



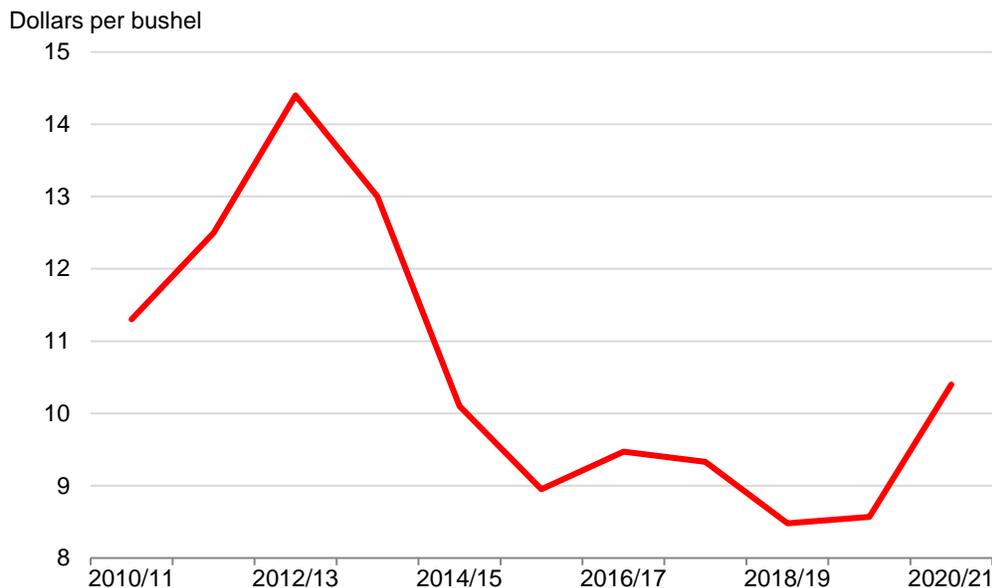
Oil Crops Outlook: November 2020

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Disappointing Soybean Yields Stage a Recovery for 2020/21 Prices

USDA's *Crop Production* report in November reduces the 2020/21 yield forecast for soybeans to 50.7 bushels per acre from 51.9 bushels last month. With the estimate of U.S. harvested area unchanged, a lower yield pares back the 2020/21 soybean crop forecast this month by 98 million bushels to 4.17 billion. The soybean crop reduction is almost entirely responsible for slashing the season-ending stocks forecast by 100 million bushels to 190 million. This fall's strong market rally is acknowledged with a hike in USDA's 2020/21 forecast of the U.S. average farm price to \$10.40 per bushel from \$9.80 last month.

Figure 1
Outlook brightens for U.S. soybean farms with higher prices



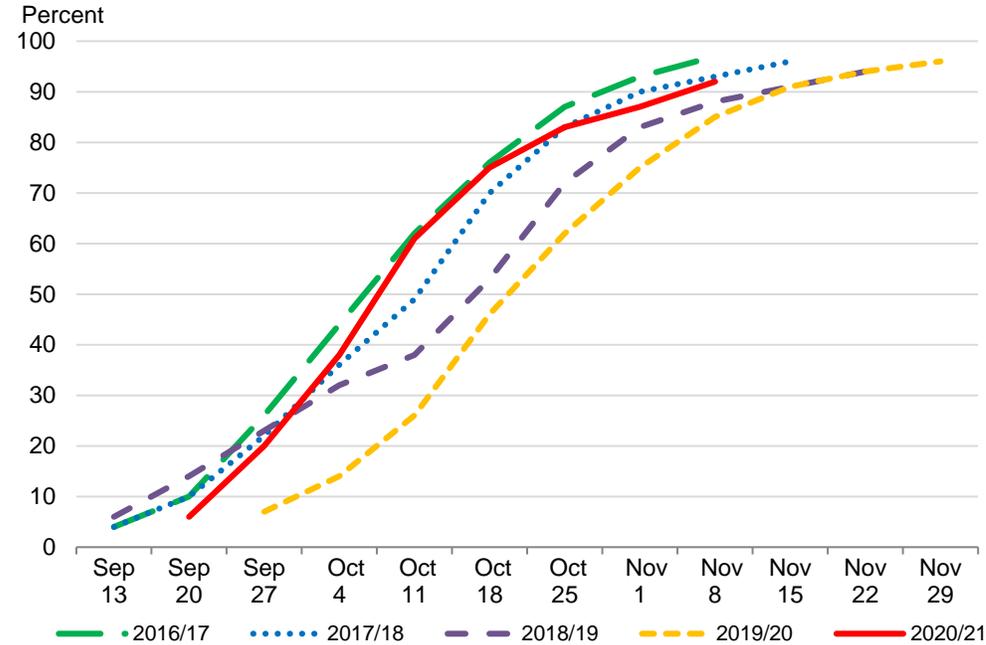
Sources: USDA, National Agricultural Statistics Service, *Agricultural Prices* and World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*.

Domestic Outlook

U.S. Soybean Harvest Nears Completion

USDA’s *Crop Production* report in November reduces the 2020/21 yield forecast for soybeans to 50.7 bushels per acre from 51.9 bushels last month. The primary yield reductions in November are for Illinois, Iowa, Indiana, Nebraska, and Ohio. With the estimate of U.S. harvested area unchanged at 82.3 million acres, a lower yield pares back the forecast of the 2020/21 soybean crop this month by 98 million bushels to 4.17 billion. Farmers are now approaching a conclusion of soybean harvesting. As of November 8, harvesting was complete for 92 percent of the U.S. soybean crop. More advanced development and mostly favorable fall weather this year helped harvesting stay modestly ahead of the 5-year average (90 percent).

Figure 2
2020/21 U.S. soybean harvest proceeds more quickly than a year ago



Source: USDA, National Agricultural Statistics Service, *Crop Progress*.

Prices Strengthen Toward a 6-Year High

Crushing margins for soybeans this fall have been buoyed by sharp gains in value for both soybean meal and soybean oil. The bright outlook for processors is symbolized by the September 2020 soybean crush, which—at 171.1 million bushels—set a record high for the month. Processing plants are responding to higher prices for both products. Central Illinois

soybean meal prices averaged \$367 per short ton in October compared with \$320 in September. The recent market rally prompted USDA to raise its forecast for the 2020/21-average soybean meal price this month by \$20 per short ton to \$355. Based on expected growth in domestic feed use, prospects for 2020/21 soybean meal demand are modestly better. Less competition from Argentina and India could support U.S. export sales of soybean meal.

Similarly, soybean oil prices—after surging in September—have stayed close to a 4-year high around 34 cents per pound. USDA boosted its forecast of the 2020/21 average price for soybean oil this month by 2 cents per pound to 34.5 cents. Favorable values for both soybean products support the forecast for a record 2020/21 soybean crush at 2.18 billion bushels—unchanged from last month.

At 403 million bushels, export inspections of soybeans in October made an impressive surge. Cumulative September–October trade is thereby pushed to a record pace of 646 million bushels. Given the high volume of soybean sales that are still booked for export, more monthly records for shipments could be broken soon. However, due to massive outstanding sales of soybeans and the spike in prices, the weekly rate of new sales has slowed considerably.

No changes are made for 2020/21 domestic crush or exports this month. So, the soybean crop reduction is almost entirely responsible for slashing the season-ending stocks forecast by 100 million bushels to 190 million. The ratio of ending stocks to total use would then plunge to 4.2 percent, which would be the lowest level since 2013/14. This fall's strong market rally is acknowledged with a hike in USDA's 2020/21 forecast of the U.S. average farm price to \$10.40 per bushel from \$9.80 last month.

International Outlook

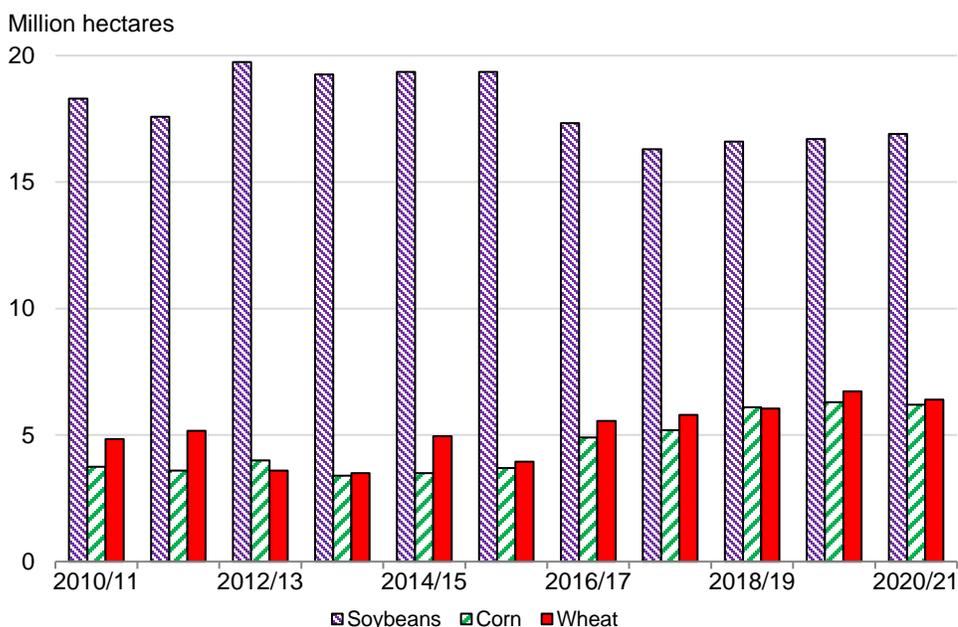
Argentine Soybean Area Limited by Unfavorable Economics

Global soybean production for 2020/21 is forecast 5.8 million metric tons lower this month to 362.6 million. Crop reductions for the United States, Argentina, India, and Ukraine more than offset small increases for Canada and South Africa. However, an expansion for global soybean imports is seen, as losses of Argentine and Indian soybean meal output would encourage countries (such as the EU) to favor more domestic crushing. Global soybean stocks may tighten further in 2020/21 to 86.5 million tons—a 5-year low. Larger stocks carryover in China may not compensate for an expected contraction in U.S. and EU inventories.

USDA forecasts Argentine soybean area for 2020/21 down by 400,000 hectares this month to 16.9 million. So far, less than 10 percent of the expected new-crop soybean area in Argentina has been planted. If realized, the 2020/21 area would be a marginal increase over 2019/20 (16.7 million hectares). Despite swelling international prices for soybeans, the muted response of Argentine farmers reflects unique circumstances of the country's economy. Deficient soil moisture is another consideration for Argentine farmers, who are concerned that a dry spell could persist through the current La Niña climate event. July–October dryness has already taken a toll on Argentina's wheat harvest, shrinking it to a 5-year low. Timely late October rains have temporarily improved planting conditions for soybeans. Nevertheless, less capital may be accumulated by producers who rely on revenue from the wheat crop to sow their soybeans. Farmers are also more hesitant to make sales of new-crop wheat due to overvaluation of the peso. These factors figure into USDA's lower estimate of Argentine soybean area for 2020/21 and reduce forecast production this month by 2.5 million tons to 51 million.

An expected loss of Argentine crop potential may curtail the country's 2020/21 soybean crush to 40 million tons. By comparison, last month's crush forecast was 42 million tons and the 2019/20 total was 38.8 million. The associated decrease for Argentine soybean meal output could scale back its 2020/21 exports to 27.5 million tons—down 1.5 million from last month. Similarly, Argentine soybean oil exports this year could slip by 200,000 tons to 5.6 million.

Figure 3
Growth of Argentine soybean and grains area slows



Source: USDA, Foreign Agricultural Service, *Production, Supply, and Distribution*.

Despite early delays for new-crop sowing in Brazil, planting progress has caught up in the country after improved October moisture. By early November, 56 percent of the soybean area was sown compared with 58 percent a year ago. USDA's forecasts of Brazilian soybean area and production for 2020/21 are unchanged at 38.6 million hectares and 133 million tons, respectively.

The Indian summer monsoon deposited generally abundant rainfall during this year's growing season. For the main soybean growing region of central India, June–September rainfall was 15 percent above average. Despite the favorable summer growing conditions, a delayed withdrawal of the monsoon continued to saturate the soybean crop well after it was ready for harvest. Indian soybean production for 2020/21 is then scaled back by 700,000 tons this month to 10.5 million tons. Indian exports of soybean meal are forecast down by 200,000 tons to 1.87 million as a consequence. Even so, this would be more than a million tons above India's 2019/20 shipments. Also, a bigger deficit in domestic soybean oil output may expand Indian imports of the commodity by 214,000 tons to 3.35 million.

EU soybean imports for 2020/21 are seen 500,000 tons higher this month to 15.4 million. Further growth of this trade would help counter a lower availability of Argentine soybean meal as well as substitute for shorter supplies of other oilseeds. An expected expansion for EU

crushing and soybean meal production this year would curtail the need for soybean meal imports, however, which are forecast down 800,000 tons this month to 18.05 million.

Poor Outcome Realized for Black Sea Sunflowerseed Crops

Global sunflowerseed production for 2020/21 is forecast down 1.8 million tons this month to 49.7 million based on reductions for Ukraine, Russia, EU, Turkey, and South Africa. Ukraine growers have completed about 95 percent of the country's sunflowerseed harvest by early November. Official harvest data to date prompted a downward revision of the sunflowerseed yield forecast that reduces the production estimate by 1 million tons to 14 million. All the crop reduction is seen lowering the 2020/21 crush forecast to 13.85 million. Compared with its all-time high in 2019/20 of 6.7 million tons, Ukraine sunflowerseed oil exports would be further squeezed below 5.6 million tons. The shortfall is likely to constrain international demand for sunflowerseed oil by countries such as India—the top import market.

Likewise, the Russian sunflowerseed harvest is well advanced, with nearly all the crop collected as of early November. Lower reported yields are estimated to reduce 2020/21 sunflowerseed production in Russia by 500,000 tons this month to 13 million. Consequently, the 2020/21 crush for Russia is forecast down by 450,000 tons 12.4 million, or more than 10 percent below the 2019/20 total. As in Ukraine, the availability of sunflowerseed oil supplies for export would tighten to 3.05 million tons versus 3.8 million in 2019/20.

Recovery for Australian Canola Crop Would Boost Trade

In Australia, growing conditions are much improved for the 2020/21 canola crop compared with a year ago, when drought forced a substantial abandonment of sown area. Based on higher overall yields, USDA raises its forecast of the country's 2020/21 canola crop by 100,000 tons this month to 3.4 million. Australian canola output is seen climbing to a 3-year high and well above the 2019/20 harvest of 2.3 million. The major rebound for production is led by gains in the southeastern State of New South Wales. The region may more than double its harvested area from a year ago due to abundant and timely August-September rainfall. In contrast, the state of Western Australia has received below-average seasonal rainfall, with October rains coming too late to greatly aid crops.

Despite a larger overall harvest, Australian farmers are benefiting from higher canola prices, too. Crop returns are buoyed by the premiums that biotech-free Australian supplies earn from EU processors, as well as a low value for the Australian dollar. Typically, shipments to the EU

account for 75-80 percent of Australian exports of canola. Crop gains are seen boosting 2020/21 Australian canola exports to 2.4 million tons versus 1.8 million last year.

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