

Outlook: Grains and Oilseeds

Justin Choe

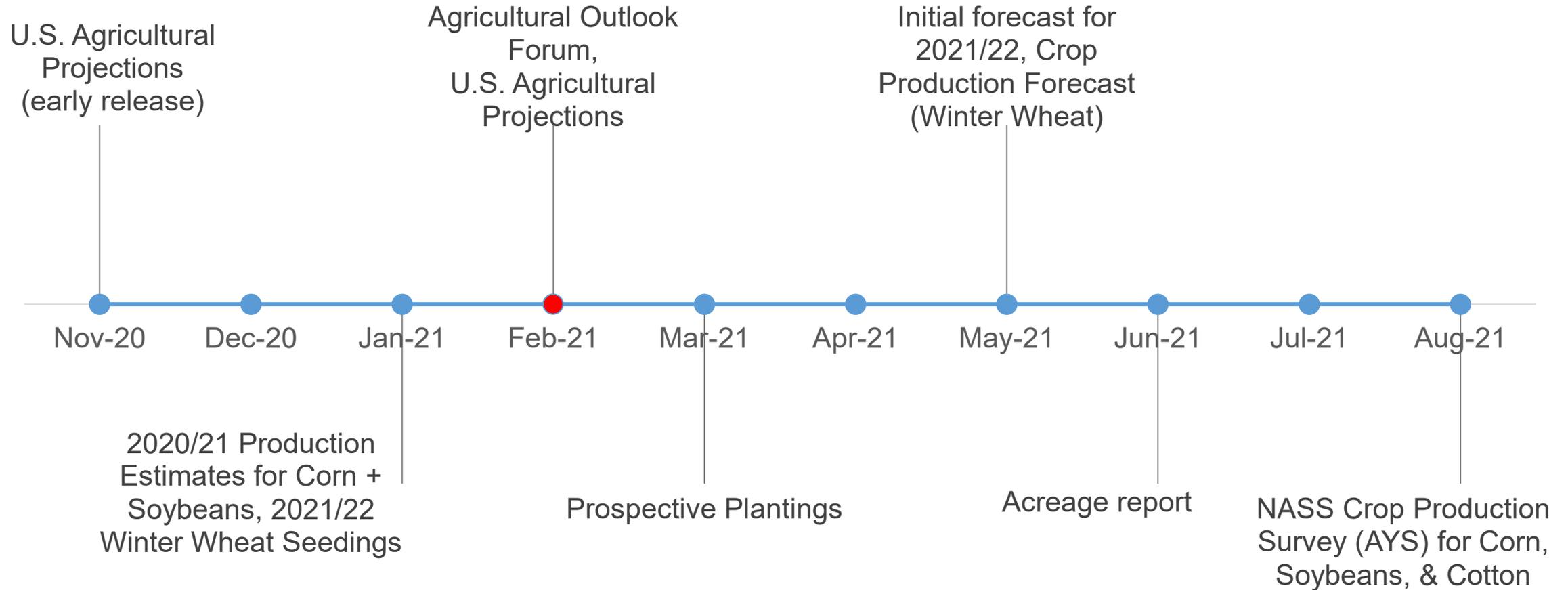
World Agricultural Outlook Board, OCE, USDA

Outline

- Introduction
- Factors Shaping Forecast
- Outlook
 - Soybean
 - Corn
 - Wheat
- Closing remarks/Summary

Introduction

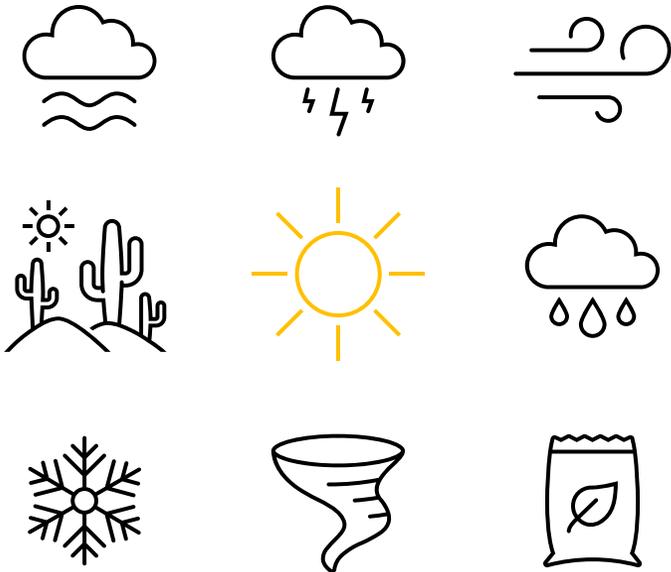
Timeline for 2021/22 Forecasts



Factors Shaping Forecast



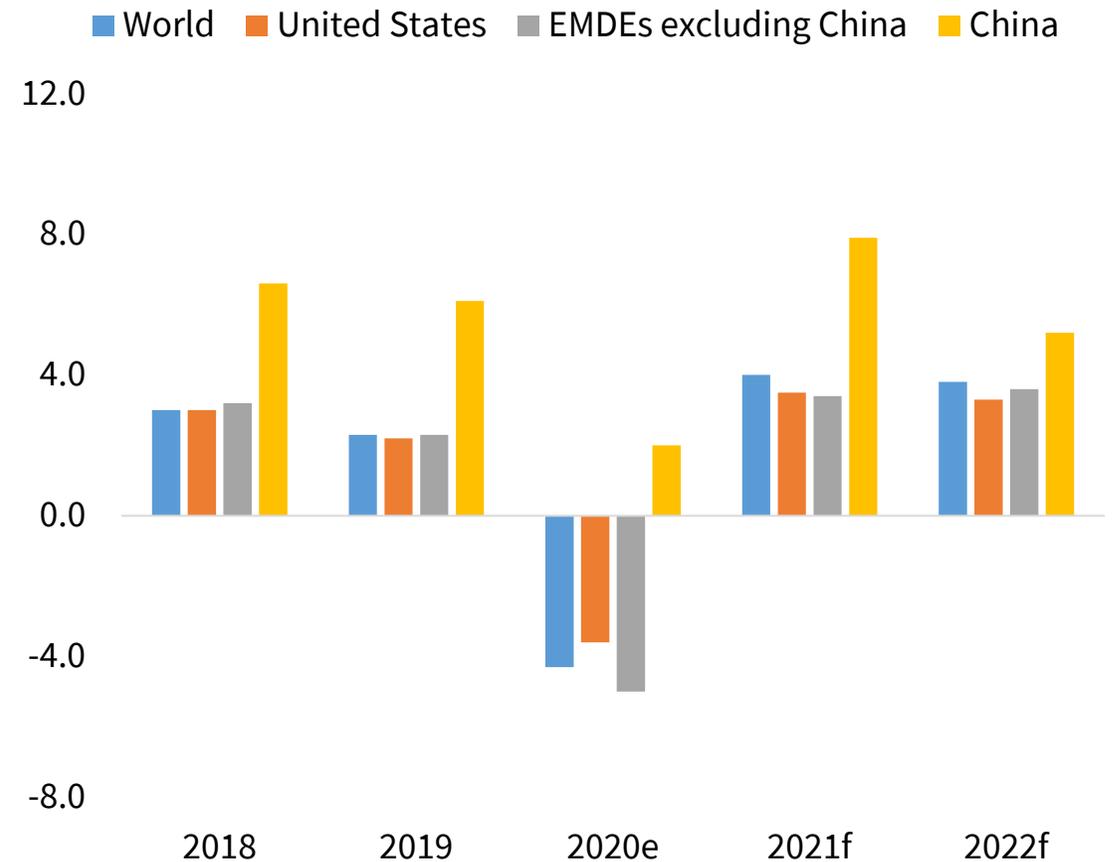
Assumptions: Weather & Policy



- Trend yields used, assuming normal planting progress and growing conditions
- Current policies projected to be “in-place” unless change publicly announced
- No changes to overarching assumptions and approach

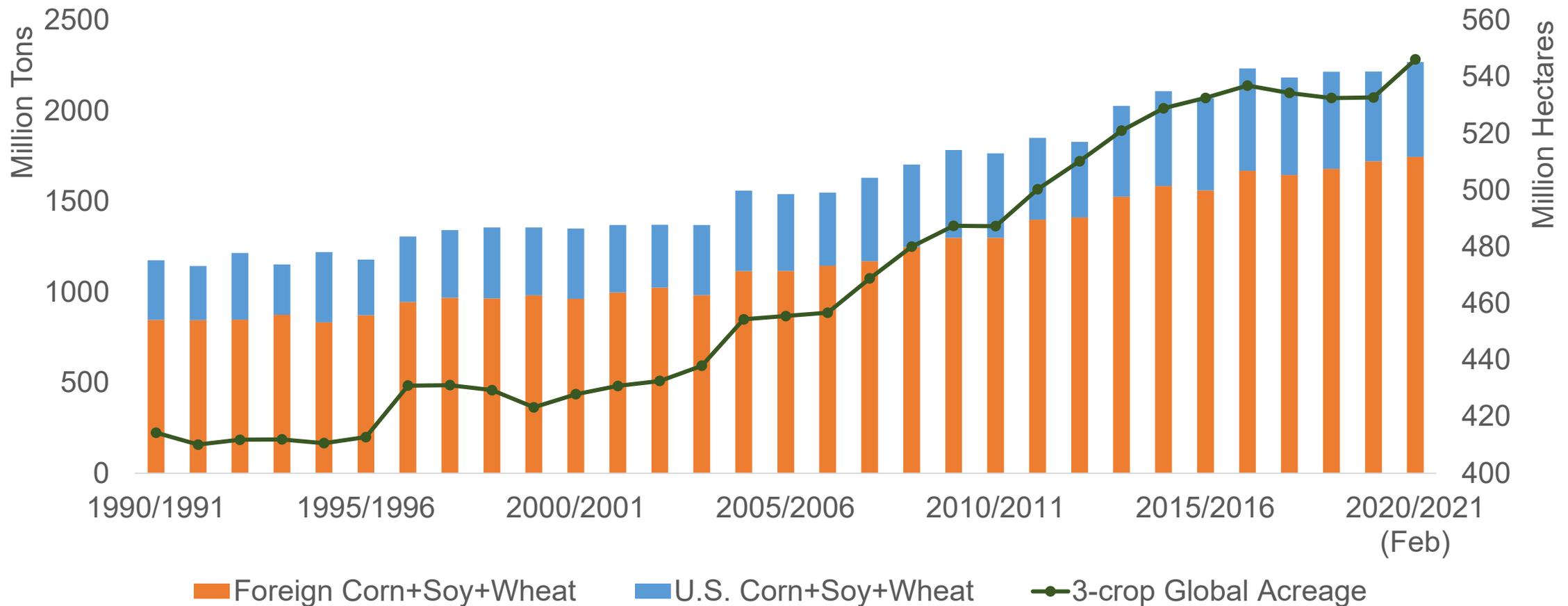
Macroeconomic and Economy-wide Assumptions

- Substantial rebound in U.S. and global economic growth
- COVID-19 is more under control, “normal” business activity resumes
- Despite recovery, global real GDP levels are forecast below pre-COVID levels



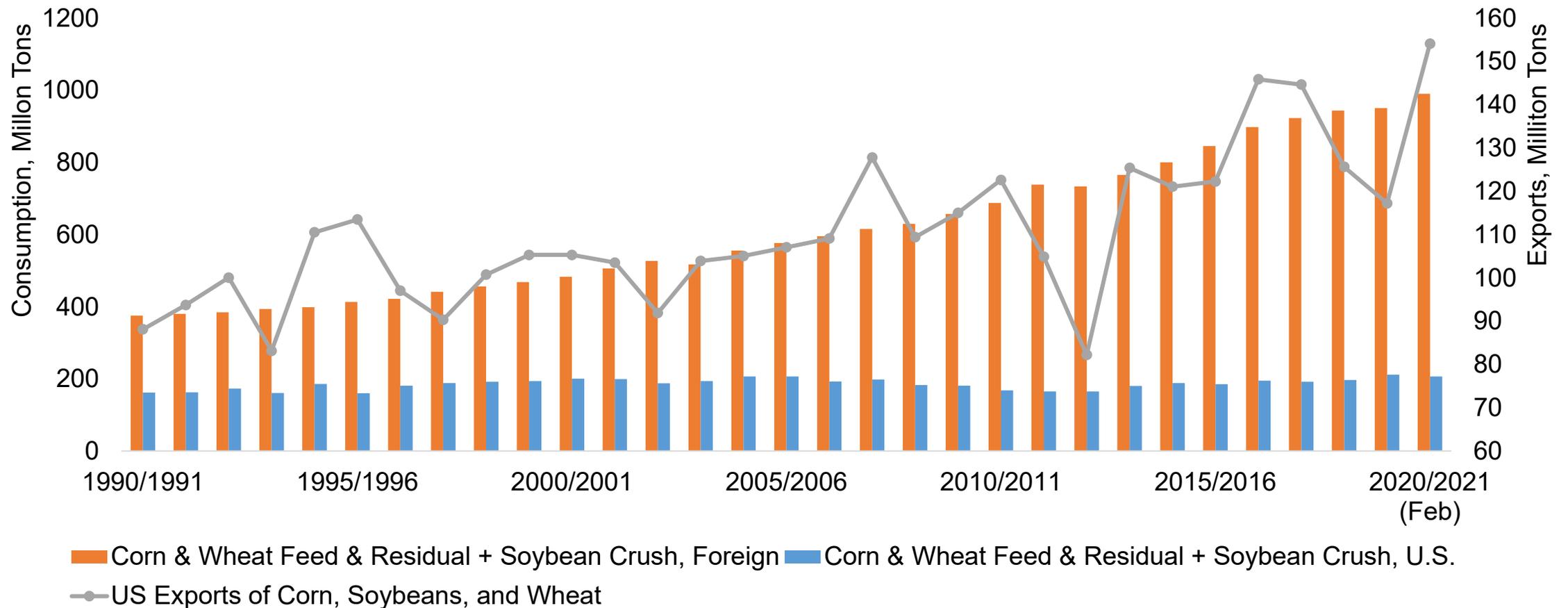
Source: The World Bank, Global Economic Prospects (Jan 2021)

World production of corn, soy, and wheat continues to grow



Source: PSD Database, USDA/FAS

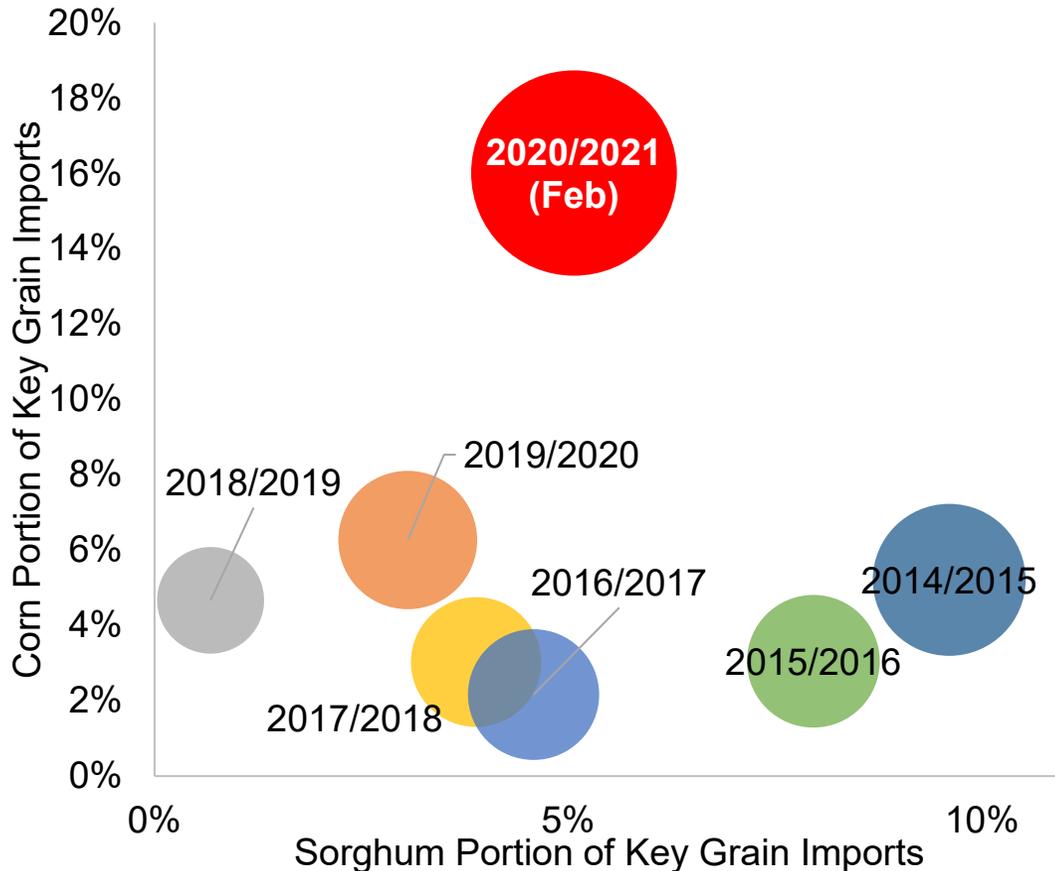
Feed use* of grains and oilseeds rising, as well as U.S. exports



Source: PSD Database, USDA/FAS

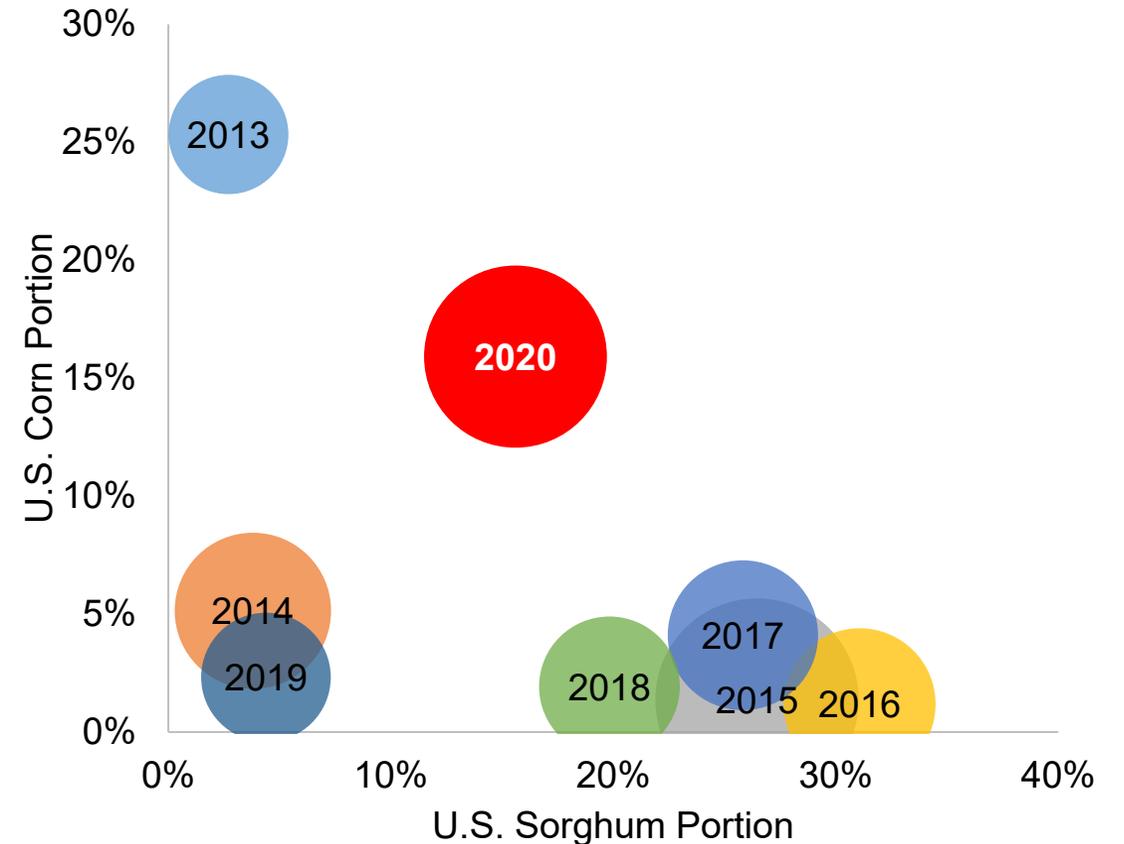
China's grain imports bodes well for U.S. grain exports

China MY import estimates of key grains*
Size of bubble represents total tonnage



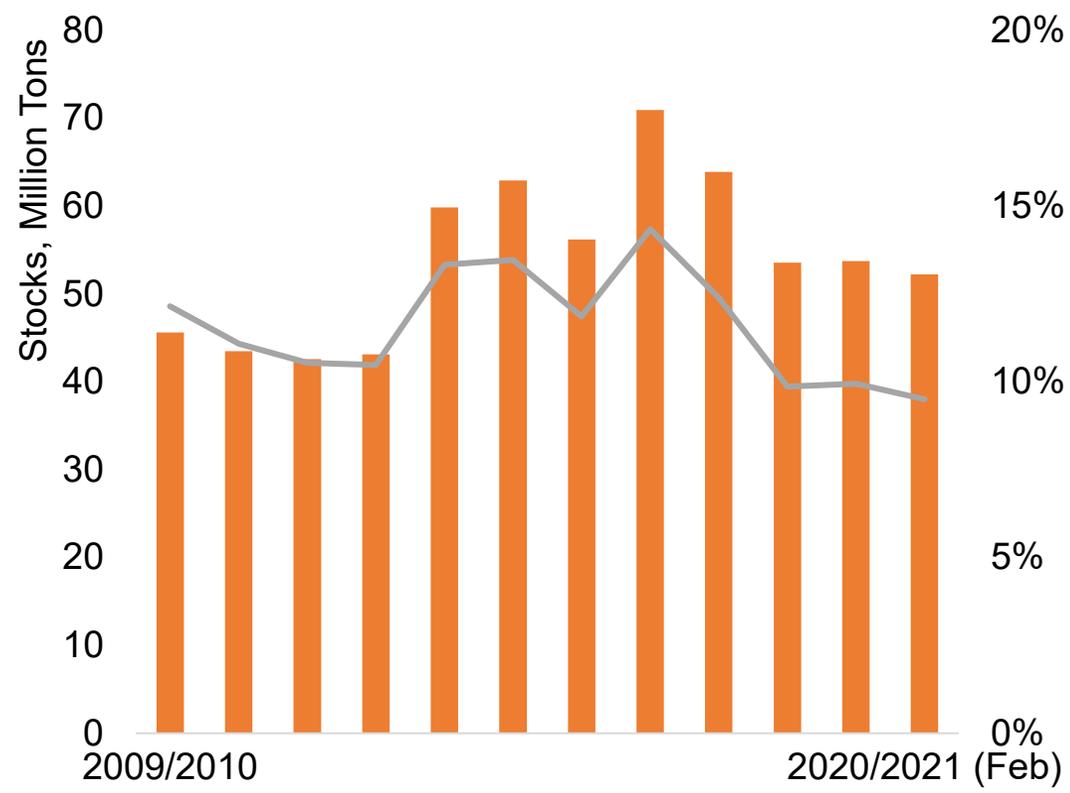
* Includes corn, barley, sorghum, wheat, and soybeans. Source: PSD/FAS

China CY imports of feed grains/feedstuffs**
Size of bubble represents total tonnage

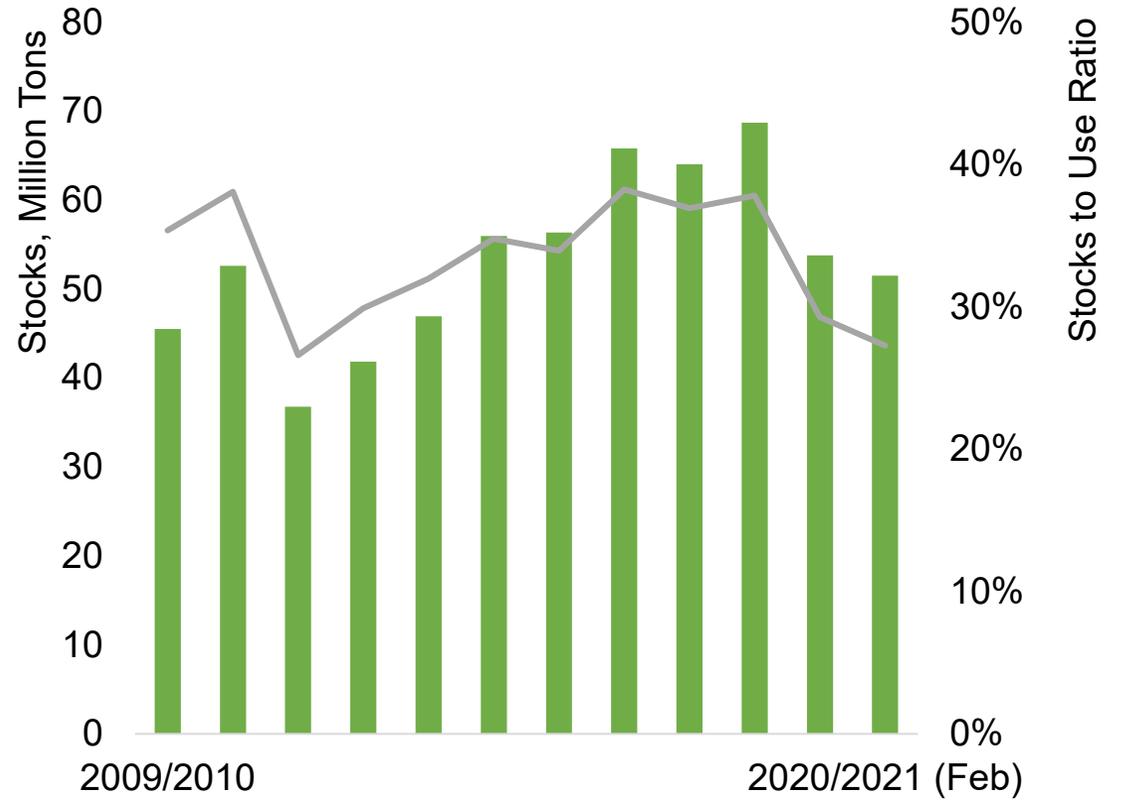


** Includes corn, barley, sorghum, DDGS, and field peas. Source: TDM

Foreign stocks of corn and soy are tightening



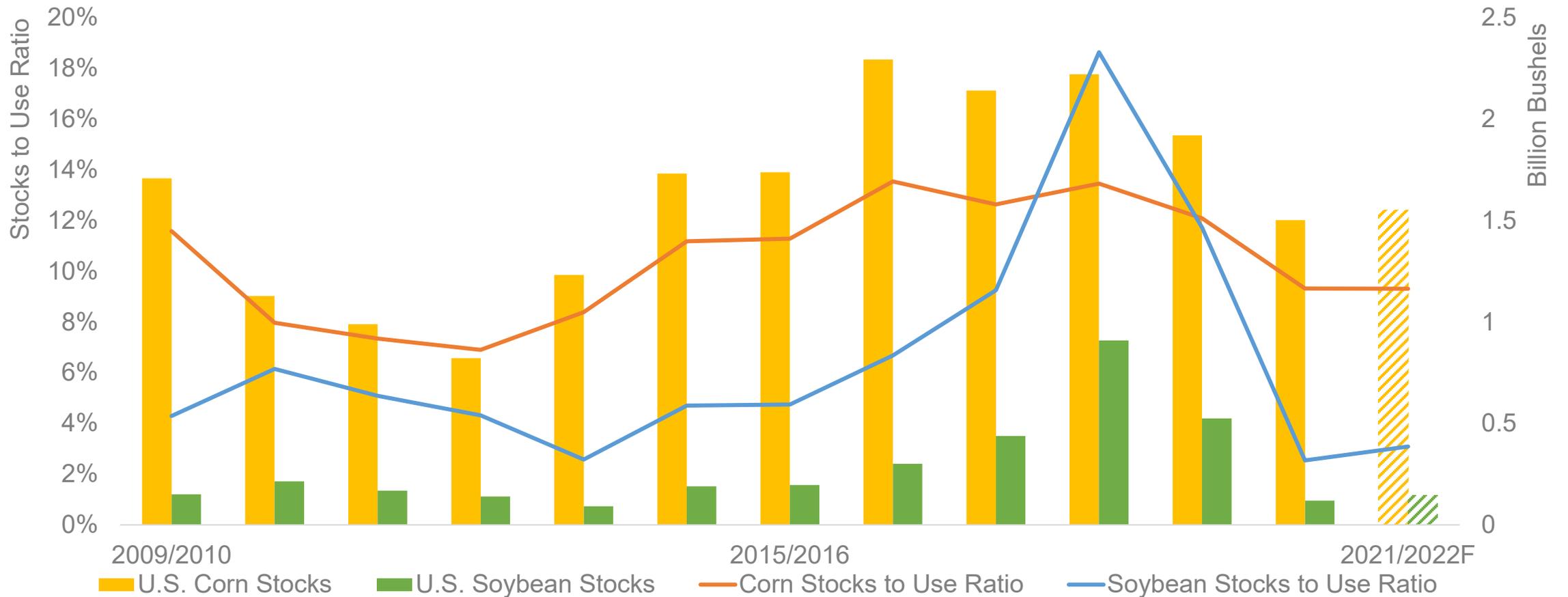
■ Foreign (sans China) Ending Stocks, Corn
— Stocks to Use Ratio



■ Foreign (sans China) Ending Stocks, Soybeans
— Stocks to Use Ratio

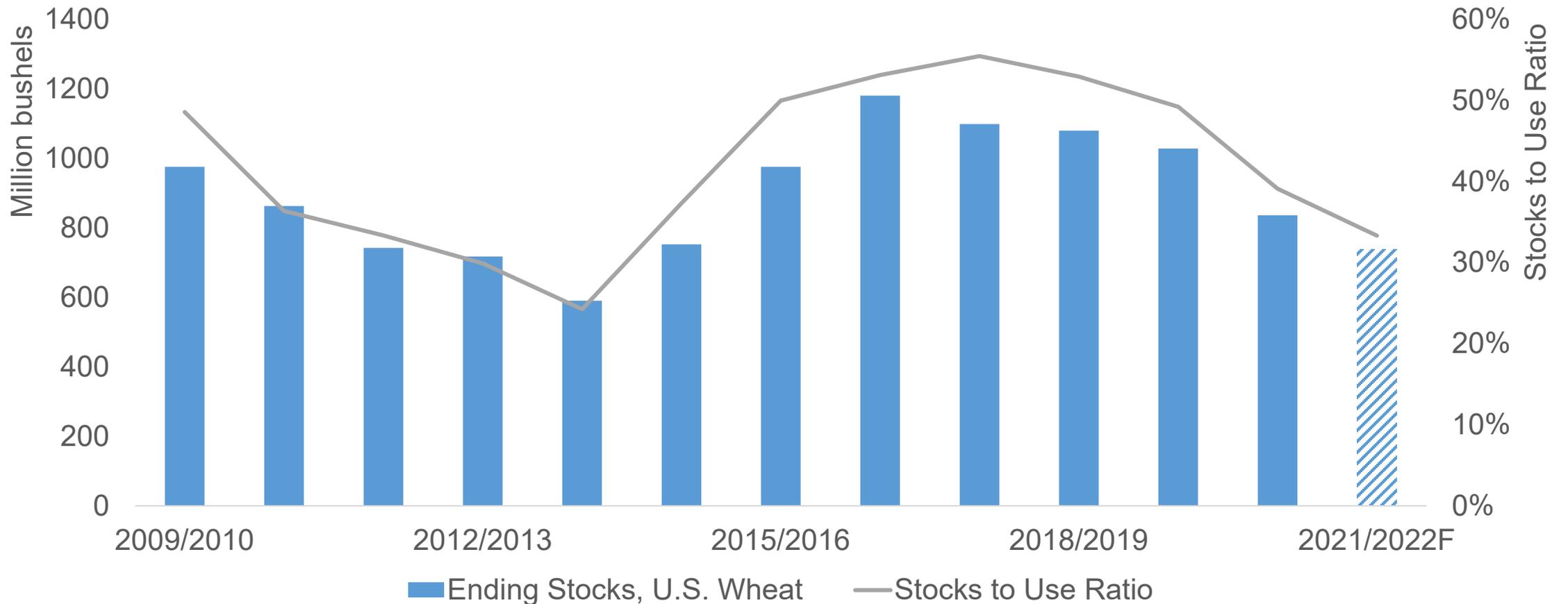
Source: PSD Database, USDA/FAS

U.S. Corn and Soy markets tightening



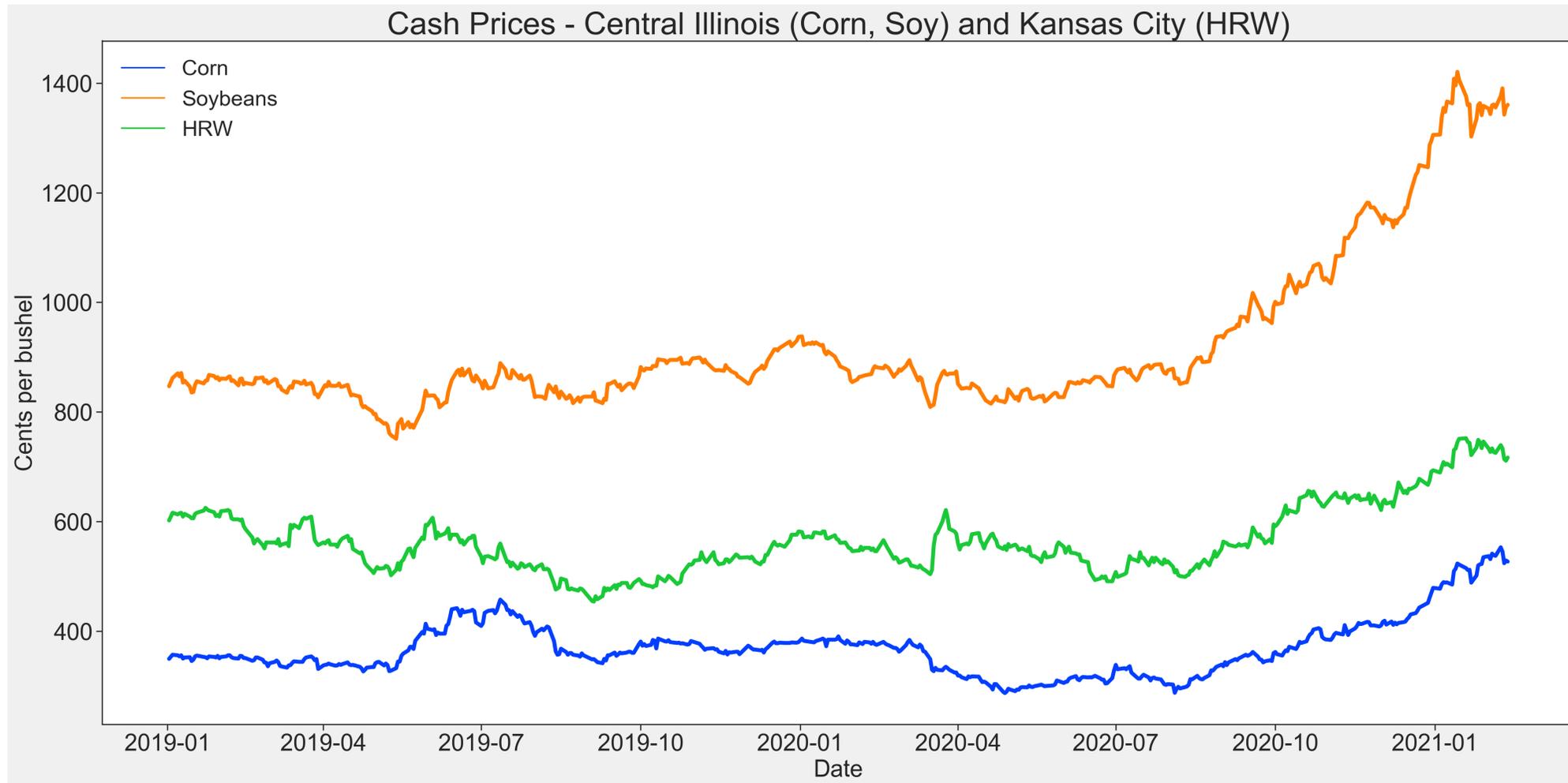
Source: PSD Database, AOF

U.S. Wheat market tightening as well



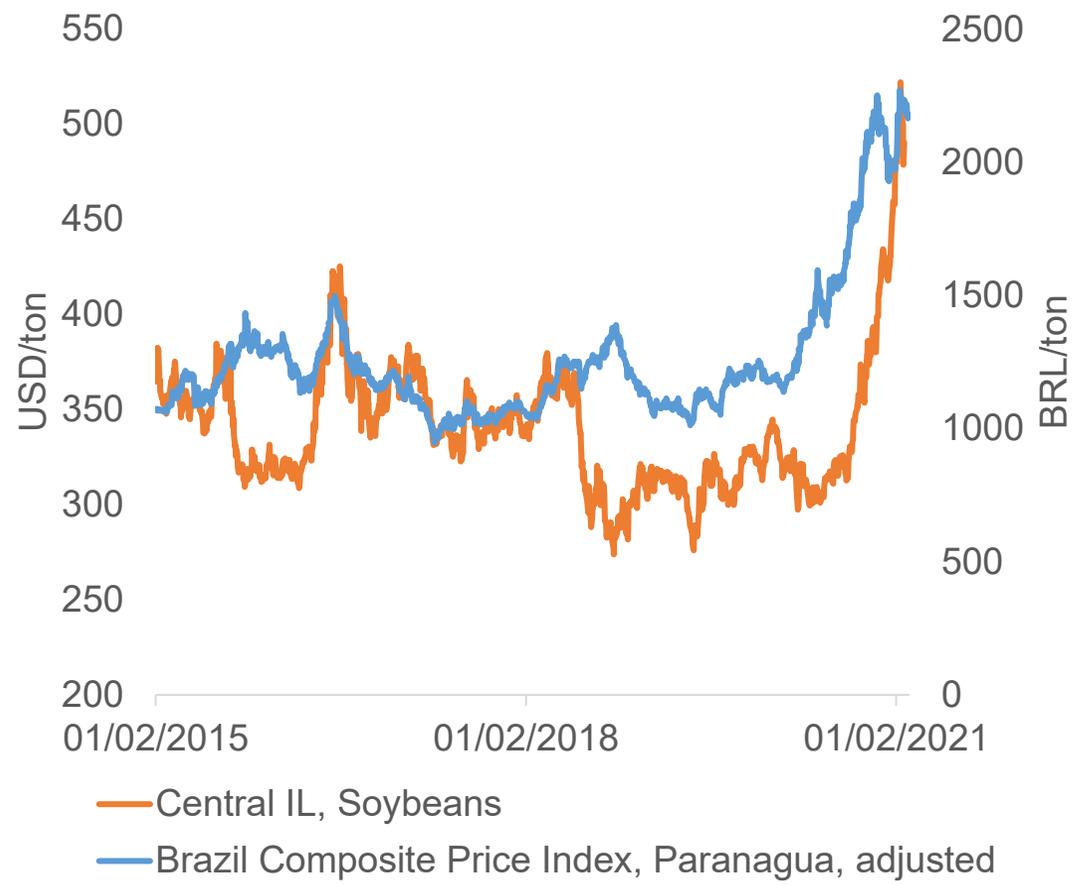
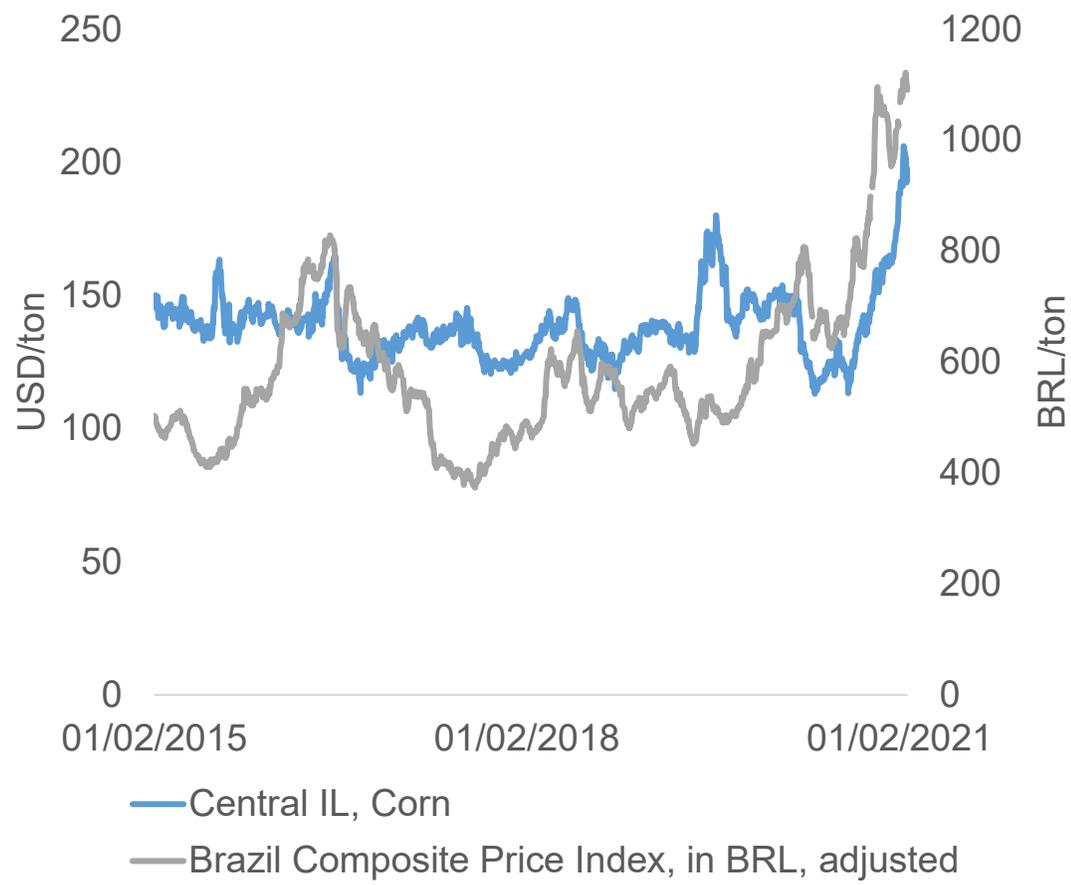
Source: PSD Database, AOF

Higher prices make planting decisions interesting



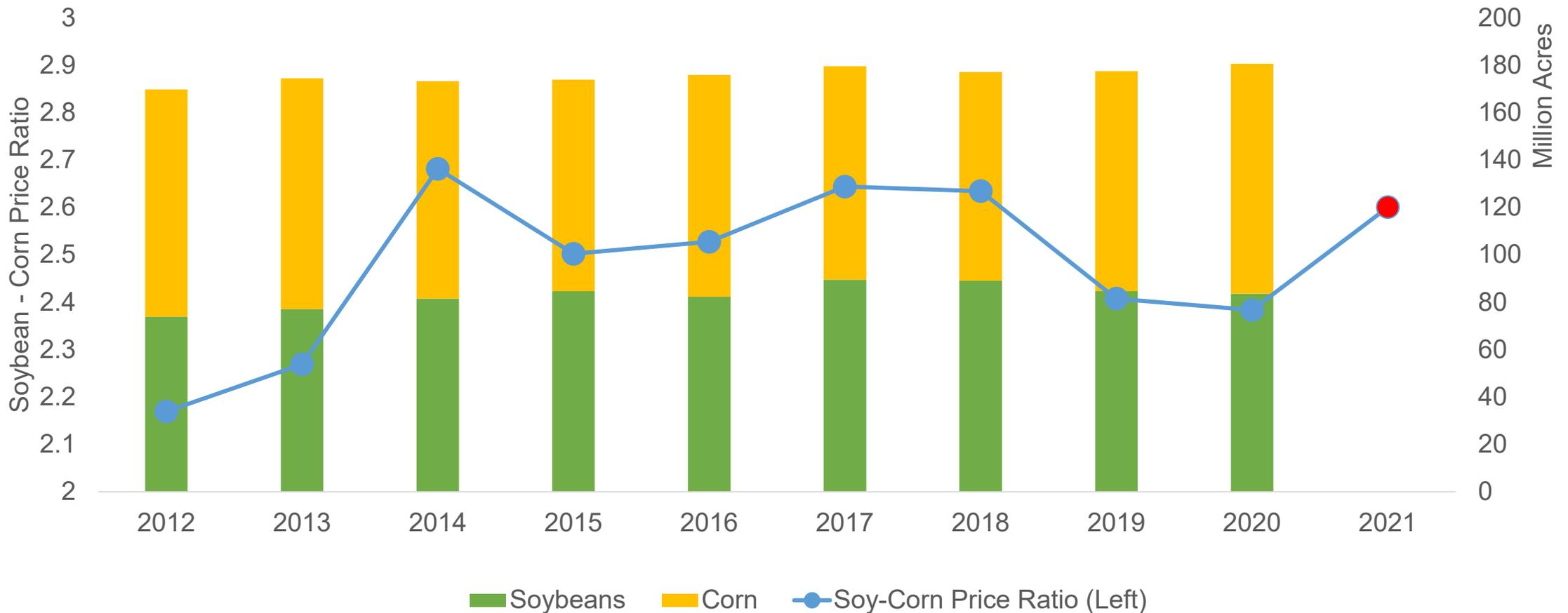
Source: CME

Profitable for foreign competition as well



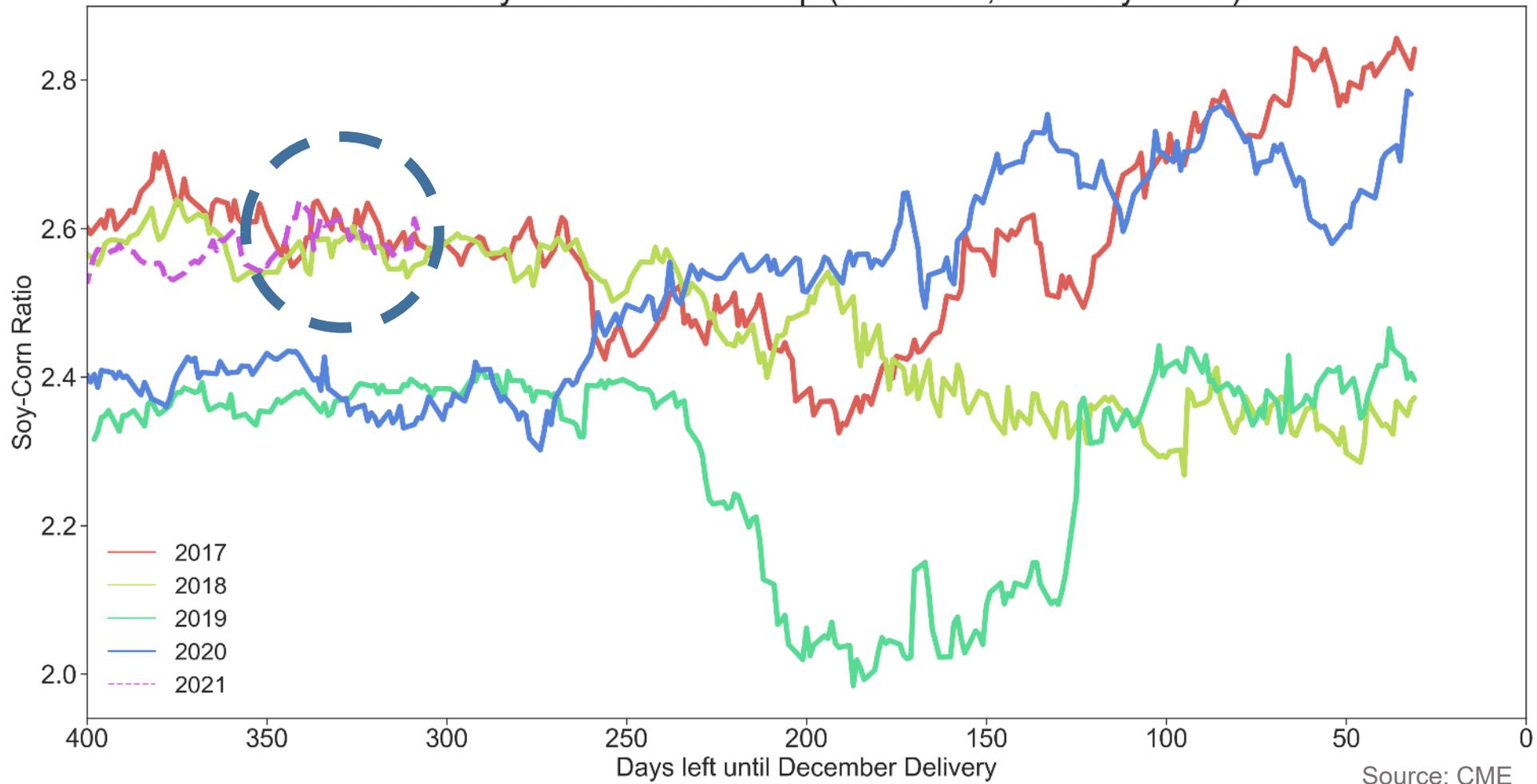
Source: CME, CEPEA

Futures Soy-Corn Price ratios suggest strong rebound in soy acreage



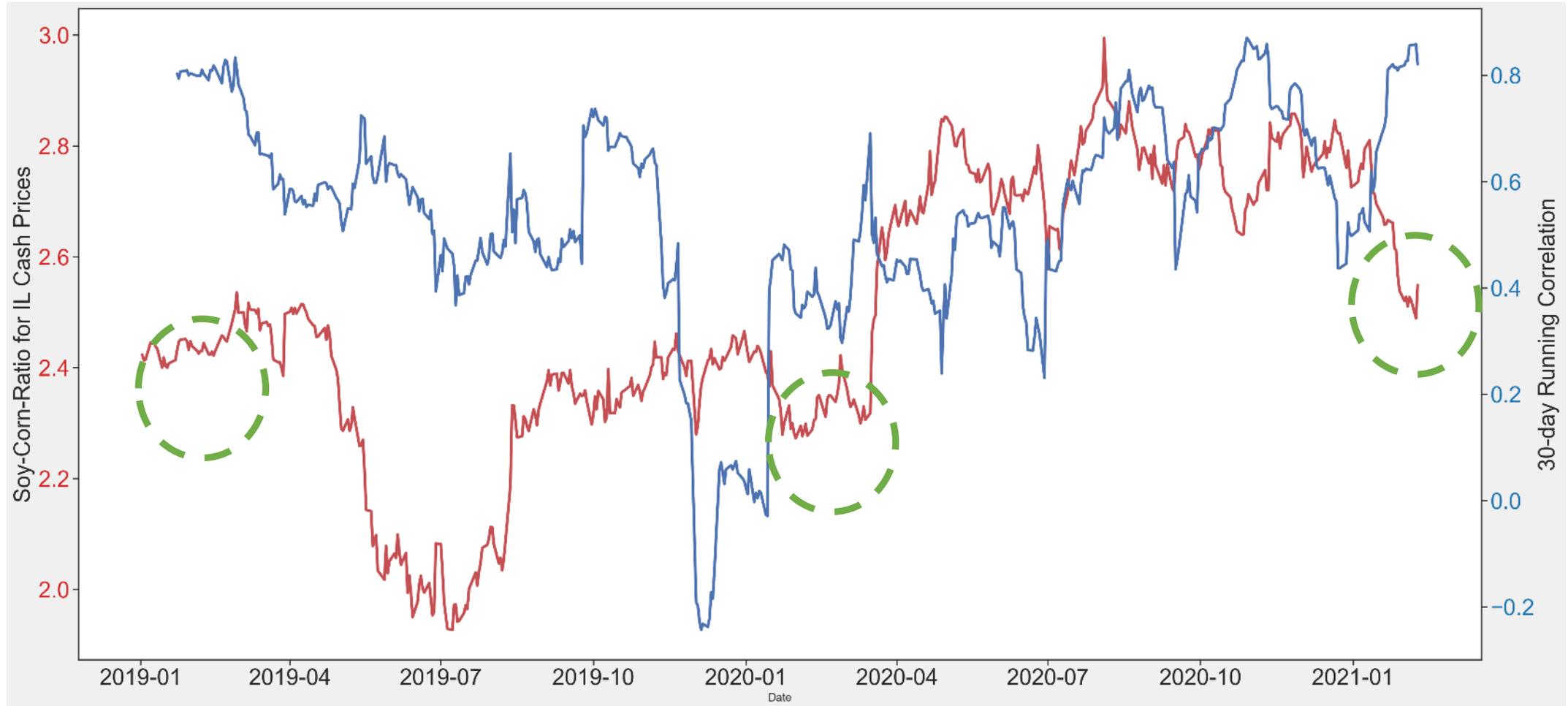
Soy-Corn Price Ratio in the futures market

Corn-Soy Ratio for New Crop (Dec-Corn, Nov-Soybeans)



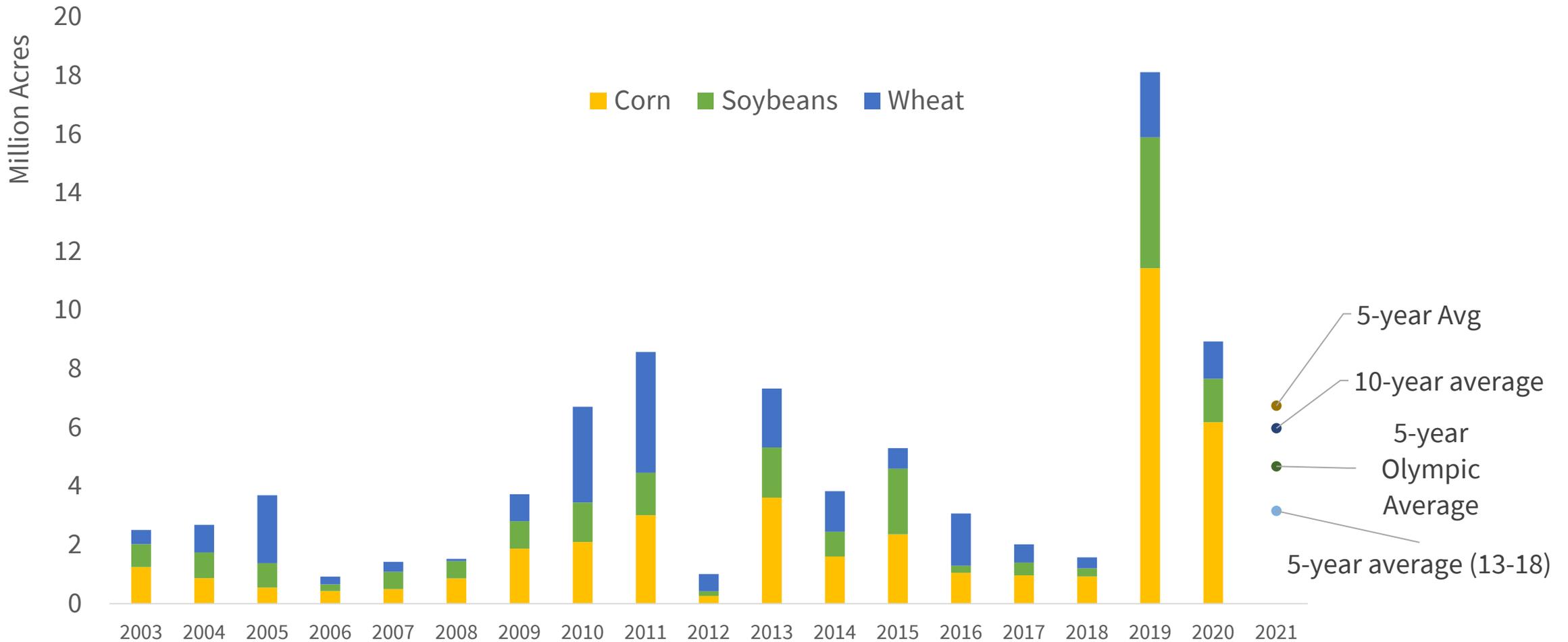
Source: CME

Interior Cash Price ratios are falling



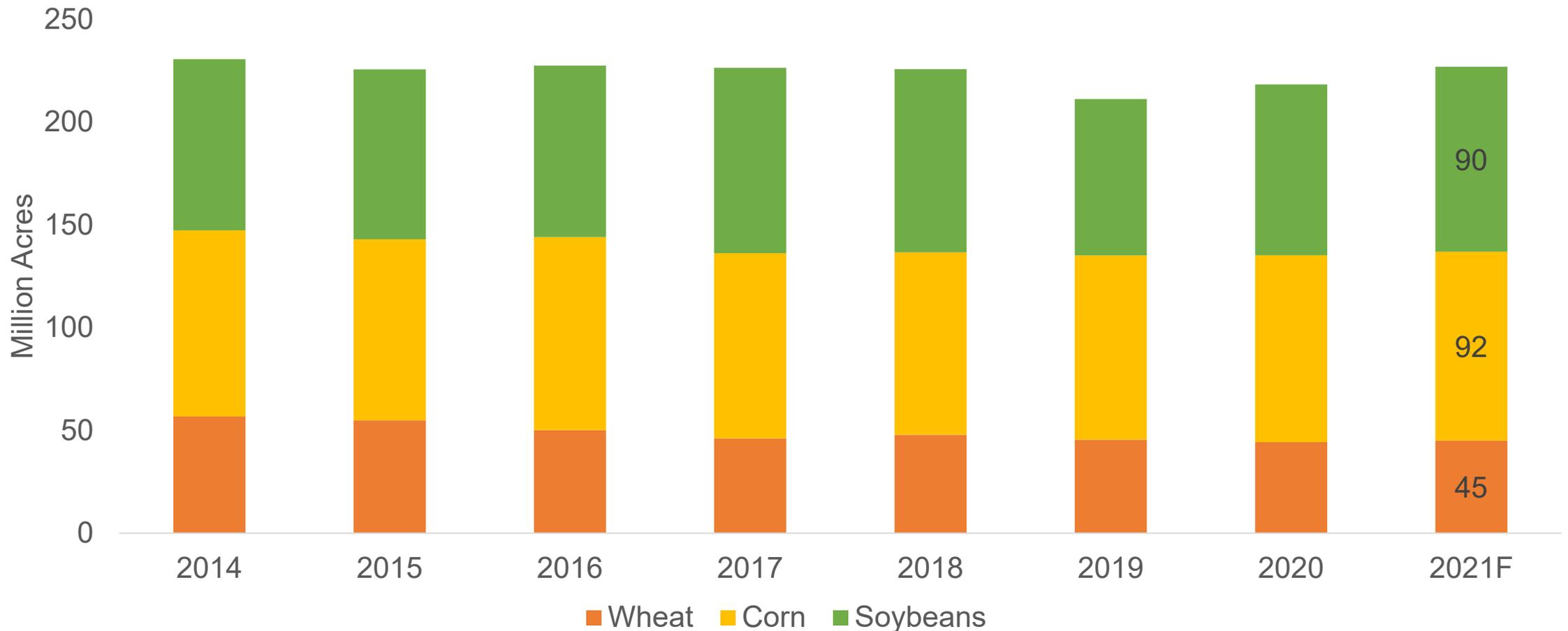
Source: CME

Where will 3-crop Prevent Planting land?



Source: FSA

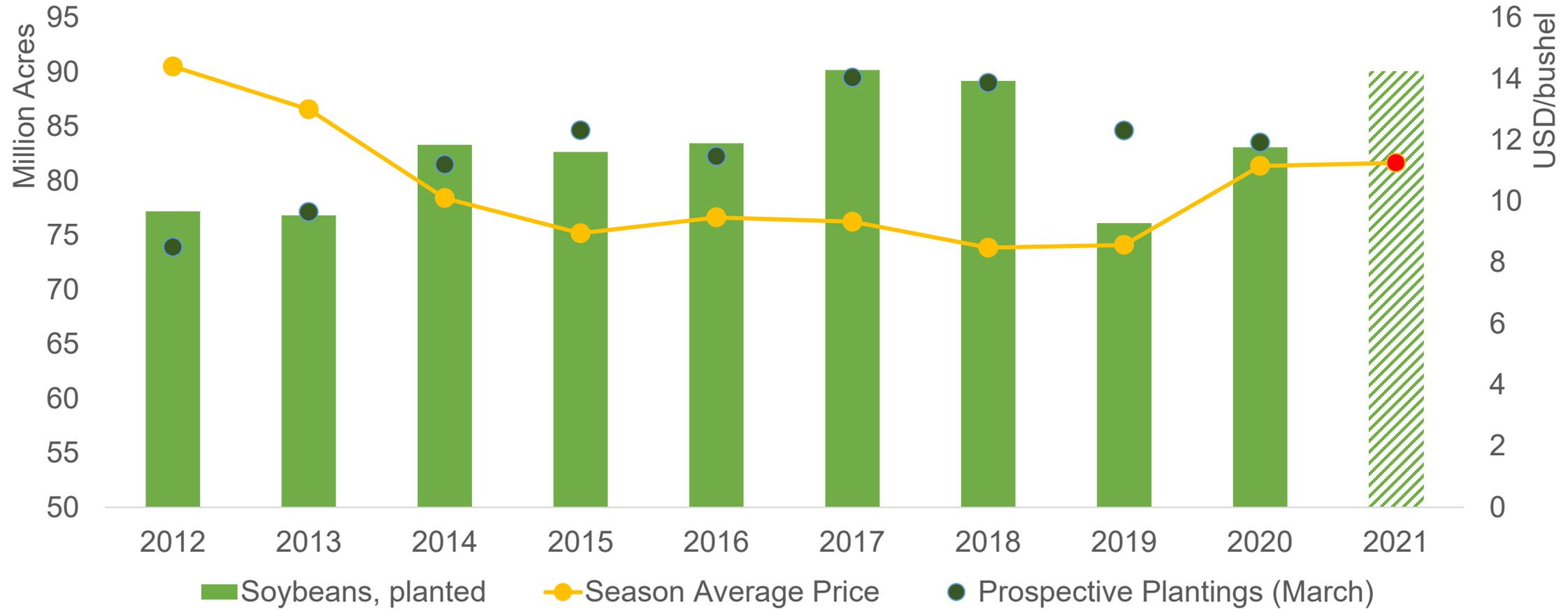
Wheat, Corn, and Soybean Planted Acreage for 2021/22



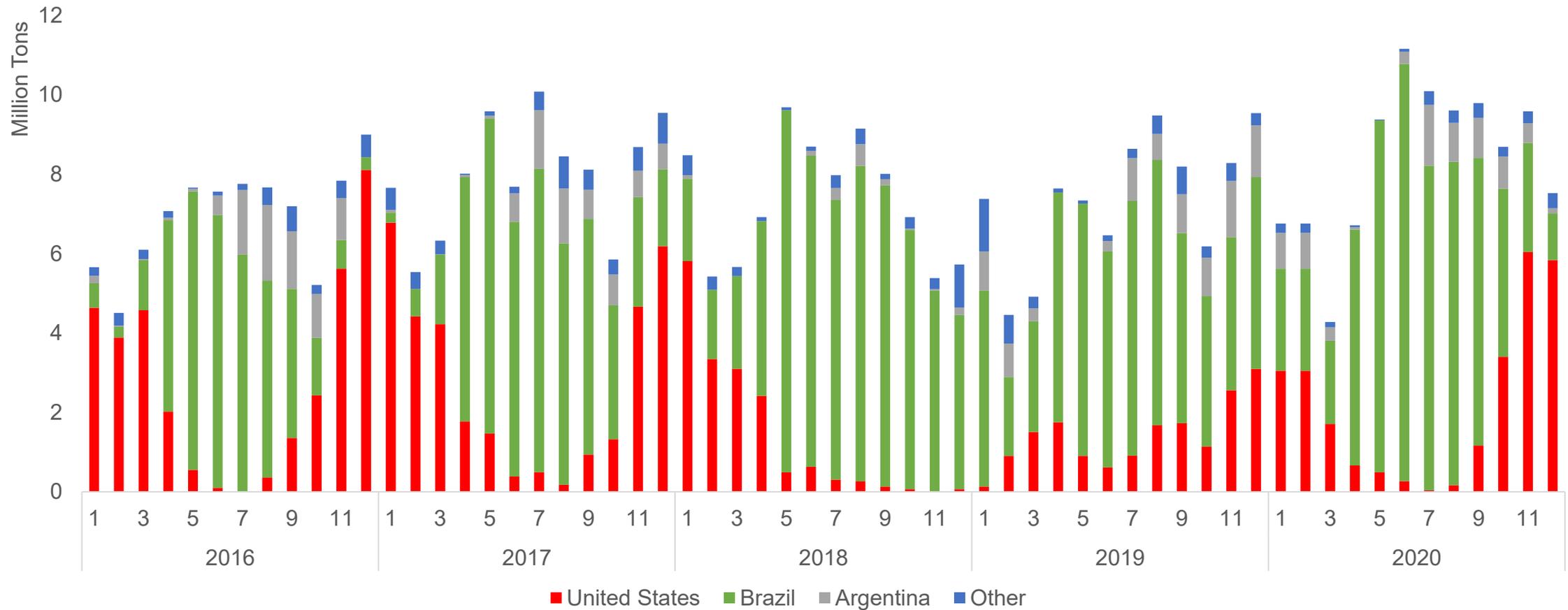


Outlook: Soybeans

Intentions vs. Planted Area: Soybeans

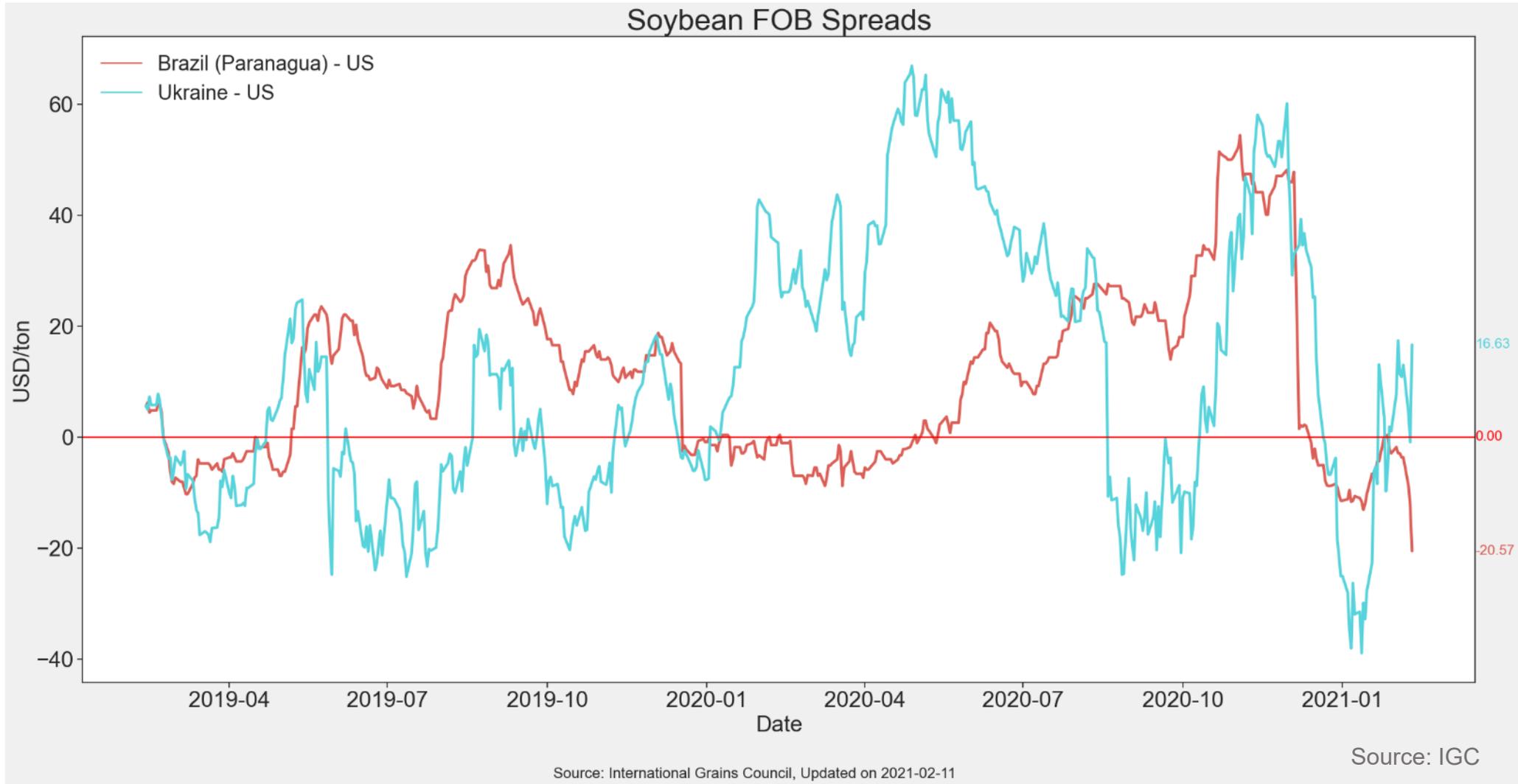


China import demand ramping up



Source: TDM

U.S. is price competitive, but is there enough?



U.S. Soybean Balance Sheet for 2021/22

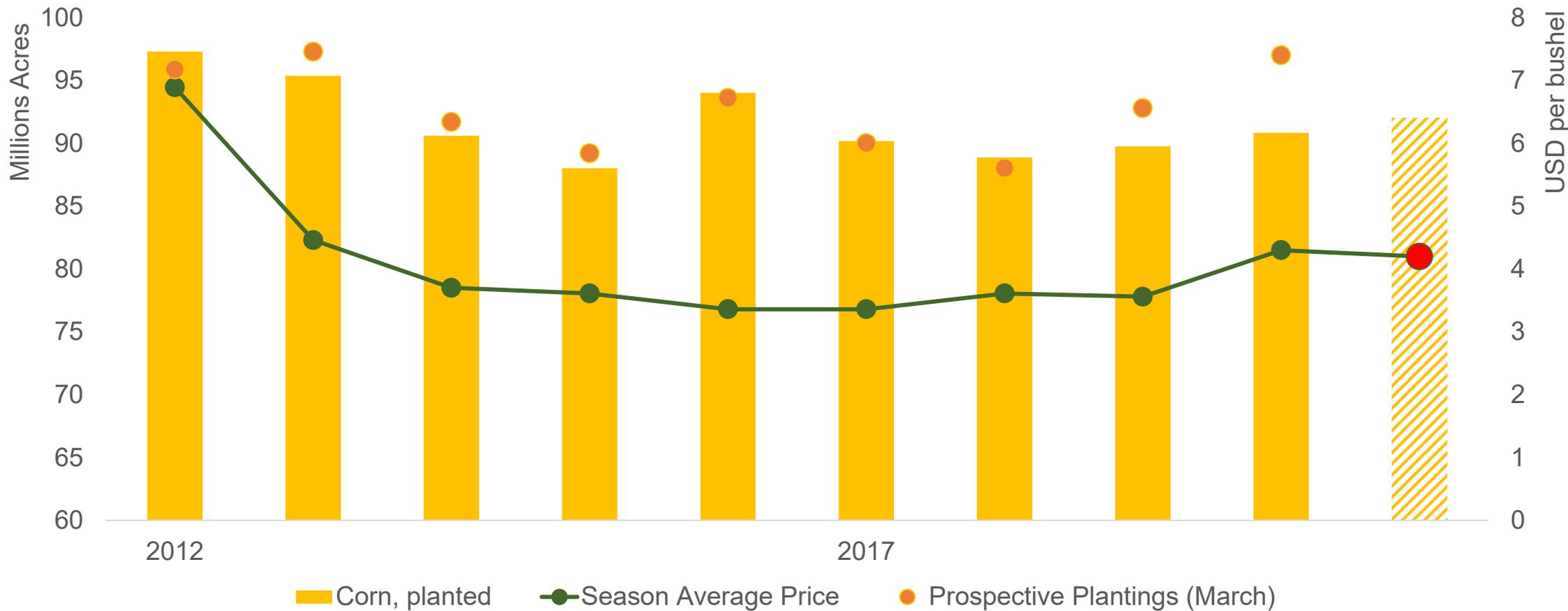
In thousands	Domestic units		
	2020/21 (Feb)	2021/22	Diff.
Area planted (mil. acres)	83.1	90	+6.9
Yield (bu/acre)	50.2	50.8	+0.6
Production (mil. Bu)	4,135	4,525	+390
Imports	35	35	-
Exports	2,250	2,200	-50
Crush	2,200	2,210	+10
Seed and Residual	125	124	-1
Ending Stocks	120	145	+25
Farm Average Price (\$/bu)	\$11.15	\$11.25	+\$0.10

- Soybean acreage boosted up 6.9 mil. acres to 90 mil
- Production up 390, but with tight stocks supply is down
- Domestic use is up slightly, with lower exports
- Stocks are up slightly from historically low S/U
- Prices up slightly



Outlook: Corn

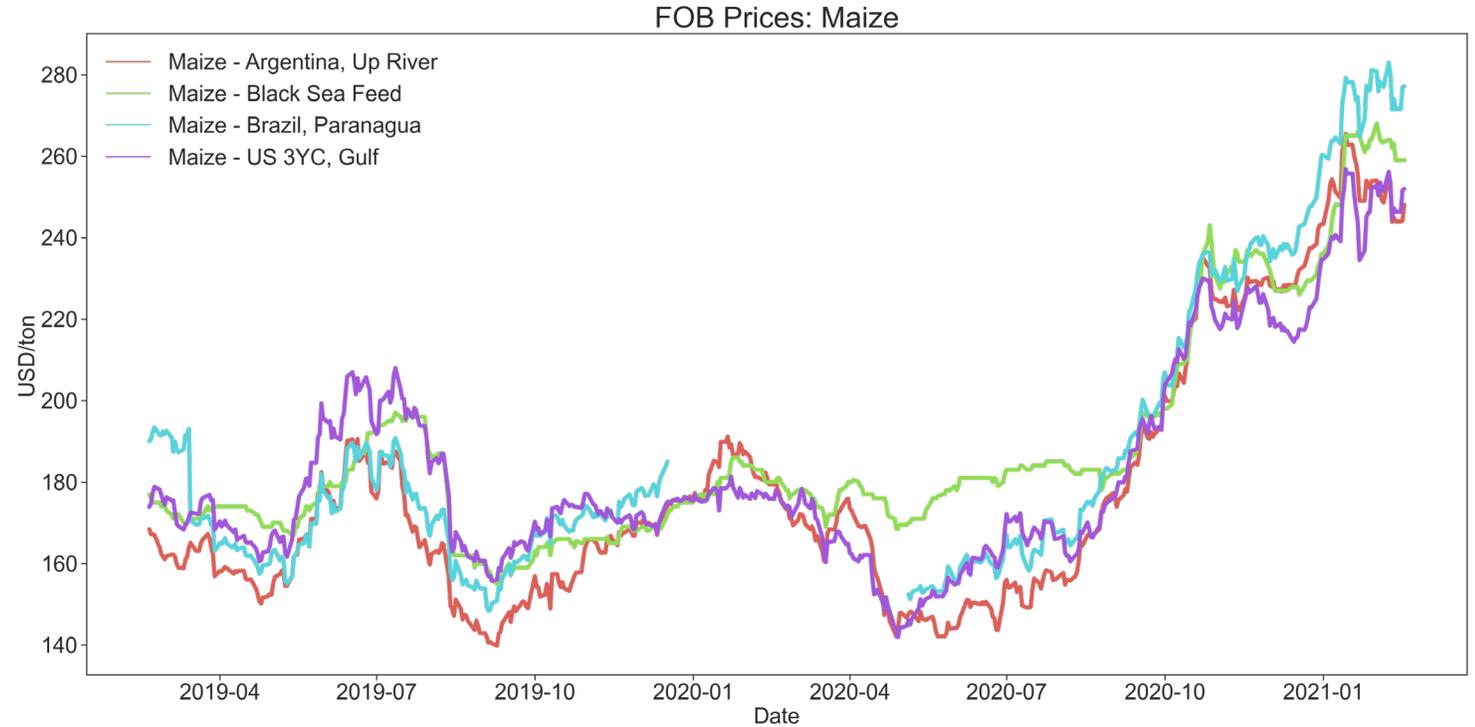
Intentions vs. Planted Area: Corn



Corn prices supported by strong foreign demand

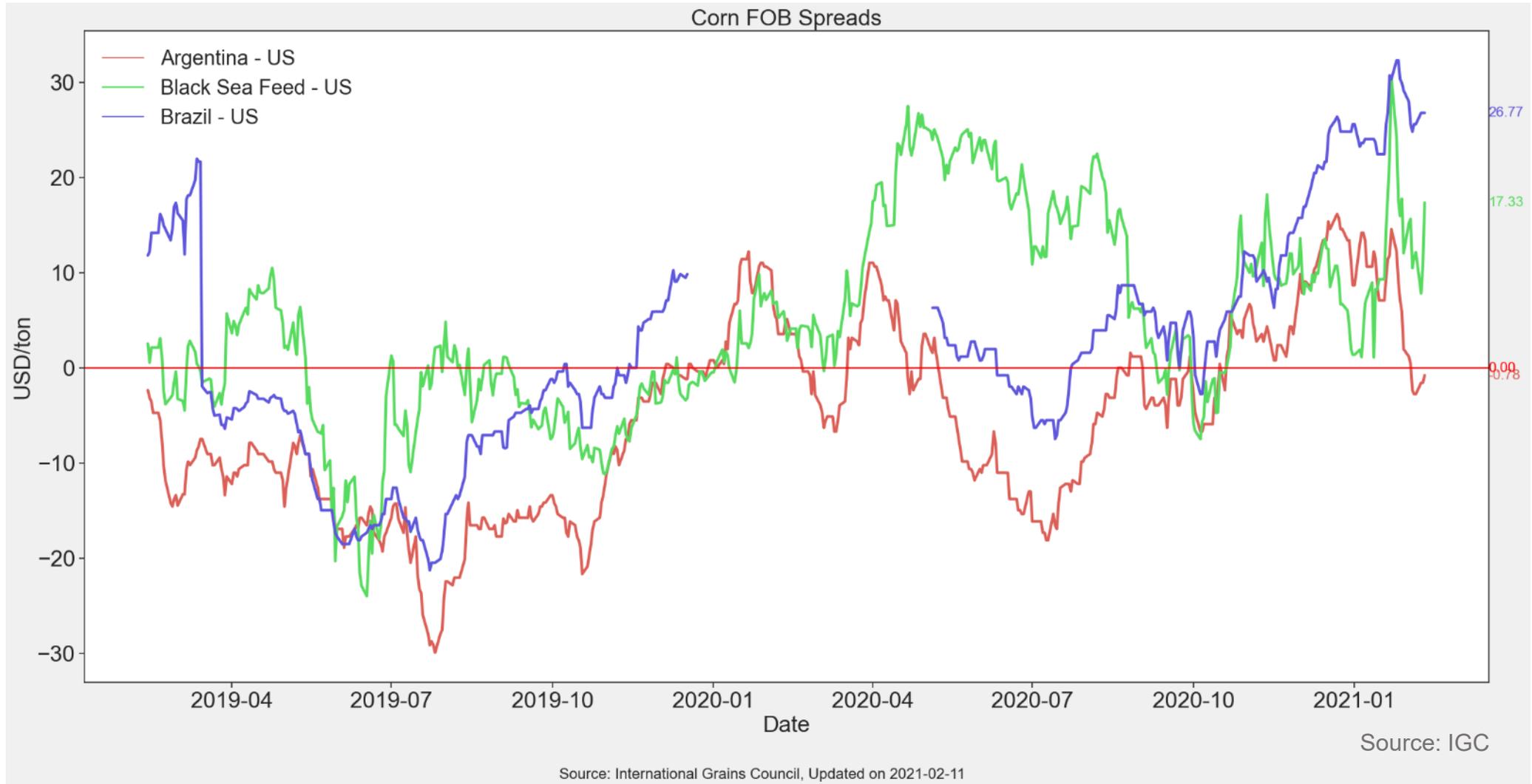


Source: CME, CNGOIC

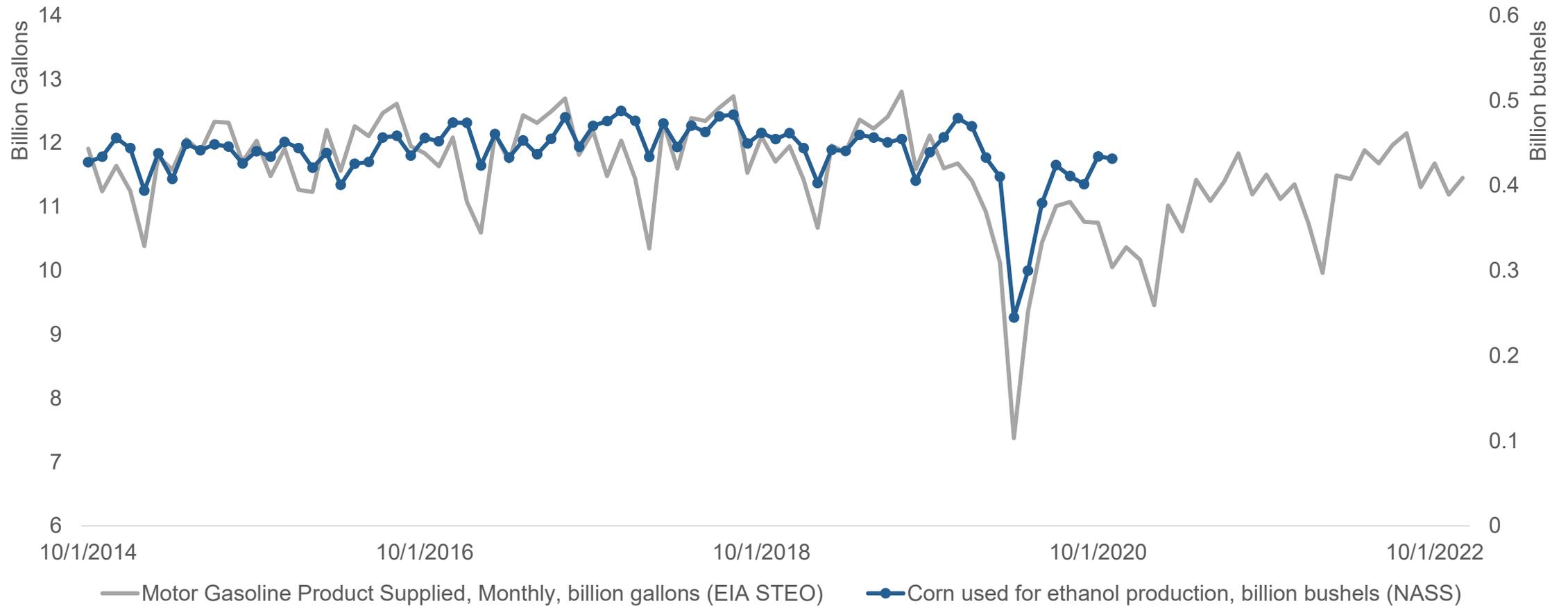


Source: International Grains Council, Updated on 2021-02-18

U.S. is price competitive with ample supplies



Will driving return to pre-COVID-19 levels?

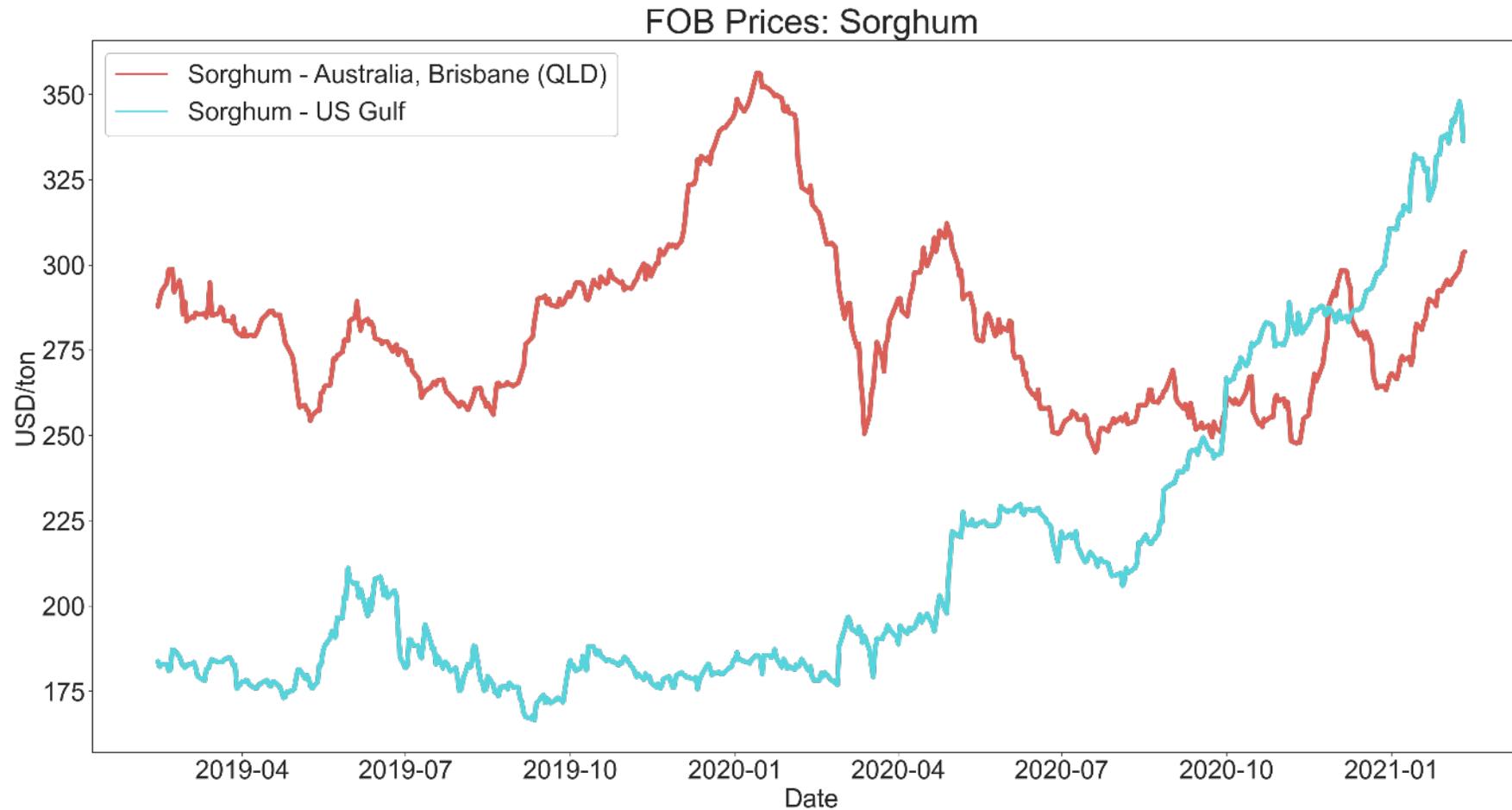


U.S. Corn Balance Sheet for 2021/22

In thousands	Domestic Units		
	2020/21 (Feb)	2021/22	Diff.
Area planted (mil. acres)	90.8	92	+1.2
Yield (bu/acre)	172.0	179.5	+7.5
Production (mil. bu)	14,182	15,150	+968
MY Imports	25	25	-
MY Exports	2,600	2,650	+50
Feed & Residual	5,650	5,850	+200
Food, Seed, Industrial	6,375	6,625	+250
Ending Stocks	1,502	1,552	+50
Average Farm Price	\$4.30	\$4.20	-0.10

- Acres up to 92 million, increasing production by 7%
- Domestic usage up on rebound in FSI use and feed
- Exports up on strong prospects to China
- Stocks up slightly
- Prices are lower on returning global competition

Strong demand from China driving up sorghum prices



Source: International Grains Council, Updated on 2021-02-12

Source: IGC

U.S. Sorghum Balance Sheet for 2021/22

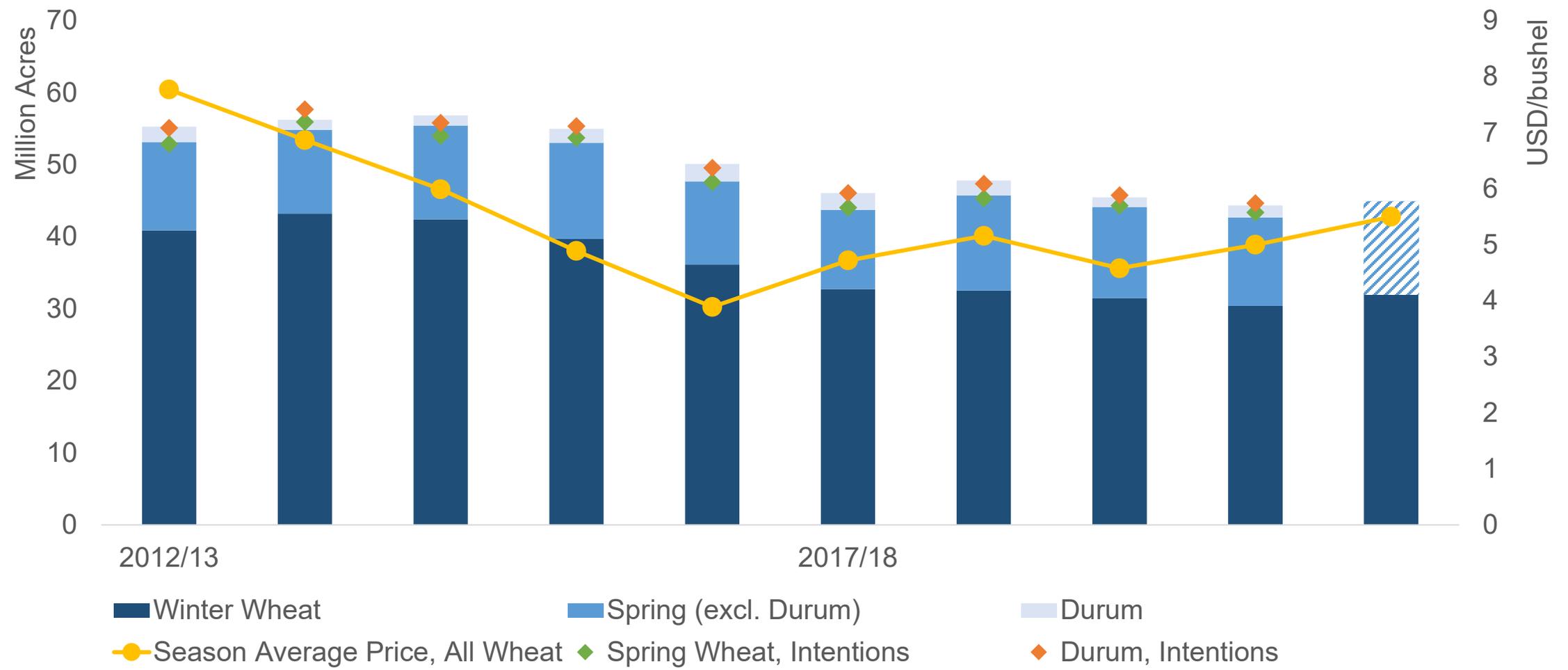
	Domestic Units		
	2020/21 (Feb)	2021/22	Diff.
Area planted (mil. acres)	5.9	7.2	+1.3
Yield (bu/acre)	73.2	69	-4.2
Production (mil. bu)	373	441	+68
MY Imports	0	0	0
MY Exports	295	365	+70
Feed & Residual	70	70	-
Food, Seed, Industrial	10	10	-
Ending Stocks	28	24	-4
Average Farm Price	\$4.80	\$4.70	-\$0.10

- Acreage up on strong profitability
- Projected exports to China to limit domestic use
- Despite larger production, stocks slightly lower
- Prices slightly lower



Outlook: Wheat

Intentions vs. Planted Area: Wheat



U.S. Wheat Balance Sheet for 2021/22

	Domestic Units		
	2020/21 (Feb)	2021/22	Diff.
Area planted (mil. acres)	44.3	45.0	+0.7
Yield (bu/acre)	49.7	49.1	-0.6
Production (mil. bu)	1,826	1,827	+1
MY Imports	120	130	+10
MY Exports	985	925	-60
Feed & Residual	125	140	+15
Food & Seed	1,028	1,030	+2
Ending Stocks	836	698	-138
Average Farm Price	\$5.00	\$5.50	+\$0.50

- Wheat acreage up slightly, but production is virtually flat
- Exports down, but Feed/residual down up
- Ending stocks lower on tighter carry-in
- S/U ratio falls marginally



Concluding
Remarks

For U.S. Wheat, Soybeans, and Corn in 2021/22...

- **Total acreage** projected to reach **227 million acres**, highest since 2016
 - Soybeans + corn acreage to reach record 182 million acres, eclipsing 2017
 - Wheat acreage rebounds slightly to 45 million acres
- **Disappearance of wheat, soybeans, and corn to increase slightly**
 - Domestic cons. rebounds on increased feed and industrial use
 - Feed (corn/wheat) and crush (soybeans) up
 - Motor gas/ethanol and bio/renewable diesel support higher use
 - **Exports are flat** y/o/y, continuing banner year despite increased competition
- Combined **stocks are lower** slightly, driven by wheat and offset by corn & soy
- Soy and wheat **prices** are projected higher, while corn is slightly lower

Thank you for listening.

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