United States Department of Agriculture

Economic Research Service | Situation and Outlook Report

OCS-19k | November 13, 2019

Next release is December 12, 2019

Oil Crops Outlook

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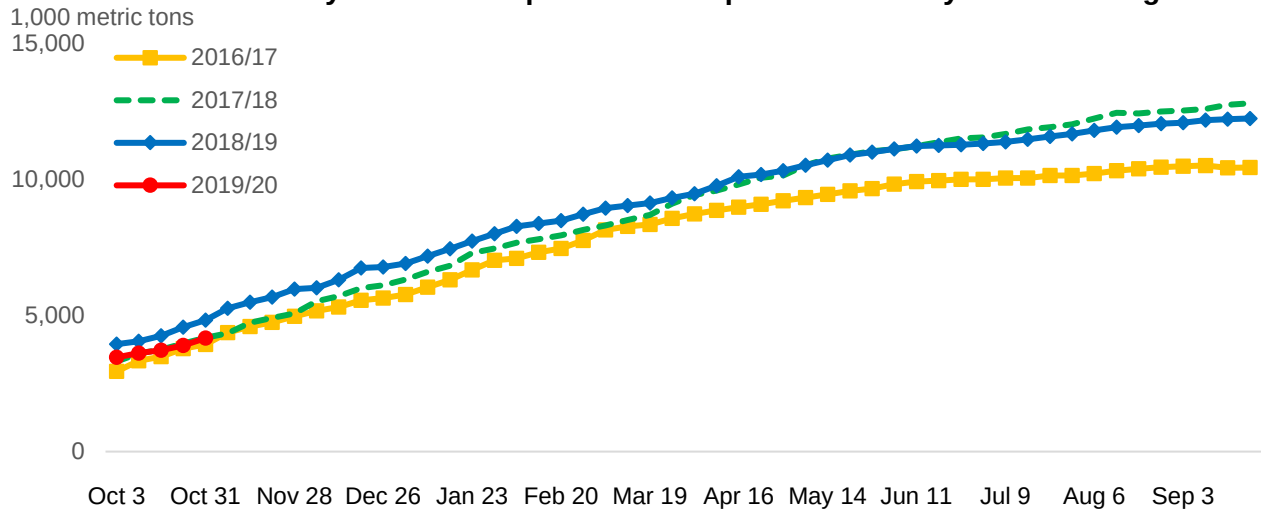
Oil Crops Outlook monthly tables, in excel format, can be found on the Oil Crops Outlook report page on USDA's Economic Research Service website.

Soybean Crop Changes Minimally But 2019/20 Demand is Seen Lower

In this month's *Crop Production* report, the U.S. average yield forecast for soybeans is fractionally lower at 46.9 bushels per acre. This month's yield changes shaved only 304,000 bushels from USDA's 2019/20 forecast of U.S. soybean production—to just under 3.55 billion. In contrast, the domestic crush for 2019/20 is forecast down by 15 million bushels to 2.105 billion based on a dimmer outlook for soybean meal exports. This boosts the forecast of U.S. season-ending soybean stocks by 15 million bushels to 475 million. The U.S. season-average farm price for 2019/20 is forecast unchanged at $9.00 per bushel.

Figure 1
Slower start for U.S. soybean meal export sales tempers 2019/20 soybean crushing



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

Domestic Outlook

Soybean Growers Nearing End of a Difficult Growing Season

The 2019/20 growing season has been fraught with adversities, including spring planting delays, a lack of summer warmth, and fall harvest wetness. Nevertheless, the growing season is finally stumbling toward a close. As of November 3, the U.S. soybean harvest for 2019/20 was 75 percent complete. However, progress for this year's harvest lags the 5-year average for this date by 12 percentage points. As such, the soybean harvest is poised for its latest conclusion in 10 years. Many Midwestern regions have been too wet for harvesting to proceed. Some farmers—particularly in the Northern Plains—are still faced with a layer of snow covering their unharvested crops. In both North Dakota and South Dakota, it was the wettest August-October period in 125 years. Consequently, only 56 percent of the North Dakota soybean crop is now harvested compared to the 5-year average of 95 percent. The cold, damp conditions are triggering a demand surge for liquid propane throughout the Midwest. At current prices, farmers can little afford additional expenses for propane to dry the harvested crops, yet it is essential for storage.

The unfavorable weather is reflected in USDA's below-trend yield estimates for soybeans. In this month's *Crop Production* report, the U.S. average yield forecast is fractionally lower at 46.9 bushels per acre but significantly below last year's 50.6 bushels. Crop yield forecasts are lowered this month for North Dakota, Michigan, and several southeastern States but are almost completely offset by increases for Minnesota, Indiana, Kansas, and Nebraska. This month's yield changes shaved only 304,000 bushels from USDA's 2019/20 forecast of U.S. soybean production—to just under 3.55 billion. Despite a negligible decline in this month's production forecast, the 2019/20 crop is 878 million bushels (20 percent) below last year's harvest.

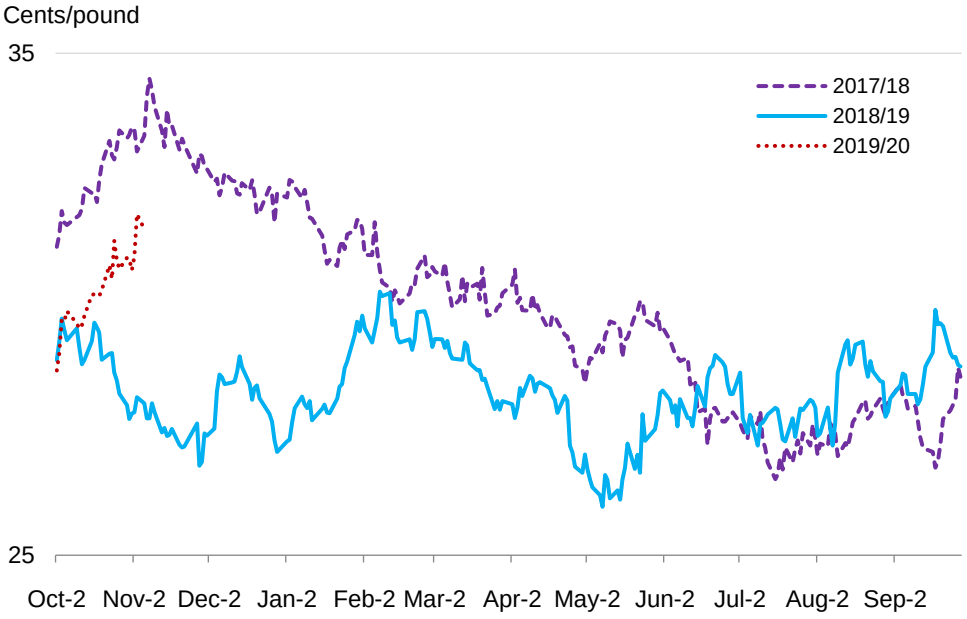
Although new-crop export demand for U.S. soybeans is seen unchanged this month, the domestic crush is forecast down by 15 million bushels to 2.105 billion. A dimmer outlook for soybean meal exports is the main contributor to the change. Given a recovery in competing shipments from Argentina, U.S. sales of soybean meal to Europe and Vietnam this fall are considerably lower. Overall, current export sales commitments for soybean meal are down 14 percent from a year ago. Thus, USDA lowered its 2019/20 export forecast for soybean meal by 350,000 short tons to 13.35 million. This boosts the forecast of U.S. season-ending soybean stocks by 15 million bushels to 475 million. The U.S. season-average farm price for 2019/20 is forecast unchanged at $9.00 per bushel.

Soybean Oil Prices Strengthen on a Tightening Supply

Production of soybean oil for 2019/20 is forecast 170 million pounds lower this month due to a dimmer outlook for soybean crushing. Although domestic use of soybean oil may stay unchanged, the export demand may slip another 25 million pounds to 1.7 billion. Therefore, most of the expected reduction in soybean oil supplies may squeeze season-ending stocks down to a 6-year low of 1.45 billion pounds.

Tightening soybeans and soybean oil supplies are leading to price gains. However, a dimmer global outlook for supplies of rapeseed oil and palm oil is also bolstering prices. In October, soybean oil prices rose to a monthly average of 30.1 cents per pound. This is the highest value since March 2018. The gains prompted USDA to raise its forecast of the 2019/20 average price for soybean oil to 31 cents from 30 cents last month.

Price rally for Central Illinois soybean oil is gaining momentum



Source: USDA, Agricultural Marketing Service, *Central Illinois Soybean Processor Bids*.

Peanut Crop Improves As Outlook for Cottonseed Output Dims

USDA raised its 2019/20 forecast of the U.S. peanut yield this month from 3,964 pounds per acre to 4,080 pounds, which ranks second only to the record 2012/13 yield of 4,211 pounds per acre. Yield gains—mostly throughout the Southeast—boosted the peanut harvest this year by

161 million pounds to 5.64 billion. Despite a production gain, total supplies for 2019/20 are still expected to slip 2 percent due to smaller beginning stocks. At the same time, domestic food use of peanuts is growing. Food use in August-September 2019 increased 2 percent compared to a year earlier. Total domestic consumption for the full season is expected to continue to grow at this same rate to 4.7 billion pounds. So, with a smaller overall supply and higher expected use, season ending peanut stocks are seen tightening to 2.2 billion pounds in 2019/20 from 2.4 billion in 2018/19.

U.S. cottonseed production for 2019/20 is forecast down 272,000 short tons this month to 6.45 million. Reduced cotton yields in Texas, which USDA forecasts to decline to a 16-year low, account for most of the change. Since August, when hot and dry weather prevailed during the main boll setting period, the Texas cotton crop deteriorated rapidly. A poorer production outlook is likely to curtail gains for cottonseed crushing in 2019/20, which is forecast 150,000 tons lower this month to 1.85 million.

International Outlook

Undue Wetness Mars Soybean Yields in India and Canada

USDA lowers its forecast of global soybean for 2019/20 this month by 2.4 million metric tons to 336.6 million. Reductions for India, Canada, and the United States are only partly offset by an increase for Ukraine. Global soybean stocks are seen slightly higher to 95.4 million tons but still well below the 2018/19 level of 109.7 million.

This year, rains from the Indian monsoon arrived late to the country's main soybean-producing areas. June rainfall for Central India was 30 percent below a long-term average while the deficit for June-July rainfall was 5 percent. After late July, however, more prolific rains quickly erased the early deficit. By the end of September, cumulative rainfall in Madhya Pradesh for the season had swelled to 53 inches, or 44 percent above the average. While the abundance of rainfall has filled reservoirs and is potentially beneficial for irrigation of dry-season crops, the unrelenting moisture is excessive for the 2019/20 soybean crop. USDA lowered its forecast of 2019/20 Indian soybean yields this month, which reduces expected production by 2 million tons to 9 million.

Much of the Indian crop reduction for 2019/20 should curtail the volume of soybeans that can be crushed domestically, which is forecast down by 1.7 million tons this month to 8 million. Lower output of soybean meal could also prompt a decline in Indian meal exports to 1.45 million tons (450,000 tons below last month's forecast).

In Canada, harvesting progress for soybeans had already been slowed by untimely September rainfall. By October 15, the soybean acreage in Manitoba was still 70 percent unharvested (equal to about 400,000 hectares) when a heavy snowfall arrived. The weight of snow on a mature soybean crop can cause pod shattering, broken stems, or lodging. Harvesting losses are now expected to trim Canadian crop yields, with production falling by 500,000 tons to 6 million. Declines are anticipated for both the domestic crush and season-ending soybean stocks due to the lower output.

Global Rapeseed Production Slumps to a 7-Year Low

Global rapeseed production for 2019/20 is seen 50,000 tons lower this month (to 68.5 million) as further drought-related reductions for the European Union and Australia more than offset an

increase for Ukraine. EU rapeseed production is now estimated at 17 million tons versus 20 million last year.

In Australia, harvesting began last month for the country's canola crop. Once again, though, Australia is suffering through its second consecutive drought. Since September, existing dry conditions have only worsened. In addition, the drought has spread into South Australia and Victoria, where the dryness had been less severe than in the initial trouble spots in New South Wales. Based on lower expected canola yields for these areas, USDA trimmed its Australian production forecast this month by 100,000 tons to 2.1 million. The entire supply reduction may curtail Australian canola exports to a 10-year low of 1.6 million tons.

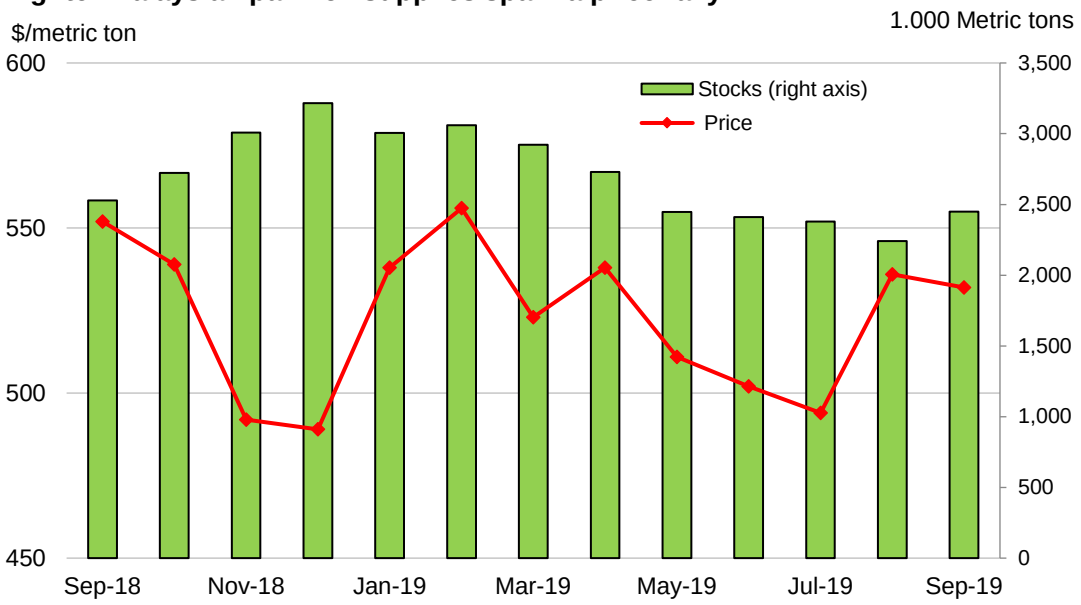
Palm Oil Prices Strengthen With Slowing Output, Rising Use

Global gains in palm oil production for 2019/20 are expected to be just shy of 2 million tons (to 75.8 million). Consumption gains for palm oil may roughly match that, however. Likely reductions in domestic vegetable oil production by major countries—including India, China, and the EU—will support global palm oil consumption in 2019/20. Global palm oil stocks could trimmed from 10.4 million tons in 2018/19 to 9.6 million in 2019/20.

USDA lowers its estimates of Malaysian palm oil production by 200,000 tons this month for both 2018/19 and 2019/20 to 20.8 million and 21 million tons, respectively. Malaysian rainfall over the last 12 months has been significantly below average. The impact of moisture stress on trees can adversely affect palm oil yields for up to a year. Thus, even as the palm oil production cycle approaches a seasonal peak, Malaysian stocks have stabilized at a low level. The anticipated tightening of palm oil supplies has started to rally Malaysian cash prices, which in October had climbed to a 13-month high. Further price strengthening is possible by early 2020 when the palm oil production cycle turns down again while demand accelerates.

Yet, fewer palm oil supplies may be available for international trade as domestic use by the major exporters is also expanding. By January, the Malaysian government will implement a national blending requirement for biodiesel of 20 percent—double the rate for 2019. Likewise, beginning in January, the Indonesian Government has scheduled an increase for its biodiesel blending requirement from 20 percent to 30 percent.

Tighter Malaysian palm oil supplies spark a price rally



Source: USDA, Foreigm Agricultural Service, *Oilseeds: World Markets and Trade*.

In contrast, the outlook for Malaysian palm oil exports is more unsettled. Controversial comments recently made by the Malaysian prime minister regarding Indian policies in Kashmir have chilled diplomatic relations between the two countries. At least temporarily, commercial trade—including palm oil—has slowed. Indian vegetable oil importers may substitute more sunflowerseed oil and soybean oil in the interim. USDA also lowered its 2019/20 forecast of Malaysian palm oil exports this month by 150,000 tons to 18.35 million due to an erosion of price competitiveness with other oils.

Suggested Citation

Mark Ash and Mariana Matias, *Oil Crops Outlook*, OCS-19k, U.S. Department of Agriculture, Economic Research Service, November 13, 2019

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Data

Tables from the *Oil Crops Yearbook* are available in the Soybeans and Oil Crops Topics. They contain the latest data and historical information on the production, use, prices, imports, and exports of soybeans and oilseed products.

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