

## Oilseeds: Situation & Outlook

Global soybean exports for 2019/20 are forecast at 151.3 million metric tons —up from 150.2 million in 2018/19. Lower prospects for U.S. trade in 2019/20 are seen being more than offset by gains for Brazil, Argentina, and Uruguay. For Brazil, a likely higher stocks carryover this October may help boost 2019/20 soybean exports to 76 million tons. A higher stocks outlook for Brazil is prompted by a downward revision in the forecast of the country's 2018/19 exports (to 77.3 million tons).

A similarly firm shipments pace may buoy Argentine soybean exports next year to 8 million tons versus 8.75 million in 2018/19. Lately, more soybeans have become available for Argentine exports due to a less robust domestic crush market. Import demand for Argentine soybean meal has weakened. In particular, Vietnam (like China previously) has suffered an outbreak of African swine fever, forcing the culling of much of the country's pig herd. After the EU and Indonesia, Vietnam is the world's third leading importer of soybean meal.

***USDA lowered its 2019/20 forecast of global rapeseed to 71.8 million tons. The main reductions are divided between the European Union, Canada, and Australia. Crop losses for these countries could pull down global ending stocks to a 3-year low.***

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## Stats Canada: Canadian Field Crop Seeded Acres

According to the June Field Crop Survey, Canadian farmers expect to plant more barley, corn for grain, dry peas, lentils and oats in 2019, but fewer acres of wheat, canola and soybeans.

At the time of the survey, seeding in Western Canada was well under way, aided by dry conditions throughout much of the Prairies. Alberta, Saskatchewan and Manitoba all reported seeding rates well above the five-year average.

Conversely, planting in Eastern Canada has been delayed due to high rainfall and cool temperatures. This may result in some changes in seeded area estimates later in the reporting cycle, as some estimates provided by farmers in Eastern Canada may have been intentions at the time of the survey.

### **Wheat**

Nationally, farmers reported planting 24.6 million acres of wheat in 2019, down 0.6% from 2018. Lower wheat area was led by durum wheat which declined 20.9% to 4.9 million acres, likely due to lower demand. In comparison, spring wheat area rose 8.4% to 18.8 million acres.

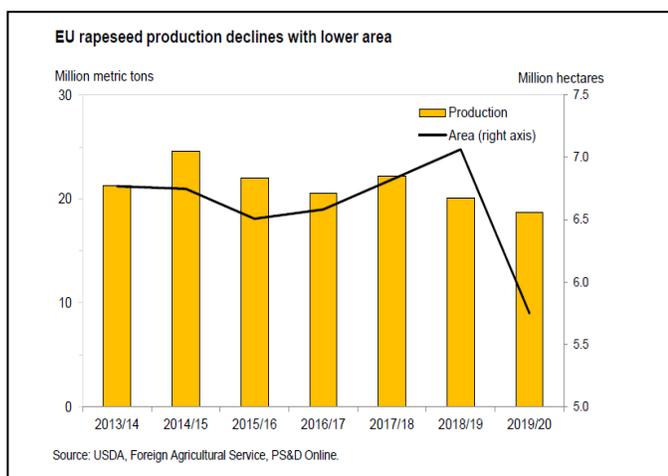
Farmers in Saskatchewan reported that wheat area edged down 0.4% to 12.9 million acres. While spring wheat increased 11.1% to 8.7 million acres, this increase was offset by durum, which declined 17.8% to 4.1 million acres.

Alberta farmers reported planting 7.4 million acres of wheat, 1.0% less than in 2018. Spring wheat area increased, from 6.3 million acres in 2018 to 6.6 million acres in 2019. This was offset by a 34.6% decrease in durum wheat to 775,000 acres.

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A decline for EU rapeseed production in 2019/20 was already anticipated based on a sharp reduction in sown area. Last fall, very dry conditions for planting pulled down rapeseed area by 19 percent to 5.75 million hectares. Soil moisture had improved throughout Europe by early 2019. In June, however, the weather turned brutally hot and dry during a key period for rapeseed flowering and seed filling. Lower expected yields for Germany and France this month cut the forecast of EU rapeseed production by 1 million tons to 18.7 million. Despite the loss of domestic output, EU rapeseed imports may also be curtailed by smaller Australian shipments. While lower supplies may shave the EU crush by 200,000 tons to 23 million tons, the brunt of the decline may be absorbed by year-end inventories. **EU season-ending rapeseed stocks are expected to plunge by 900,000 tons to a 3-year low of 1.15 million.**



Canadian official area data recently indicated that less canola was sown in 2019/20 than intended earlier this year. **This month, the estimate for Canadian canola area is seen 400,000 hectares lower to 8.4 million.** Farmers likely reacted to falling prices brought on by a disruption of export shipments to China. The dry conditions that prevailed in the Canadian prairies earlier this spring have since been eased by better rainfall throughout June. An area reduction lowers USDA's 2019/20 forecast of Canadian canola production by 1 million tons to 20.1 million. **All of the crop reduction is seen preventing season-ending stocks from swelling beyond the 2018/19 record.**

Australian canola production in 2019/20 is expected to rebound 19 percent from last year's severe drought. However, a weaker recovery is now likely with a crop reduction of 1.1 million tons this month to 2.6 million. Pre-season dryness limited the acreage sown to canola this year, as the March-May rainfall prior to planting was well below average, particularly for the State of Western Australia. Growers also favored the planting of barley and wheat. Compared to the previous forecast, 2019/20 canola area is now seen 700,000 hectares lower to 2 million.

Australian new-crop exports of canola are forecast down 400,000 tons to 1.9 million—matching the 2018/19 level. A steep decline is also expected for Australian season-ending canola stocks.

## U.S. Soybean Situation & Outlook

USDA's Acreage report indicated that 2019/20 **soybean acreage has fallen 10 percent from a year ago to 80 million acres. Coupled with a reduced 2019/20 soybean yield forecast of 48.5 bushels per acre, the July production forecast is lowered by 305 million bushels to 3.845 billion.** Moderately tighter U.S. supplies may boost prices in 2019/20, which are now seen averaging 15 cents higher to \$8.40 per bushel. This prompted USDA to lower its forecast of 2019/20 soybean exports to 1.875 billion. This tempers the expected decline in season-ending stocks to 795 million bushels.

Soybean planting is down for all major producing States. Farmers had already indicated with their March planting intentions a likely acreage decline, but the latest data are down an additional 4.6 million acres. The survey indicates that lower soybean prices and higher corn prices generally encouraged farmers to swap more acreage back to corn. Although the survey (conducted over the first two weeks of June) is the most complete and timely data available, results may still be tentative due to substantial delays for June planting and still undeclared levels of fallow acreage. As a consequence, this month the USDA's National Agricultural Statistics Service will be conducting an updated acreage survey of 14 States with

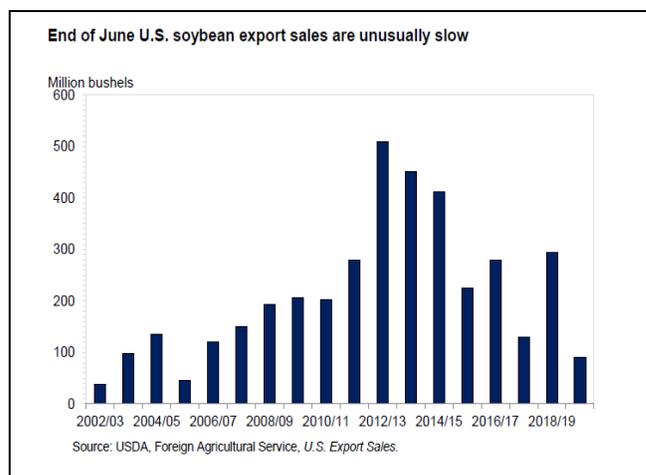
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results to be published in the August 12 Crop Production report. By August, supplementary information will also be available from USDA's Farm Service Agency. This consists of preliminary data on prevented planting claims, which are used for the administration of farm programs.

Late development will shorten the growing season for soybeans on a substantial portion of this year's sown acreage. For many parts of the Midwest, USDA's Risk Management Agency sets mid-June as a final planting date for full insurance coverage on soybeans. The insurance dates are based on extensive research findings that shorter growing periods for soybeans limit the vegetation that can be produced by the plants. Stunted soybean plants develop fewer branches that cannot produce as many pods. Plants may also have a shallower root depth, which makes them more vulnerable to a sudden dry spell. Thus, late-sown crops have a more limited yield potential. Yields on crops planted after mid-June can decline up to 1 percent daily. USDA factored these delays into its forecast of the 2019/20 soybean yield this month, which is trimmed 1 bushel to 48.5 bushels per acre. Coupled with a larger acreage decline, the expected reduction from a trend yield scales back the July production forecast by 305 million bushels to 3.845 billion. A lower forecast of beginning soybean stocks then reduces the 2019/20 total supply by 325 million bushels.

Moderately tighter U.S. soybean supplies may boost farm prices in 2019/20, which are now seen averaging 15 cents higher to \$8.40 per bushel. But even a marginal narrowing of exporter price differences could erode U.S. competitiveness in the export market. For 2019/20, USDA projects only modest growth for global soybean imports, and even that hinges on gains for China. At the end of June, pre-season U.S. export sales of new-crop soybeans were at a 14-year low. For this early date, these sales seldom amount to more than 10-20 percent of total marketing year commitments. Soybean sales still could suddenly improve if an unusually high level of outstanding 2018/19 sales are converted for 2019/20 delivery. Even so, USDA forecasts 2019/20 soybean exports 75 million bushels lower this month to 1.875 billion. This tempers the expected decline in

season-ending stocks to 795 million bushels.



Last month, USDA's Grain Stocks report indicated that June 1 soybean stocks totaled 1.79 billion bushels. ***This inventory eclipses the June 2018 record high by 47 percent. This massive year-over-year accumulation of inventory (571 million bushels) is the combination of a supply increase (by 263 million bushels) and a decline in year-to-date use of 308 million bushels.*** However, based on reported soybean use through the third quarter, stocks were well below what would have been anticipated. The data prompted USDA to raise its 2018/19 forecast of residual use by 40 million bushels to 71 million.

A higher residual is partly offset by a 15-million-bushel reduction in the 2018/19 soybean crush to 2.085 billion. In May, the rate of soybean crushing slowed 4 percent from April to 165.3 million bushels. Domestic use of soybean meal for 2018/19 has not kept pace with the prior forecast, either, and is seen 150,000 short tons lower this month to 35.8 million. Likewise, soybean meal exports were markedly slower in June, leading USDA to shave its forecast by 100,000 short tons to 13.9 million. Estimated seed use of soybeans is also trimmed 5 million bushels in line with the lower sown acreage data. Overall, these revisions to soybean use estimates lower the 2018/19 forecast of season-ending stocks by 20 million bushels to 1.05 billion.

## Stats Canada: Canadian Field Crop Seeded Acres

Farmers in Manitoba reported that total wheat planting was up 8.8% to 3.2 million acres.

### Canola

Nationally, Canadian farmers reported planting 21.0 million acres of canola in 2019, down 8.2% from 2018. While the seeded area in 2019 was the lowest since 2016, it still represented the fourth highest canola area on record. The decrease in canola seeded area was likely influenced by lower prices compared with the previous year. Lower prices may be attributable to limited access to Chinese export markets as well as high global supply of oilseeds.

Saskatchewan farmers reported planting 11.6 million acres of canola in 2019, down 6.5% from 2018.

In Alberta, producers reported that seeded canola area was down 12.9% from 2018 to 5.9 million acres.

Farmers in Manitoba reported that canola area was down 3.2% to 3.3 million acres.

### Soybeans

Nationally, producers reported planting 5.7 million acres of soybeans in 2019, down 9.6% from 2018.

Farmers in Ontario, which generally accounts for the largest area of soybeans, reported planting 3.1% more soybeans to a record high 3.1 million acres of soybeans. Wet, cool conditions have delayed planting throughout the province, and may have prompted some farmers to plant soybeans rather than corn.

Farmers in Manitoba were the main contributor to the national decrease in soybean area, down 22.2% in the province to 1.5 million acres. This was the second consecutive year that farmers in Manitoba reduced planted area of soybeans. Soybean yields in Manitoba have decreased over the past several years due in part to a lack of rain. Lower yields may have prompted some farmers to reduce soybean area.

In Quebec, farmers reported planting 1.0% fewer acres of soybeans to 906,200 acres.

### Barley and oats

Across Canada, farmers report planting 14.0% more acres of barley to 7.4 million acres. Barley area increased in all three Prairie provinces, which together accounted for 95.2% of barley area in Canada. The larger seeded area may be due to higher prices resulting from low global stocks and the higher anticipated need for livestock feed. Higher barley prices may also have influenced some farmers to plant barley instead of canola, given ongoing trade issues.

Farmers reported planting 3.6 million acres of oats in 2019, up 18.1% from a year earlier. Like barley, low supplies have resulted in higher prices, which may have producers opting to plant a larger area compared with a year earlier. The increase in oat area was concentrated primarily in Saskatchewan (+390,900 acres).

### Corn for grain

Nationally, farmers reported that corn for grain acreage was up 1.9% from the previous year to 3.7 million acres in 2019. While the March Field Crop Survey indicated that farmers intended to plant more corn than in 2018, poor weather conditions may have impacted actual seeded area.

Ontario producers reported planting 2.2 million acres of corn in 2019, up 2.2% from a year earlier. Corn area was down slightly in Quebec at 945,100 acres.

Farmers in Manitoba also reported higher seeded area for corn than in 2018.

### Lentils and peas

In 2019, Canadian farmers reported planting about the same area of lentils as in 2018, edging up 0.3% to 3.8 million acres, despite ongoing import tariffs imposed by India, which the Indian government has extended until at least 2020.

Nationally, farmers also reported seeding more dry peas, up 19.8% from 2018 to 4.3 million acres. The increase was concentrated primarily in Saskatchewan, which reported planting 399,600 acres more in 2019.