



Oil Crops Outlook: April 2021

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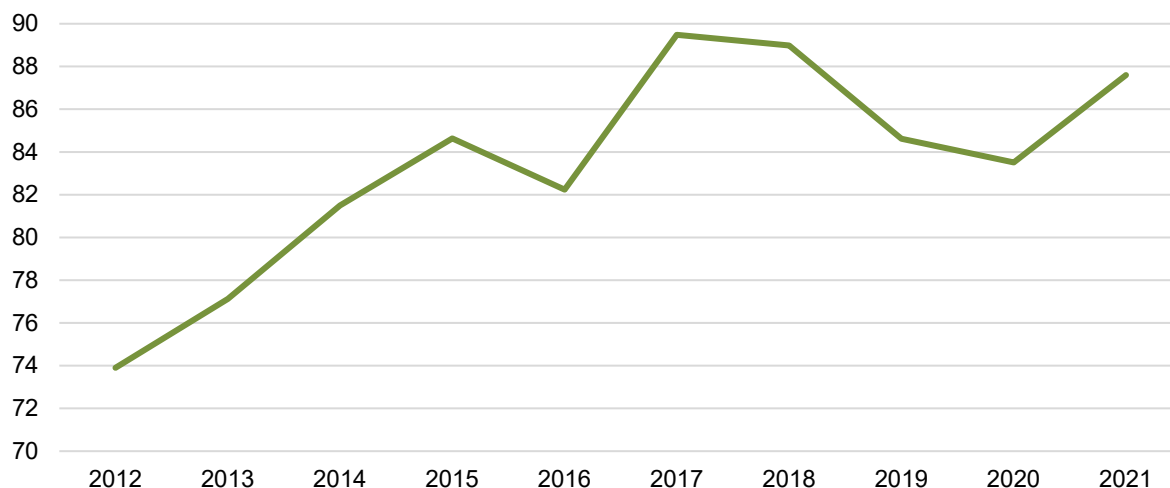
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Planted Soybean Intentions Lower than Estimated Amid Tight On-Farm Stocks

The release of the National Agricultural Statistics Service (NASS) *Prospective Plantings Report* on March 31 indicates planted soybean acres will increase from last year. The 87.6 million acres of soybeans reported to be planted in 2021 represent a 5 percent increase from the 83.1 million acres reported last year. This year's prospective plantings total is the highest since the 2018/19 marketing year when 89.0 million acres were reported in the March survey. However, the March prospective plantings came in lower than many estimates and sets the stage for a tight balance sheet in the 2021/22 marketing year. The largest acreage increases from last year's intentions are reported in Iowa, Indiana, Minnesota, Nebraska, and North Dakota.

March prospective soybean plantings

Million acres

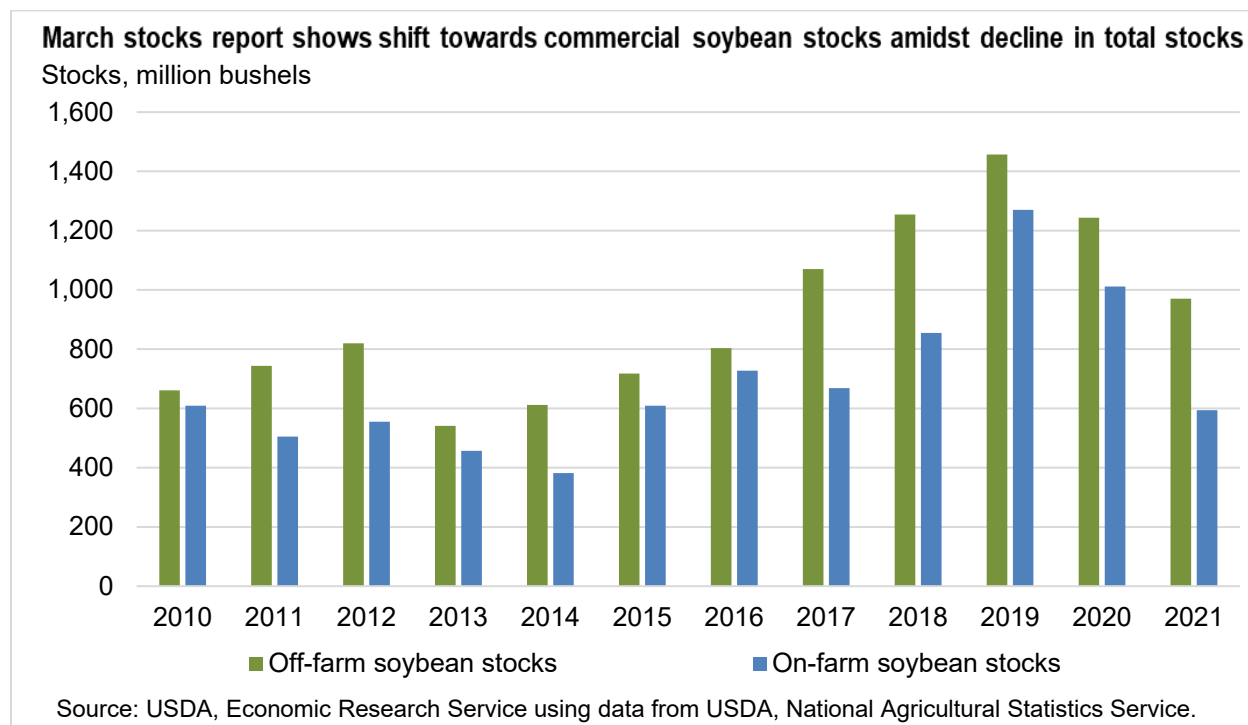


Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service.

Domestic Outlook

Stocks Report Indicates Lowest Soybean Stock Levels Since 2015; Forecasted Ending Stocks Remain Unchanged

On March 31, NASS published its quarterly stocks report. At 1.56 billion bushels, total soybean stocks have declined 31 percent since March 2020 and are at their lowest levels since the 1.53 billion bushels reported in March of 2016. More specially, soybean stocks have been shifted to commercial suppliers with on-farm storage totals for last month of 594 million bushels, down 41 percent from March of 2020 and the lowest level since March 2014. On-farm stocks represent 38 percent of stocks this year, compared to 45 percent last year. Similarly, off-farm stocks were down 22 percent at 970 million bushels. The 1.38 billion bushels of disappearance realized from December 2020 to February 2021 was a 39 percent increase from a year prior.



Despite the lower soybean stock volumes, USDA's forecasted ending stocks for the 2020/21 marketing year remain unchanged at 120 million bushels—largely as a result of changes elsewhere on the balance sheet. Seed and residual use have both been reduced by 3 and 17 million bushels, respectively, reflecting indications from March 31 NASS *Prospective Plantings* and *Grain Stocks* reports. Additionally, although this marketing year's crush has realized a record pace over the last several months, unseasonably cold weather during the month of

February combined with high demand for soybean oil relative to soybean meal saw increased soybean oil yield in crush facilities. USDA lowered its crush forecast by 10 million bushels down to 2.19 billion bushels. The 164 million bushels crushed in February represents a significant decline from the 197 million bushels crushed in January of this year and a 6 percent decline from crush volumes in February 2020. Tight stocks and strong exports look to limit soybean crush volumes throughout the remainder of the marketing year as the record pace of crush slows.

While lower crush projections have reduced forecasted soybean oil and meal supply for the marketing year, USDA has increased forecasted soybean meal extraction rates higher based on year to date extraction rates. This increase will help to meet demand for soybean meal without the need to continue record crushing levels through the remainder of the marketing year. Amid stagnant demand for animal feed, USDA has lowered forecasted soybean meal production and domestic disappearance down 0.2 million tons. The remainder of the soybean meal balance sheet remains unchanged including an average forecasted price of \$400 per ton.

Strong demand for soybean oil has led USDA to increase food and industrial use by 400 million pounds to 15.6 billion pounds. The increase in food and industrial use is driven by an increase in soybean oil used for renewable diesel. Further, in May, USDA plans to include soybean oil used for renewable diesel in the newly created renewable fuels line of the balance sheet. In the early part of 2021, weaker production of biodiesel in favor of renewable diesel also saw USDA reduce methyl ester use by 400 million pounds to 7.90 billion pounds. The soybean oil production forecast was reduced by 115 million pounds as a result of lowered crush levels. Soybean oil exports were also reduced by 100 million pounds to 2.5 billion pounds based on a slower than anticipated pace through the first half of the marketing year. The 1.44 billion pounds of total soybean oil export commitments for this marketing year represent a significant decline from last year's commitments of 2.04 billion pounds a year prior. Declining production with a trend towards domestic soybean oil use instead of exports reduced the soybean oil forecasted ending stocks down slightly to 1.72 billion pounds. Based on recent prices for soybean oil, USDA has forecasted season ending average price for soybean oil up \$0.04 to \$0.45 per pound.

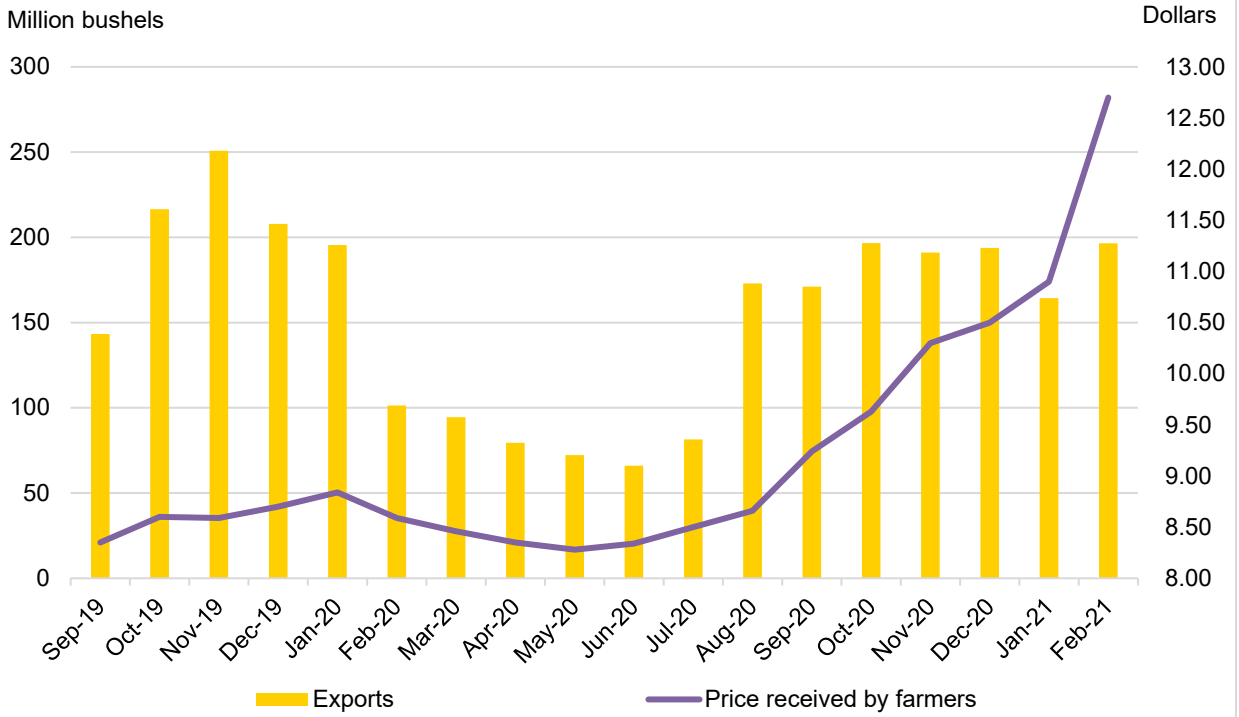
Forecasted Season-Average Price Increased on Burgeoning Export Demand

Forecasted reductions to soybean crush as well as seed and residual use have been offset by a 30 million bushel increase to exports. If realized, the 2.28 billion bushels now expected for this marketing year represent the largest forecast ever for soybean exports and come on the heels of record-setting monthly exports through the first 6 months of the marketing year. The 168 million bushels of soybeans exported in February are the highest volumes for the month since the 2015/16 marketing year. Year to date, the U.S. has exported 1.99 billion bushels of soybeans, a 78 percent increase from the nearly 1.12 billion bushels exported through February of last year. However, the current export pace shows signs of slowing, with export sales falling to marketing year lows in recent weeks. Currently, total export sales commitments represent nearly 98 percent of the 2.28 billion bushels forecasted by USDA for the marketing year. Given the tight domestic supply and competitive prices for Brazilian soybean exports, it is unlikely that any large weekly sales will be realized through the remainder of the marketing year.

Exports to China have continued to flow, with volumes up 185 percent from last marketing year. At 1.27 billion bushels, this year's exports to China through February are record large. Additionally, February's export volumes to China were nearly three-fold higher than last year at 50.9 million bushels. This monthly increase year-over-year in U.S. export volumes is likely attributed to the slow pace of the Brazilian soybean harvest and their inability to supply large export volumes to China at the beginning of their harvest season.

Amid strong demand for U.S. soybeans domestically and abroad in addition to unusually tight stocks, USDA has increased the season average price forecast from \$11.15 per bushel to \$11.25 per bushel. NASS reported farmer prices received in February at \$12.70 cents per bushel. With approximately 25 percent of the projected soybean crop left to market, farmers hold 594 million bushels, significantly lower than past years. Recent cash prices and tight stocks look to support higher soybean prices for the remainder of the marketing year. Prior to this year, season average soybean prices had not exceeded \$10.00 per bushel since the 2014/15 marketing year.

Rising exports push soybean prices higher



Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Oilseeds Markets and Trade*, and USDA, National Agricultural Statistics Service, *Agricultural Prices*.

International Outlook

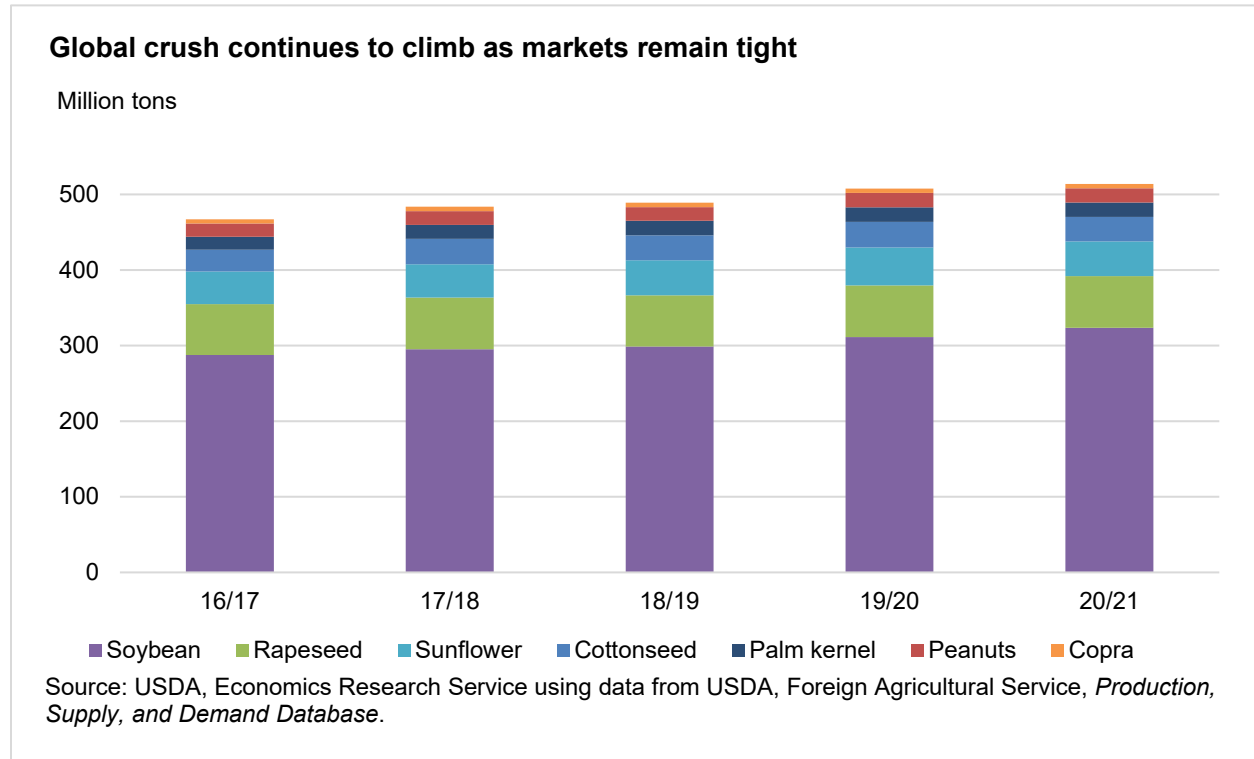
Brazilian Soybean Production and Exports Increased Amid Favorable Planting Conditions

Although wet weather had previously caused delays to Brazil's soybean planting and harvesting, ideal weather conditions during the growing season have contributed to a bumper crop. Rio Grande do Sul and areas in the northeastern part of the country that experienced a late planting due to rainfall have benefitted from recent rains. Conversely, drier conditions in Mato Grosso do Sul and Paraná have improved national harvest progress which currently stands at 83 percent, inching within 1 percent of the five year average pace. Based on these conditions, USDA has increased the forecasted Brazilian yield up by 0.05 to 3.52 metric tons per hectare. As a result, USDA's forecast for Brazilian production has been increased 2 million metric tons from last month to 136 million metric tons, a substantial increase from last year's record crop of 128.5 million metric tons. Given this increase in production and high global demand for oilseeds, Brazil's export forecast has also been increased by 1.0 million metric tons to 86.0 million metric tons. Nevertheless, this increase in exports is not enough to offset higher production levels. As such, forecasted ending stocks have been increased 891 thousand metric tons.

Global Oilseed Crush Volumes Remain High Despite Reduced Forecast in Chinese Soy Crush

Amidst reports of African Swine Fever (ASF) and reduced demand for soybean meal, margins for Chinese crush have remained poor. While crush volumes were reduced during the Lunar New Year holiday as expected, crush levels have since remained lower than expected. As such, USDA has forecasted China's soybean crush volume down 2 million metric tons to 96 million metric tons. However, increased global demand for vegetable oil and meal for animal feed are expected to propel global crush rates for oilseeds to another record year. Unsurprisingly, the largest growth in crush rates has been driven by soybean crush volumes. USDA forecasts the 2020/21 global soybean crush volume at nearly 322 million metric tons, a 4 percent rise in last year's worldwide soybean crush volume. Notable changes this month include a increase in Ukrainian soybean crush by 250 thousand metric tons and a 200 thousand metric ton increase to Egyptian soybean crush on higher forecasted imports. The European Union also registered notable changes this month with a 300 thousand metric ton increase in rapeseed crush and a

350 thousand metric ton decline in sunflower crush amid lower production last marketing year. Total global crush volumes for soybeans, rapeseed, sunflower, peanut, cottonseed, copra and palm kernel are forecasted to reach near 514 million metric tons, a 1.2 percent increase from the 508 million metric tons of combined global crush last year.



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