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Oil Crops Outlook: August 2021

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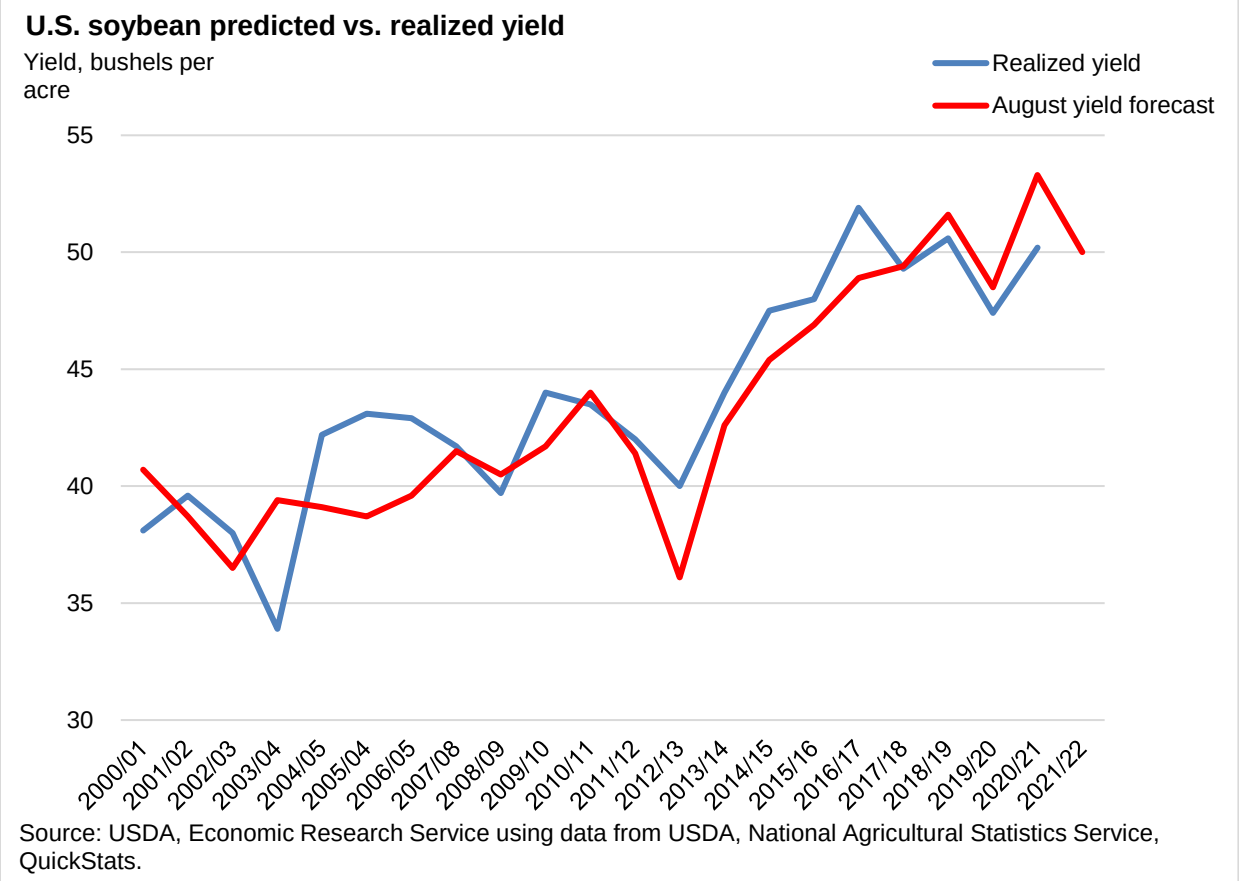
USDA's First Field Surveys of 2021/22 Suggest Lower U.S. Soybean Yield

USDA, National Agricultural Statistics Service's *Crop Production* report this month forecasts the season's first survey-based U.S. soybean yield at 50.0 bushels per acre, down from the trend yield of 50.8 bushels per acre last month. Consequently, the production forecast for 2021/22 (4.34 billion) is lowered by 66 million bushels from the previous forecast. Continued drought conditions and limited rainfall in Minnesota and the Dakotas are contributing factors to a below-trend yield.

Approved by USDA's World Agricultural Outlook Board



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

Domestic Outlook

A Lower U.S. Soybean Production Estimate May Curb Demand

Drought conditions continue to persist in the majority of the Western U.S. Yet, the only major soybean producing States feeling the repercussions of higher-than-normal temperatures and low levels of rainfall are Minnesota, North Dakota, and South Dakota. These States account for 23 percent of total U.S. soybean planted acreage. As of August 8, the percentage of the U.S. crop rated in good-to-excellent condition per the *Crop Progress* report has remained relatively unchanged from last month but is 14 percentage points lower than a year ago. Aligning with weather reports, unfavorable conditions are most acute across Minnesota and the Dakotas. Elsewhere, though, crops in the eastern Corn Belt and South are faring well. Interestingly, overall crop development for soybeans this season is not far behind the pace of a year ago due to timely spring planting. Ninety-one percent of planted soybean crops for the 2021/22

marketing year reached the blooming stage by August 8 with 72 percent beginning to set pods. Ultimately, August weather conditions will remain critical for soybean yield prospects.

This month, USDA released the first survey-based assessment of 2021/22 soybean yields in their *Crop Production* report. Results from the first field survey of the year are forecasting 2021/22 soybean yield down from July predictions to 50 bushels per acre. Lower yield estimates for Minnesota, North Dakota, and South Dakota confirm poor crop conditions, placing downward pressure on overall soybean yield forecasts. Specifically, yield estimates for Minnesota are down 6 bushels per acre from 2020 to 43 bushels per acre, 9.5 bushels lower per acre in North Dakota from a year ago to 24, and South Dakota estimates are 6.5 bushels lower per acre to 39. Yield estimates for other soybean producing States are similar to last year. The combination of this yield estimate and harvested area projection of 86.7 million acres lowers USDA's production forecast by 66 million bushels from last month to 4.34 billion, 203 million bushels above the 2020/21 estimate of 4.135 billion bushels.

U.S. soybean exports in 2020/21 are forecast down by 10 million bushels to 2.26 billion while the 2021/22 forecast dropped by 20 million bushels to 2.055 billion bushels. Higher soybean prices and decreased demand for soybeans in China, a major importer of U.S. soybeans, lead to the lower soybean export forecast. In the new marketing year, a healthy prospective supply of soybeans in the U.S., Brazil, and Argentina is expected to foster strong trade competition. Ending stocks for 2020/21, at 160 million bushels, are seen 25 million bushels higher than July's forecast. Lower 2021/22 production and use estimates leave ending stocks unchanged for the new marketing year.

While soybean cash prices have been higher in recent months, a higher proportion of soybeans were sold at lower price levels earlier in the marketing year. As such, the season-average price forecast for 2020/21 soybeans is lowered by $0.15 to $10.90 per bushel and new crop prices remained at $13.70 per bushel.

U.S. Trade Affected by Anticipated Decreases in Domestic Soybean Crush Volumes

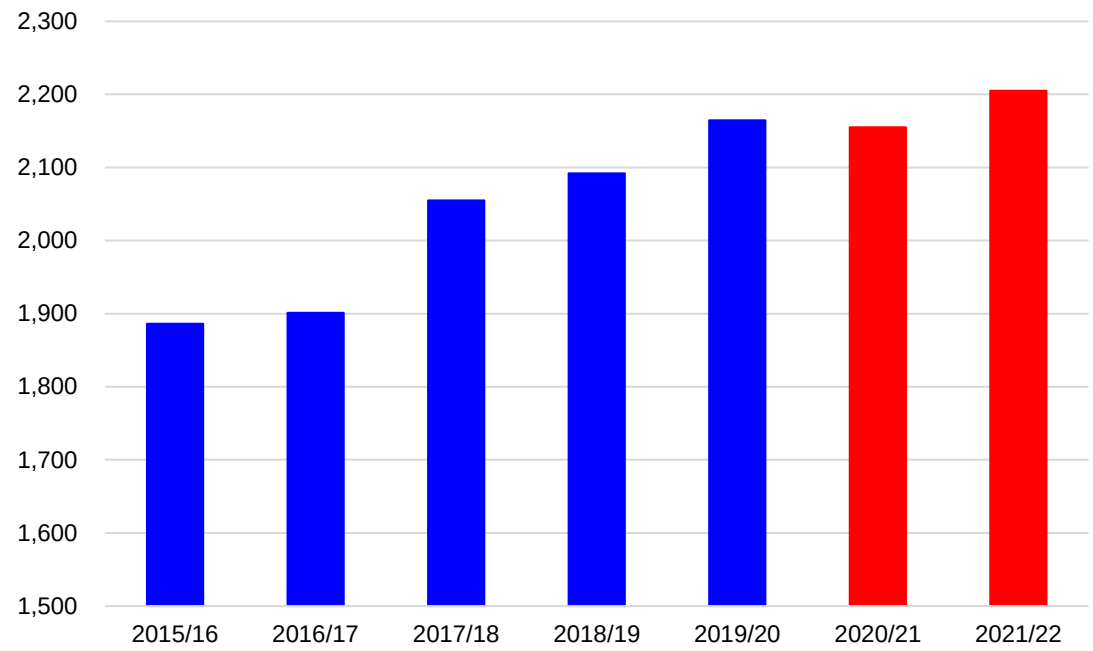
In June 2021, 161.7 million bushels of soybean were crushed. For perspective, this is 15.5 million bushels fewer than were crushed in June 2020 (177.3 million bushels). With monthly crush volumes continuing to decrease from the 196.5 million bushels crushed in January, the 2020/21 crush estimate is reduced by 15 million bushels this month to 2.155 billion bushels. Despite a strong start for the 2020/21 marketing year, 10 million fewer bushels of soybeans are

expected to be crushed than in 2019/20. The 2021/22 crush estimate is also lowered by 20 million bushels to 2.205 billion bushels on account of a reduced crop supply.

Corresponding with the decreasing crush volume, 2020/21 soybean meal production was lowered by 300,000 short tons to 51.1 million short tons. Soybean meal exports are anticipated to decrease by 150,000 tons to 14.1 million tons. Additionally, domestic use is expected to decline by 150,000 tons to 37.65 million tons as soybean meal demand continues to weaken under reduced livestock demand. Soybean meal price forecasts are unchanged.

As with soybean meal, lower old-crop and new-crop soybean crush projections result in lower soybean oil production forecasts. While extraction rates for soybean oil remain unchanged, USDA estimates a decrease of 175 and 235 million pounds for 2020/21 and 2021/22 soybean oil production to 25.215 and 25.71 billion pounds, respectively. High prices for U.S. soybean oil continue to limit 2020/21 oil exports, which are expected to decrease by 75 million pounds to 1.7 billion pounds. This reduction in exports will allow for increased food, feed, and other industrial uses—up 100 million pounds to 14.725 billion pounds—but down by 200 million pounds for soybean oil used in biofuel to 9.1 billion pounds. This net decrease in domestic use allows for ending stocks to be preserved in response to decreased soybean oil production. For 2021/22, USDA anticipates soybean oil use for biodiesel will be down by 500 million pounds this month to 11.5 billion as renewable diesel plant expansion plans experience delays. While still high, annual average soybean oil prices are expected to remain stable at 65 cents per pound over the upcoming marketing year.

U.S. soybean crush by marketing year



Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service, QuickStats.
Note: Red represents forecasted crush values and blue represents realized crush values.

International Outlook

Canadian and Australian Canola Production: A World of Difference

This month, USDA forecasts 2021/22 global rapeseed production down by 4.2 million tons to 70 million metric tons. Lower expected production in Canada, Ukraine, and Kazakhstan are only slightly offset by higher output in Australia and Russia. Major consequences of these production losses are a reduction for global rapeseed trade, crush, and ending inventories. Rapeseed ending stocks are predicted to decline to 4.6 million tons in 2021/22—a 14-year low.

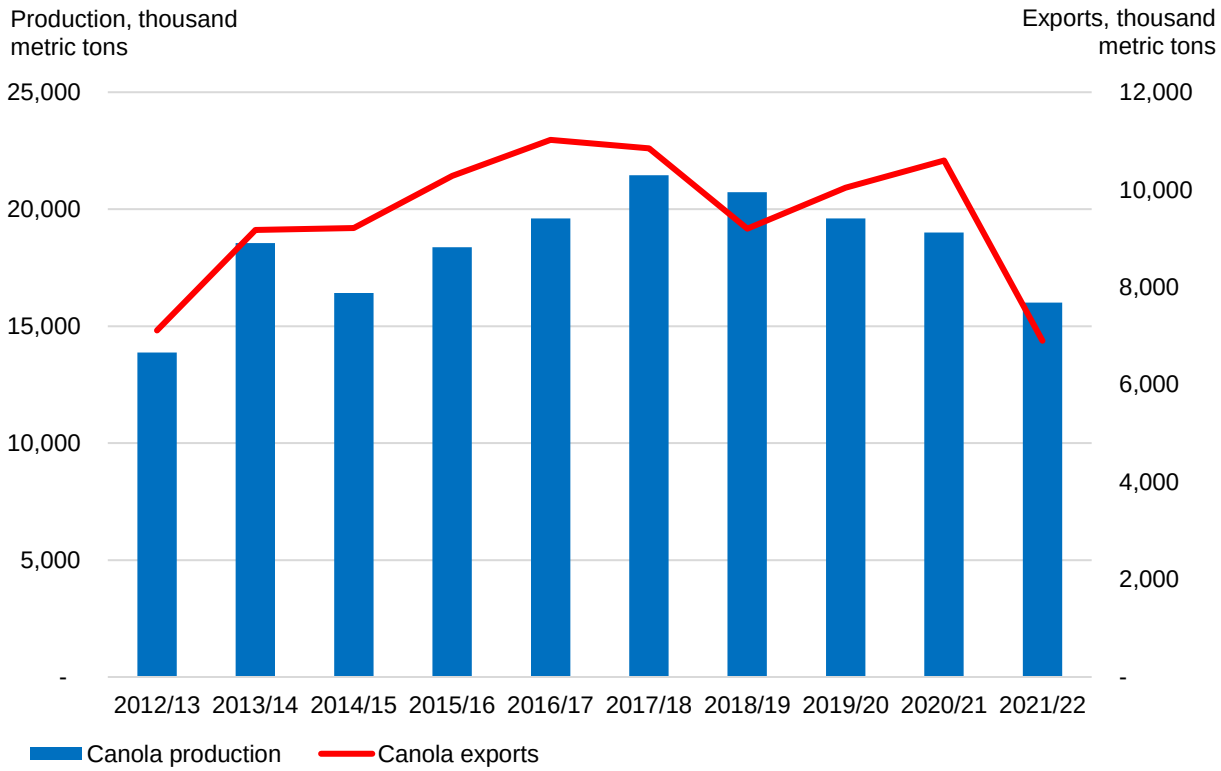
Following several months of below-average rainfall, weather conditions across Canada were poor heading into July. According to Agriculture and Agri-Food Canada, major canola producing regions of North-Central Saskatchewan and parts of Southern Alberta were in moderate to severe drought whereas the South-Eastern Plains region in Manitoba was experiencing extreme- to exceptional-drought conditions. Combined, these regions account for virtually all Canadian canola production. Above normal temperatures and scant rainfall throughout July have intensified the widespread moisture stress. Consequently, canola crop development has been severely affected in these major growing regions. Coupled with concern for potentially tight animal forage supplies, poor yield prospects have encouraged some producers to cut their canola for hay. Considering this month's 300,000 hectare reduction in available acreage for harvest and poor yields, USDA forecasts Canadian canola production for 2021/22 down by 3 million metric tons from 2020/21 to 16 million metric tons. This production decline, in conjunction with sustained domestic use, are expected to slash Canadian canola exports in 2021/22 by 3.7 million tons to 6.9 million metric tons compared to 2020/21. If realized, this would be the lowest canola exports from Canada since 2007/08. Tightened supplies are also predicted to constrain domestic crushing, which are seen at 9.5 million metric tons down 900,000 tons from 2020/21.

Across portions of South Australia and Victoria, weather conditions in these major growing regions were drier than normal early in the growing season. In the last month, however, rainfall has been near to above normal. Because temperatures are also normal for this time of year, 2021/22 Australian canola production is expected to slightly increase by 100,000 tons from last month's forecast to 4.4 million metric tons. This estimate is 400,000 tons above realized 2020/21 production. This month's production increase is expected to boost Australian exports for 2021/22 by 250,000 tons to 3.45 million.

Nevertheless, increased rapeseed exports by Australia and Russia will be far too small to compensate for trade reductions from Canada and other countries. A global spike in prices is likely to ration 2021/22 demand by the major importing countries (including the European Union, China, Japan, the United Arab Emirates, and Pakistan).

Additional output of Ukrainian sunflowerseed will help to counter a reduction in global rapeseed trade. USDA has raised its forecast of Ukrainian sunflowerseed production by 800,000 tons from last month to 17.5 million in response to higher reported planting. Improved 2021/22 sunflowerseed supplies are expected to boost Ukraine's domestic crush and exports of sunflowerseed by 550,000 tons and 200,000 tons, respectively. In contrast to beneficial weather in Ukraine, conditions in southwestern Russia remained mixed, with pockets of dryness and extreme heat in key sunflower oblasts lowering overall crop prospects. Russian sunflowerseed production was reduced by 1 million tons to 15.5 million. While lower production for Russia offsets production gains for Ukraine, Kazakhstan, and Moldova, the global sunflowerseed production forecast remains at an all-time high of 56.9 million tons for 2021/22.

Historical Canadian canola production and exports

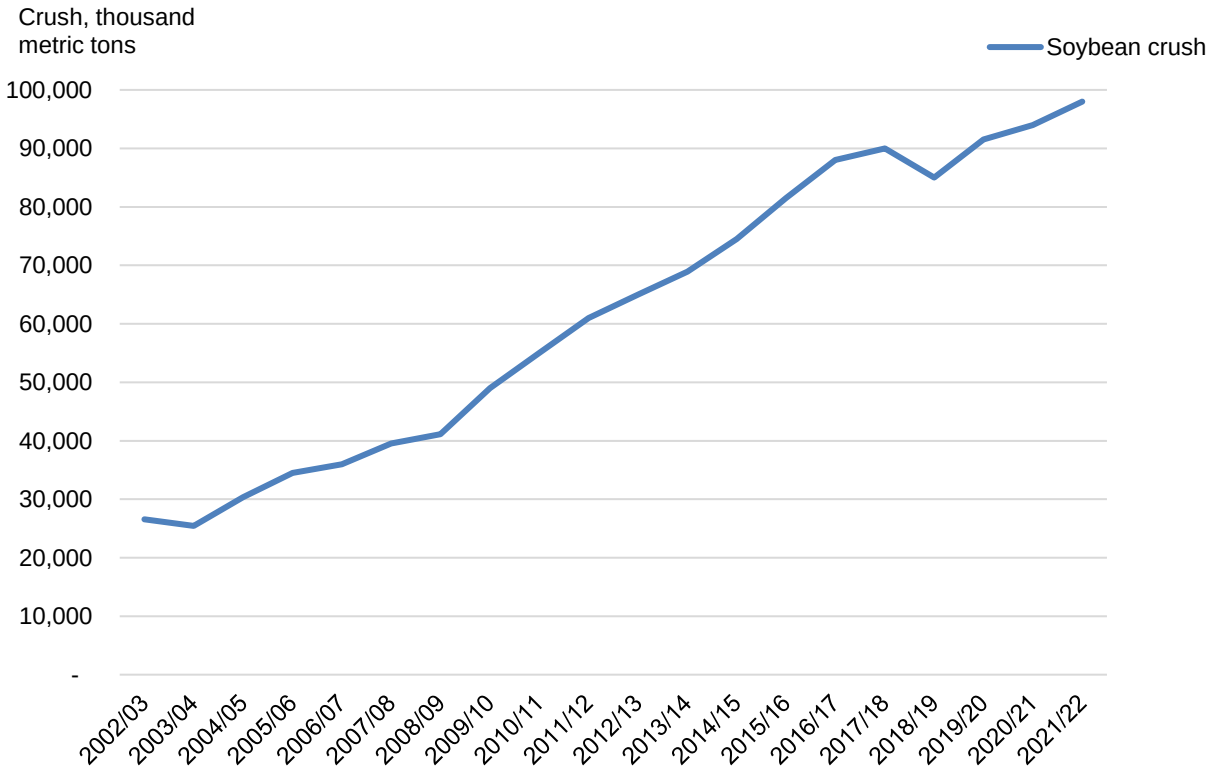


Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply, and Distribution.*

Lower Chinese Soybean Meal Demand and Higher Prices Lead to Brazil's Slower Pace of Soybean Exports

Lower profitability for Chinese hog producers has mitigated soybean meal use, decreasing crush volumes and raising soybean inventories. As a result, old crop crush estimates are forecast down from 96 to 94 million metric tons. Because this trend in crush volumes may persist, 2021/22 crush estimates have been dropped by 2 million to 98 million metric tons. China is expected to rely on domestic soybean stocks to satisfy demand—lowering old and new crop import estimates to 97 and 101 million metric tons, respectively. Not surprisingly, this reduction in Chinese crush is expected to decrease Brazil's 2020/21 soybean exports by 500,000 metric tons to 82.5 million.

Historical Chinese soybean crush



Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply, and Distribution.*

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