



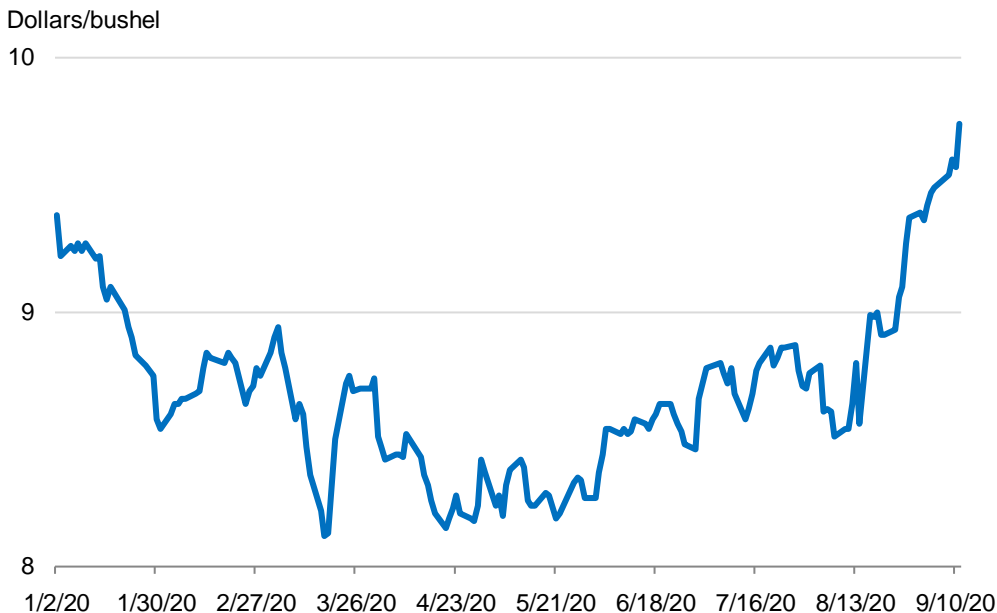
Oil Crops Outlook: September 2020

Mark Ash
Dana Golden

Higher Soybean Prices Led by Lower Supply, Brisk Export Sales

Based on dry August conditions for several States, USDA's *Crop Production* report forecast the national average soybean yield down to 51.9 bushels per acre from 53.3 bushels last month. Consequently, USDA scales back the 2020/21 soybean crop by 112 million bushels to 4.313 billion. With USDA's forecasts of 2020/21 soybean demand unchanged this month, the entire supply reduction cuts the outlook for season-ending stocks by 150 million bushels to 460 million. USDA's forecast of the 2020/21 average farm price is raised to \$9.25 per bushel from \$8.35 last month.

Figure 1
Lower yields, brighter export sales spark a rally in Central Illinois soybean prices



Source: USDA, Agricultural Marketing Service, *Illinois Grain Bids*.

Domestic Outlook

Untimely August Dryness Curtails Midwestern Soybean Yields

The bright promise of the nation's 2020/21 soybean crop was tarnished a bit over the last month. Since July, much of western Iowa has endured below-average precipitation. Drought quickly spread eastward through the State in August, with less than half of the usual monthly rainfall. It was the third driest August for Iowa since 1895. As much as 80 percent of topsoil moisture in Iowa is now rated from very poor to poor. It is exceptionally unfortunate timing as the period is when the majority of soybean pod development occurs. Between July 12 and August 30, the worsening stress on Iowa soybean crops from drought culminated in a plunge for the percentage rated in good-to-excellent condition from 83 percent to 50 percent. Moreover, a severe mid-August windstorm tore through the middle of the State. Extensive damage was done to Iowa corn crops, but soybeans are less prone to injury from high winds and the yield toll on the latter was minimal. USDA conducted a resurvey of expected harvested acreage in Iowa for soybeans but made no revision to the estimate.

USDA's *Crop Production* report forecast the national average soybean yield down to 51.9 bushels per acre from 53.3 bushels last month. While this month's biggest crop reduction is for Iowa, a similar absence of August rainfall also lowered yields for Illinois, Nebraska, Kansas, and Missouri. In contrast, record soybean yields are anticipated in Minnesota, Kentucky, and Tennessee after each State benefited from better than average August rainfall.

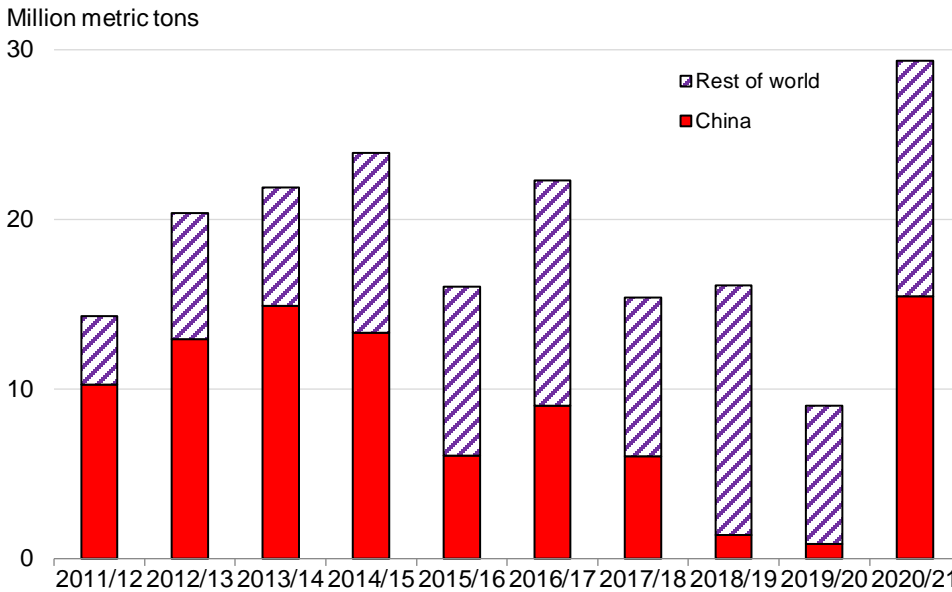
Supply and Demand Changes Strengthen Market Prices

Lower crop yields this month are expected to scale back the 2020/21 soybean crop by 112 million bushels to 4.313 billion. Beginning soybean stocks are also trimmed 40 million bushels on account of increases for 2019/20 exports and domestic use. With USDA's forecasts of 2020/21 soybean demand unchanged this month, the entire supply reduction cuts the outlook for season-ending stocks by 150 million bushels to 460 million.

A recent rally in soybean prices reflects the yield deterioration as well as an acceleration of export sales. As of September 3, U.S. export sales commitments of soybeans total 29.9 million metric tons (1,098 million bushels). Exporters have booked record high sales for this date that are nearly four times the level of a year earlier. Revitalized U.S. sales to China are primarily

responsible for the gains. A resurgence in soybean exports is forecast for 2020/21 to 2.125 billion bushels from a revised 1.68 billion in 2019/20.

Figure 2
U.S. export sales of soybeans set a fast start with revived demand in China



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

USDA's forecast of the 2020/21 average farm price is raised to \$9.25 per bushel from \$8.35 last month. Higher values are anticipated for soybean meal and soybean oil, also. Price forecasts for 2020/21 are raised by \$25 per short ton to \$315 for soybean meal and by 2 cents per pound to 32 cents for soybean oil.

International Outlook

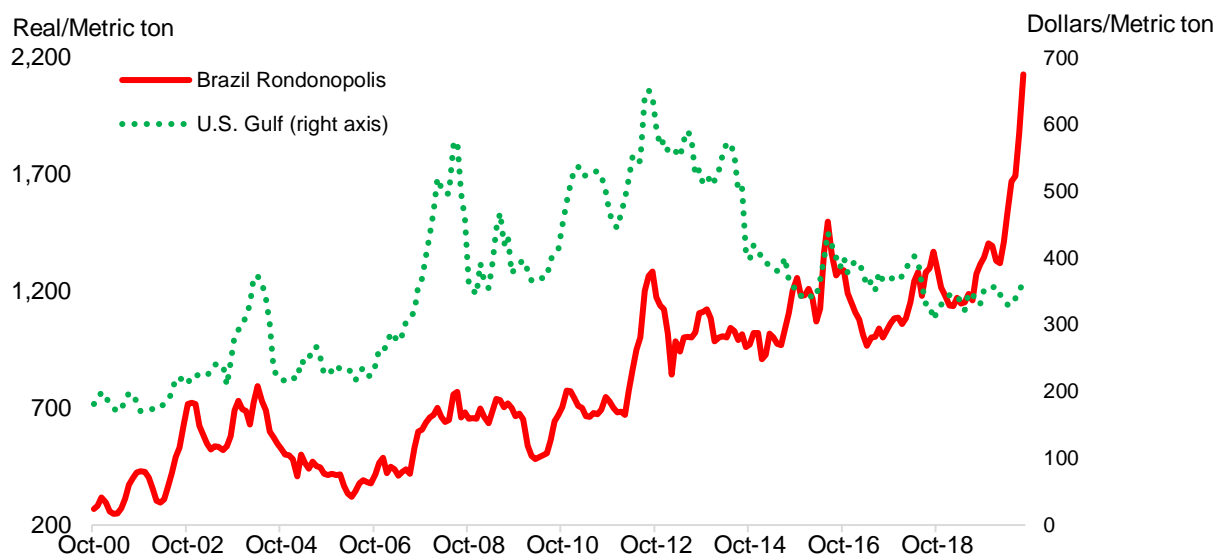
Record High Prices Spark Brazil Soybean Area Expansion

Global soybean production for 2020/21 is forecast at 369.7 million metric tons, down 660,000 tons from last month. Output losses for the United States and Ukraine are seen more than offsetting larger expected crops for Brazil, Canada, and India.

Compared with a year ago, soybean prices in Brazil have soared by nearly two-thirds. While international soybean prices in the last month have strengthened, most of the price gains in Brazil since its last crop was sown can be attributed to other factors. Those include an exchange rate depreciation (down by 15 percent against the U.S. dollar from a year ago) and a reduction in shipping costs following the completion of infrastructure projects. Another recent contributor is the tightening of domestic soybean stocks following a record-breaking export season. In fact, local scarcities are now compelling some domestic users to import supplies from Paraguay to sustain operations at crushing plants.

Figure 3

Record high prices in Brazil signal farmers to expand soybean area



Sources: USDA, Foreign Agricultural Service, *Oilseeds: World Markets and Trade* and Associação Brasileira das Indústrias de Óleos Vegetais.

Consequently, Brazilian farmers are likely to respond this year with a more aggressive sowing campaign for soybeans. Planting by growers will commence later this month, yet they are reported to have already sold more than half of expected soybean production. USDA forecasts the 2020/21 soybean area in Brazil at 38.6 million hectares—up 300,000 from last month's forecast and 4.6 percent above the 2019/20 level. If realized, a trend yield may produce a

record Brazilian soybean crop of 133 million metric tons, which is up 2 million from the previous projection. Soybean exports from Brazil for 2020/21 are seen 1 million tons higher to 85 million, yet well off of the torrid 2019/20 pace (93.5 million). A year from now, Brazilian soybean stocks could once again be quite lean.

A Hot and Dry Summer Dims Ukraine Soybean Prospects

A dry August in Ukraine has curtailed the country's crop yields. Expected soybean production for 2020/21 is lowered by 300,000 tons this month to a 7-year low of 3.3 million. Since Ukraine's soybean market is mostly influenced by foreign demand, the main consequence of a smaller harvest is an expected reduction for exports by an additional 200,000 tons to 2.15 million.

In contrast, even with lower sown area this year, Canadian soybean production is expected to match last year's level on account of better yields. The 2020/21 Canadian soybean crop is seen up 200,000 tons this month to 6 million. Excellent conditions in southern Ontario—the main production region—are anticipated to culminate with near-record yields.

Favorable conditions are expected to raise the Indian 2020/21 soybean crop to 11.2 million tons from 9.3 million last year. Indian soybean planting is now virtually complete, so a higher production forecast is based on an increase in the sown area to 12.2 million hectares. Rainfall for most districts of Madhya Pradesh (the country's top soybean-growing state) were within normal bounds for the growing period between June 1 and September 2. Domestic processors are then expected to boost the 2020/21 crush by 500,000 tons to 10 million. A corresponding increase in soybean meal production would make Indian exports more competitive internationally. Indian soybean meal exports for 2020/21 are forecast up 200,000 tons this month to 2.1 million.

Sunflowerseed Crops Deteriorate in Ukraine and Russia

Global sunflowerseed production for 2020/21 is forecast 1.8 tons lower this month to 54 million. The common denominator for reductions in expected sunflowerseed yields for Ukraine, Russia, and Moldova is hot and dry conditions during August. In Ukraine, sunflowerseed output could be decreased by 500,000 tons to 17 million, although this still represents an all-time high.

Similarly, drought in southern Russia is seen depressing the country's sunflowerseed crop by 500,000 tons this month to 13.5 million. Prospects were already dim for Russian sunflowerseed exports if the country's high export taxes remain in place. Thus, for both Russia and Ukraine, smaller crops are most likely to constrain crushing and tighten season-ending stocks.

Argentine farmers were expected to grow more sunflowerseed in 2020/21 because of a more favorable outlook for prices and export taxes. Fulfilment of such intentions, however, has been prevented by drought conditions. Poor soil moisture for planting is now seen scaling back the 2020/21 Argentine sunflowerseed area from 1.86 million hectares to 1.6 million (versus 1.56 million in 2019/20). Thus, USDA lowers its forecast of the country's 2020/21 production to 3.4 million tons from 4 million last month. A constriction of Argentine sunflowerseed supplies could preclude any growth in domestic crushing for 2020/21, which in 2019/20 totaled 3 million tons.

EU sunflowerseed production for 2020/21 is expected 150,000 tons lower this month to 9.75 million. Dry summer weather for Romania, Spain, and Bulgaria prompts the reduction, although this is partly offset by a higher area estimate for France. However, a constrained crop in Ukraine will restrict the availability of imported supplies. The most likely outcome for a downgraded domestic harvest, then, is a tightening of EU season-ending stocks.

Despite Less Area, Canadian Canola Crop Prospects Are Good

On an anticipated harvested canola area of 8.3 million hectares, 2020/21 Canadian production is forecast to reach 19.5 million tons—up 500,000 tons from last month. Although the area is down 2 percent from 2019/20, near-record yields may lead to roughly the same production this year. In Alberta, abundant moisture has produced excellent crop conditions. And despite development of a late summer dry spell in southern Saskatchewan, early season moisture there has been sufficient to sustain the crop. An improvement in Canadian supplies may buoy the projected level of season-ending stocks to around 1.95 million tons. Even then, these expected inventories could be slashed as much as 29 percent from the 2019/20 carryout.

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