian canola exports by 100,000 tons to 1.8 million. Even then, minimal stocks could remain at the end of the crop marketing year.

The 2019/20 outlook for Canadian canola supplies has also moderately tightened. A recent government survey indicated that July 1 canola stocks were lower than expected (at 3.9 million tons). Consequently, the 2018/19 production estimate is lowered by 757,000 tons to 20.3 million. Also, final data for the 2018/19 crush (9.3 million tons) and exports (9.1 million tons) ended slightly higher than anticipated. Overall exports of canola from Canada have been steady due to a lack of competition from Australia and Ukraine. The stability is remarkable considering that old-crop shipments from Canada have been almost shut out of China's import market. Canadian season-ending stocks are now 1.2 million tons below last month's forecast. Nevertheless, the stocks carryout in Canada still represents an all-time high. For 2019/20, season-ending stocks are seen moderating to 3.8 million tons with the lower old-crop carryover.

Global Cottonseed Output Edges Down

USDA forecasts a decline for global cottonseed production in 2019/20 as reductions for the United States and Australia more than offset a gain for India. In Australia, the harvested area for cotton is reduced 23 percent from last month to a decade-low 200,000 hectares. For the main cotton-producing regions of New South Wales and Queensland, a months-long drought has sharply reduced the availability of irrigation water and inflated the cost of this vital input. Lower irrigated area and lower yields for dryland cotton are anticipated to reduce Australian cottonseed production by 150,000 tons this month to 420,000 tons. If realized, this would be the smallest output of cottonseed in Australia since the catastrophic 2007/08 crop. The deficit in supplies would mostly ration the domestic use of cottonseed.

In contrast, favorable moisture conditions have expanded Indian cotton area this year and improved yield prospects there. Indian cottonseed production for 2019/20 is forecast up 212,000 tons this month to 12.5 million.

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