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Global Oilseed Production 2019/20

Global 2019/20 oilseed production is forecast at 574.8 million tons, Soybean production is projected at 339.0 million tons. Sunflower seed production is forecast at 51.4 million tons. , ***Rapeseed production is 68.6 million tons in response to a 600,000-ton cut in Canada and declines in Australia, the European Union, and the United States.*** Ending stocks have been reduced mostly on lower soybean production in the United States to 128.2 million tons.

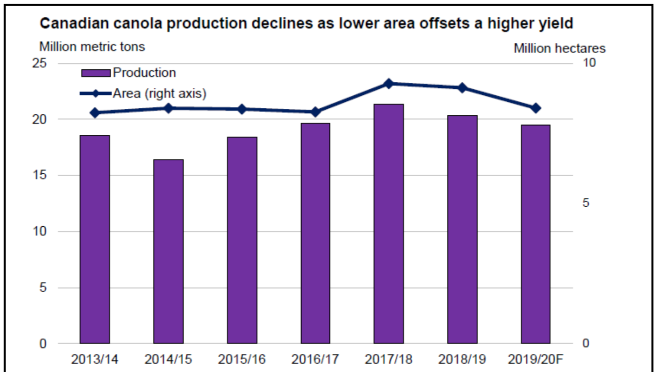
Vegetable oil trade continues to increase on growing demand in China and India. The projected U.S. season average farm price for soybeans is up U.S. $0.50 from last month to U.S. $9.00 per bushel in response to a tightening supply situation.

Weather Too Wet for Canadian Canola, Too Dry in EU and Australia

Global rapeseed production for 2019/20 is estimated at 68.6 million metric tons. The production change from last month is down 1 million tons due to reductions for Canada, the EU, and Australia. An expected outcome is that global rapeseed stocks will shrink. However, short supplies for some exporters may also dim the demand outlook for rapeseed, particularly in the EU and China.

Harvest losses are expected to lower the 2019/20 Canadian canola crop by 600,000 tons to 19.5 million. While growing conditions were more normal for other provinces, canola yields in Alberta were likely curtailed by a cumulative deficit in summer rainfall, which was nearly 30 percent below average.

In addition, harvesting activity throughout Western Canada has been slowed over the last several weeks by unrelenting rain and a heavy snowfall. By early October, little more than 30 percent of the country's canola acreage had been harvested. Pods on unharvested canola crops are prone to shattering in such conditions. Farmers may also be forced to abandon some crops because of the high cost to dry them for storage and a likelihood of price discounts assessed for lower quality. This month's loss of new-crop production is partly offset by official data indicating a slightly higher beginning stocks level. ***As a result, Canadian season-ending canola stocks may decline to 3.6 million tons in 2019/20 from the 2018/19 record of 4.1 million.***



Source: USDA, Foreign Agricultural Service, PS&D Online.

Once again, this year's European Union rapeseed crop is downgraded—to 17.15 million. Dryness-related yield reductions for France, Poland, and Germany are primarily responsible for the latest change. At the same time, a lack of foreign supplies for export will ration the rapeseed that is available for processing in the EU. The EU rapeseed crush for 2019/20 is forecast down to 22.05 million, compared to 23.2 million for 2018/19. ***Season-ending stocks of EU rapeseed could tighten considerably.***

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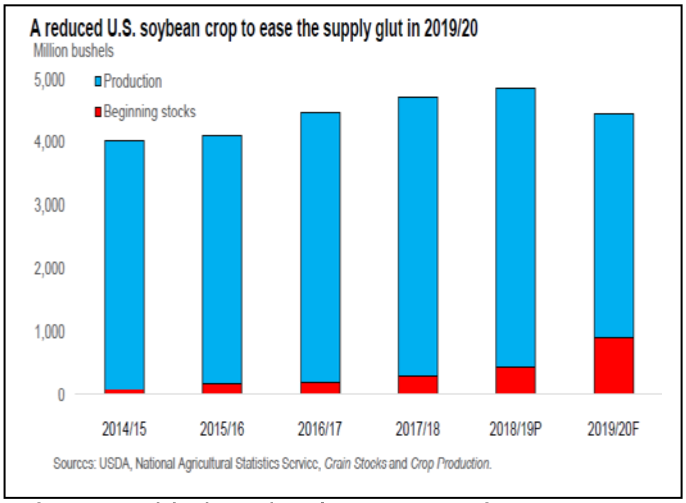
U.S. production of canola in 2019/20 is forecast at a record 3.71 billion pounds based on near records for acreage (2.04 million acres) and yield (1,860 pounds per acre). While a warm, wet summer benefited crop yields throughout the Northern Plains, harvest progress has been slowed by heavy September precipitation. In North Dakota and South Dakota, September rainfall was 2-3 times the usual amount. More recently, heavy snow has fallen on the Northern Plains. Cold and wet fall weather has prevented North Dakota farmers from harvesting more than 69 percent of the State's canola acreage as of October 6—compared to the 5-year average of 98 percent.

Australian canola production for 2019/20 is forecast down to a disappointing 2.2 million. Soil moisture conditions were already poor this year in New South Wales, but since August, Western Australia has also seen a sharp deterioration. These two States account for 68 percent of this season's canola area. Now, the 2019/20 crop production for Australia overall may barely exceed its drought-reduced 2018/19 harvest. <u>***All this crop reduction is seen dimming the outlook for Australian canola exports in 2019/20 to 1.7 million tons. If realized, the Australian exports would fall to a 9-year low.***</u>

Yields Reduce 2019/20 U.S Soybean Harvest

USDA's forecast lowered U.S. soybean production for 2019/20 to 3.55 billion. Mostly, the crop reduction is based on a lower yield, which is trimmed to 46.9 bushels per acre. Coupled with smaller-than-expected stocks carryover at 913 million bushels, total soybean supplies in 2019/20 are seen tightening by 175 million bushels to 4.5 billion. ***2019/20 soybean demand forecasts are minimal, but a sharp decline for beginning stocks and new-crop production is now expected to slash season-ending stocks to 460 million bushels.*** USDA raised its forecast of the 2019/20 U.S. season-average farm price for soybeans by 50 cents per bushel this month to U.S. $9.00 to reflect a tighter balance between supplies and use.



After considering the latest U.S. farm program administrative data, USDA revised down the soybean acreage planted to 76.5 million acres and the harvested acreage to 75.6 million. Mostly, however, the crop reduction is based on a lower yield, which is trimmed to 46.9 bushels per acre. New-crop yield forecasts are lowered for several States with more than half of the crop reductions stemming from Illinois, Nebraska, Iowa, and Minnesota. Crops also deteriorated in the Southeast, where a months-long dry spell has taken a toll on yields.

By October 6, only 14 percent of this year's soybean crop was harvested compared to the 5-year average of 34 percent. The slow harvest progress is a vestige of last spring's planting delays. Typically, the first autumn freeze in the Midwest arrives sometime in the first half of October, bringing an end to the growing season.

Prior to October, however, no killing frosts have appeared except in some isolated northern areas. Circumstances are particularly fortuitous this year as above-average September temperatures have enabled full development of late-sown crops. Temperatures have stayed warm long enough for crops to attain maturation. However, many areas also lacked adequate moisture. Since August, soil moisture conditions throughout the Southeast deteriorated rapidly as the region received less than 40 percent of its usual rainfall. Each State in the region now has more than half of its topsoil moisture conditions rated as short to very short. In contrast, excessive moisture in North Dakota and South Dakota has contributed to considerable lags in soybean harvesting in those States.

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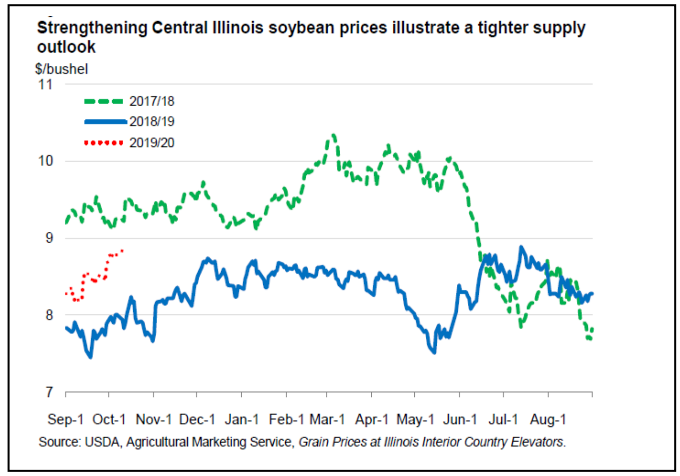
Total soybean supplies are seen tightening further in 2019/20 due to a smaller-than-expected stocks carryover. Last month, USDA's *Grain Stocks* report indicated that the September 1 soybean stocks totaled 913 million bushels—92 million below the prior forecast. USDA revised down its final crop production estimate for 2018/19 by 116 million bushels to 4.428 billion as a consequence. Collectively, the smaller new-crop outlook and lower old-crop carryover shrink the 2019/20 soybean supply to 4.5 billion bushels—down 175 million from last month's forecast.

Smaller Supply, Steady Demand To Halve Season-Ending U.S. Soybean Stocks

In a prelude to this month's U.S.-China trade negotiations, soybean exporters made strong gains in sales commitments to China over the past few weeks. ***Even with a modest revival in new soybean sales to China, U.S. outstanding export sales overall (through October 3) remain at an 11-year low.*** A contributing factor is an absence of sales to Argentina, which a year ago was exceptionally large. The forecast of U.S. soybean exports for 2019/20 is unchanged at 1.775 billion bushels.

USDA raised its forecast of the 2019/20 domestic crush this month by 5 million bushels to 2.12 billion. The increase is based on an outlook for higher domestic demand of soybean meal. Protein feed use will benefit from higher U.S. pork production next year in response to a brighter export market for meat. This month's changes in 2019/20 soybean demand forecasts are minimal, but a sharp decline for beginning stocks and new-crop production is now expected to slash season-ending stocks to 460 million bushels. By historical standards, the prospective carryout level is still high, yet the decline is substantial enough to moderately strengthen soybean prices in response. A higher level for the price of corn is also lending support to soybean values.



By early October, central Illinois cash soybean prices have rallied close to $9.00 per bushel compared to the September average of $8.41. USDA accordingly raised its forecast of the 2019/20 U.S. season-average farm price by 50 cents per bushel this month to $9.00.

The tighter soybean supply is similarly supporting prices for soybean meal and soybean oil. Season-average price forecasts for soybean meal and soybean oil in 2019/20 were raised to $325 per short ton for soybean meal (up $20 from last month) and to 30 cents per pound for soybean oil (up 0.5 cent).

Jan 2020 - Soybean Futures – Oct 17, 2019

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Wheat: Situation & Outlook 2019/20

Despite early expectations for increased harvested area and yield for Australia, Canada, and the U.S. persistent weather challenges in these countries led to lower production estimates. ***While lower month-to-month, at 765.2 million tons, global wheat production in 2019/20 is still 34.7 million tons, or 4.8 percent above last year's production.***

Similar to last year, much of ***Australia's*** wheat-growing regions are experiencing yield-sapping dryness. After some timely September rain at sowing in Western Australia dry conditions set in. In Eastern Australia, the 2019 crop was essentially planted into dust and has received below-normal precipitation for the balance of the growing season to date. Across the continent, dry and deteriorating conditions are expected to persist through harvest (November) and severely limit yield potential. Australian wheat yields are currently projected at 1.68 tons per hectare and compare to the 5-year average of almost 2 tons per hectare. With the harvested area unchanged from last month, the 1-million-ton reduction in projected Australian wheat production is fully attributed to reduced yield prospects.

In the Northern hemisphere, an abundance of moisture and cold temperatures raised concerns for unharvested spring wheat crops in Canada and the U.S. Since mid-September, the Canadian Prairies have experienced heavy rain that intermittently halted field work and led to harvest delays. As of October 4, just 44 percent of the spring wheat crop had been harvested in Saskatchewan, compared to 58 percent in 2018. In late September, this key spring wheat producing region was covered by deep snow in a potentially season-ending freeze event. ***In total, production expectations for Canada are lowered 0.3 million tons this month to 33.0 million.***

Similar to the Canadian Prairies, the Northern Plains of the United States have recently experienced excessively wet and cold conditions which have delayed the spring wheat harvest.

As of October 6, ninety-one present of the U.S spring wheat crop was harvested, 8 points behind the 5-year average. A particularly strong storm in late September brought high levels of precipitation (rain and snow) and wind to areas of the Northern Rockies, including Montana and sections of the Dakotas, potentially damaging unharvested small grain crops. The official USDA, NASS all-wheat production estimate for 2019 is 53.39 million tons, 0.5 million below the previous estimate.

Reduced Domestic Use Pushes Ending Stocks Higher

Global wheat ending stocks for 2019/20 are projected 1.3 million tons higher this month, as slightly lower supplies are more than offset by higher beginning stocks and reduced projected wheat consumption.

Global wheat consumption is projected down 1.2 million tons this month, while feed and residual use is down 0.6 million. The reduction is dominated by the changes for ***U.S.*** feed and residual use, while foreign feed use is projected up slightly by 0.3 million tons with a few small revisions. Despite lower wheat supplies projected for ***Australia*** this month on reduced production, the country's feed and residual use is not lowered. Pastures there are still affected by the drought in eastern Australia, and so grain feeding is expected to remain relatively high.

A revision of wheat domestic consumption data for ***Bangladesh*** suggests a small increase in total consumption and a shift from food, seed, and industrial use to feed use. The revision goes back to 2015, with wheat feed use going from 0.2 million tons in 2015/16 to 0.3 million in 2019/20. With higher wheat output, a small increase in feed use is projected for ***Turkmenistan***. Wheat feed use in ***Canada*** is projected slightly lower, following reduced output.

Multiple partly offsetting changes in wheat stocks by various countries follow numerous revisions in production, consumption, and trade, with more than half of the ending stocks' increase coming from the *United States*. Global ending stocks are projected higher, while foreign ending stocks are up slightly. With reduced production and higher projected exports, wheat stocks are projected slightly lower for *Egypt*. Stocks for *Canada* and *Serbia* are each reduced this month by 0.5 million tons. Smaller revisions in stocks are made for several other countries.

Global Wheat Trade Down, U.S. Exports Reduced

Global wheat trade for the 2019/20 international trade year (July-June) is forecast marginally lower, down to 179.3 million tons. ***Even with this reduction, this is still the third-highest export volume on record and 4.9 million tons above last year.***

Wheat imports are revised for a number of countries this month, as trade data for 2018/19 and the current pace of 2019/20 imports reveal mainly lower imports. In some instances, imports are adjusted due to revisions in production. Higher wheat supplies projected for *Mexico* and *Turkmenistan* are expected to reduce imports; for *Venezuela*, the economic and social plight, as well as a reduction of 2018/19 imports, justify a lower import projection; and the import series back to 2015/16 is revised downward for *Kyrgyzstan*, based on new available information. Small changes are also made for several other countries.

Wheat imports for the *United States* are sharply reduced, down to 3.4 million as imports from *Canada* are significantly behind last year's pace. For the local 2019/20 June-May marketing year, U.S. imports are projected down 15 million bushels this month to 120 million.

A further reduction in production prospects for *Australia* drives its wheat July-June exports down to 9.5 million (down 1.0 million tons for the Australian local October-September marketing year). Lower supplies reduce exports from *Serbia*, to 1.0 million.

Partly offsetting these reductions, wheat exports from the *EU* are projected 0.5 million tons higher to reach 28.0 million, with a 1.0-million-ton boost to wheat output in France, the EU's leading wheat country-exporter. These projected exports are the highest since 2015/16, the last year when the EU was the top world wheat exporter at 37.8 million tons. A rapid pace of exports, which indicates the EU's growing price-competitiveness, support this increase.

The wheat export series is revised higher for *Egypt* for the last 5 years based on new available data. Egypt exports wheat mainly to the countries of North Africa (Libya) and Middle East (Jordan).

U.S wheat exports for the 2019/20 July-June international trade year are projected to be 26.0 million. The pace of U.S. wheat export sales and shipments is slow and the outstanding sales have been declining. This is an importer response to the diminishing price-competitiveness of the United States vis-à-vis other major wheat exporters who are projected to have higher wheat supplies than last year, and whose currencies are mostly depreciating against the U.S. dollar. A strong dollar creates a price disadvantage for U.S. exports, effectively pricing them out of some markets. The current projection assumes that, as the season progresses and competitors exhaust their supplies, the United States will be able to step in and utilize this year's higher supplies.

For the local 2019/20 June-May marketing year, U.S. exports are projected down 25 million bushels this month to 950 million.