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Oil Crops Outlook: November 2022

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In this report:

Higher Yields Boost 2022/23 U.S. Soybean Production and Ending Stocks

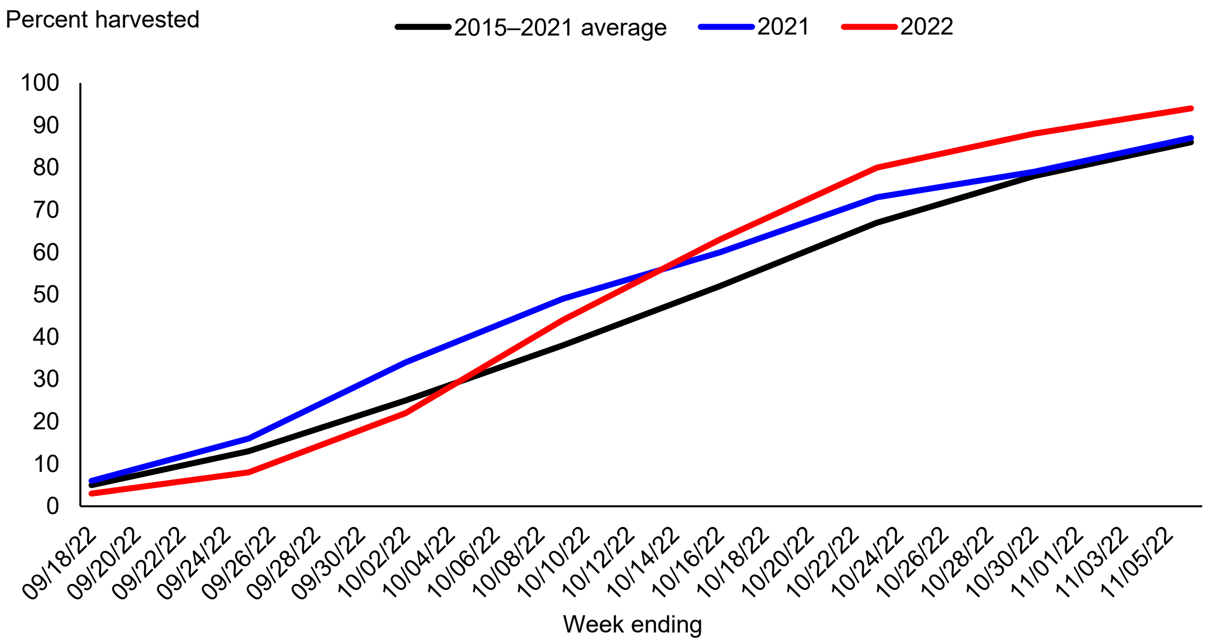
The average U.S. soybean yield forecast is fractionally higher in this month's *Crop Production* report at 50.2 bushels per acre. With the forecast of U.S. harvested area unchanged, the 2022/23 soybean production is lifted by 33 million bushels to 4.35 billion bushels. The slight bump in supply and higher domestic meal consumption, crush is raised 10 million bushels from the previous forecast to 2.25 billion bushels. With exports unchanged, soybean ending stocks are increased by 20 million bushels to 220 million bushels. The 2022/23 U.S. season-average soybean price forecast is unchanged this month at $14 per bushel.

Domestic Outlook

U.S. Soybean Harvest Nears Completion

In the November *Crop Production* report, USDA, National Agricultural Statistics Service (NASS) raised the 2022/23 soybean production forecast to 4.35 billion bushels on a higher yield and unchanged area. Higher yields in Iowa, Missouri, Nebraska, and North Dakota contribute to the increase in the national yield forecast from 49.8 to 50.2 bushels per acre. As of November 6, a reported 94 percent of the 2022/23 soybean crop had been harvested. While harvest was slow to start, favorable weather has contributed to the progress of this year's crop that is well ahead of the 5-year average of 86 percent.

Figure 1
U.S. soybean harvest progress



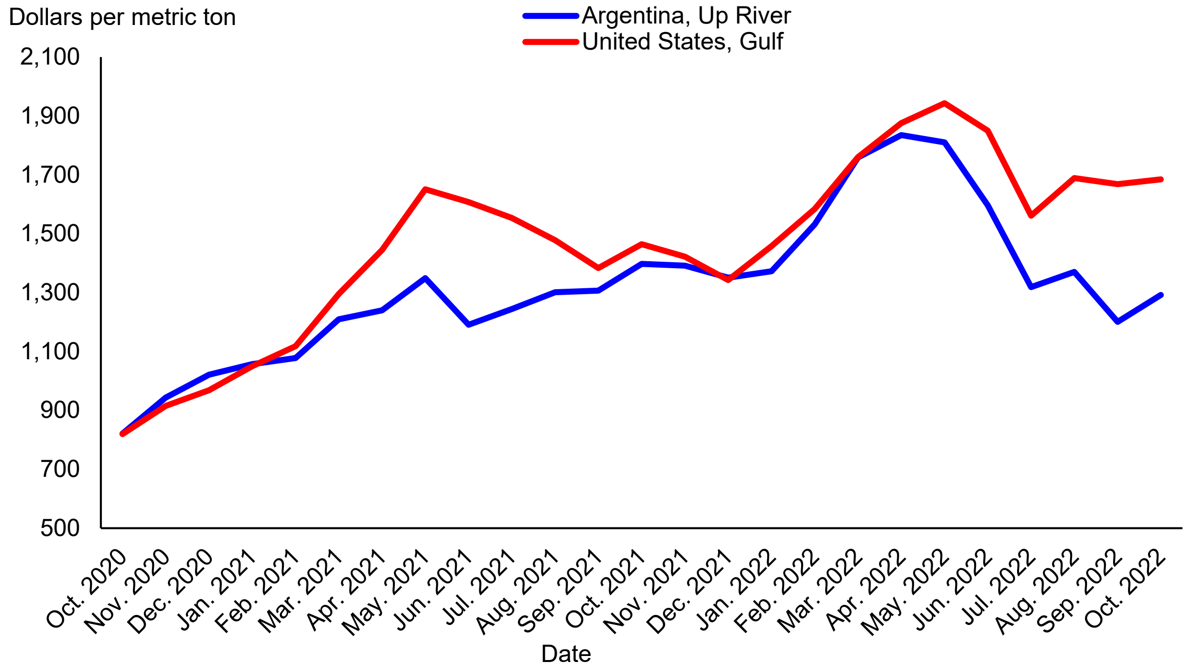
Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service, *Crop Progress,* November 7, 2022.

With more soybeans available, 2022/23 U.S. crush volumes are expected to grow by 10 million bushels to 2.25 billion bushels. Soybean meal and oil generated from higher crush volumes will offset lower beginning stocks and satisfy anticipated increases in domestic demand. More specifically, the 2022/23 soybean meal domestic disappearance forecast is raised by 0.25 million short tons to 39.7 million short tons this month, aligning with back year changes. Strong domestic demand is seen supporting high domestic prices, lifting the 2022/23 price forecast by $10 this month to $400 per short ton.

Similarly, strong domestic demand for U.S. soybean oil continues to elevate prices. While the 2022/23 domestic price forecast remains unchanged this month at $0.69 per pound, U.S. soybean oil export prices remain above world prices. Throughout the last 6 months, monthly U.S. soybean oil export prices have been, on average, $300 per metric ton higher than in Argentina—the largest U.S. competitor in the soybean oil export market. Consequently, foreign demand for U.S. soybean oil is seen waning. As of October 27, total commitments for the 2022/23 campaign are 78 percent lower than the same time last year at 29,600 metric tons. For these reasons, the 2022/23 soybean oil export forecast is lowered by 100 million pounds to 1.3 billion pounds.

Figure 2

Soybean oil export prices



Source: USDA, Economic Research Service using data International Grains Council, November 2022 data.

International Outlook

Argentine Soybean Production and Crush Lowered

The 2022/23 global soybean production forecast is down from last month's forecast by 0.5 million metric tons to 390.5 million metric tons. A 1.5-million-metric-ton decrease in the Argentine production forecast is partially offset by increases in the United States and South Africa.

Although the Argentine soybean yield forecast remains unchanged at 3 metric tons per hectare, a 0.5-million-hectare decrease in the harvested area to 16.5 million hectares has driven down production to 49.5 million metric tons. As a result of lower soybean supply, Argentine soybean crush is forecast down by 0.8 million metric tons to 39.8 million metric tons this month. The reduction in Argentina's soybean crush is partially offset by anticipated increases of soybean crush in the United States, Brazil, and South Africa. Soybean crush in Brazil has been revised this month by 0.3 million metric tons and is expected to reach a record 51.8 million metric tons. Similarly, South Africa is projected to process 1.8 million metric tons of soybean, a record as well. The increase in soybean crush in the United States, Brazil, and South Africa does not offset the decline in Argentine crush, hence the 2022/23 global soybean crush forecast is lowered 0.2 million metric tons this month to 329.3 million metric tons.

Global soybean exports have been revised up marginally this month by 0.3 million metric tons to 169.1 million metric tons on the heels of higher soybean exports from Argentina and South Africa. Argentina's soybean exports are revised up this month by 0.2 million metric tons and expected to reach 7.2 million metric tons.

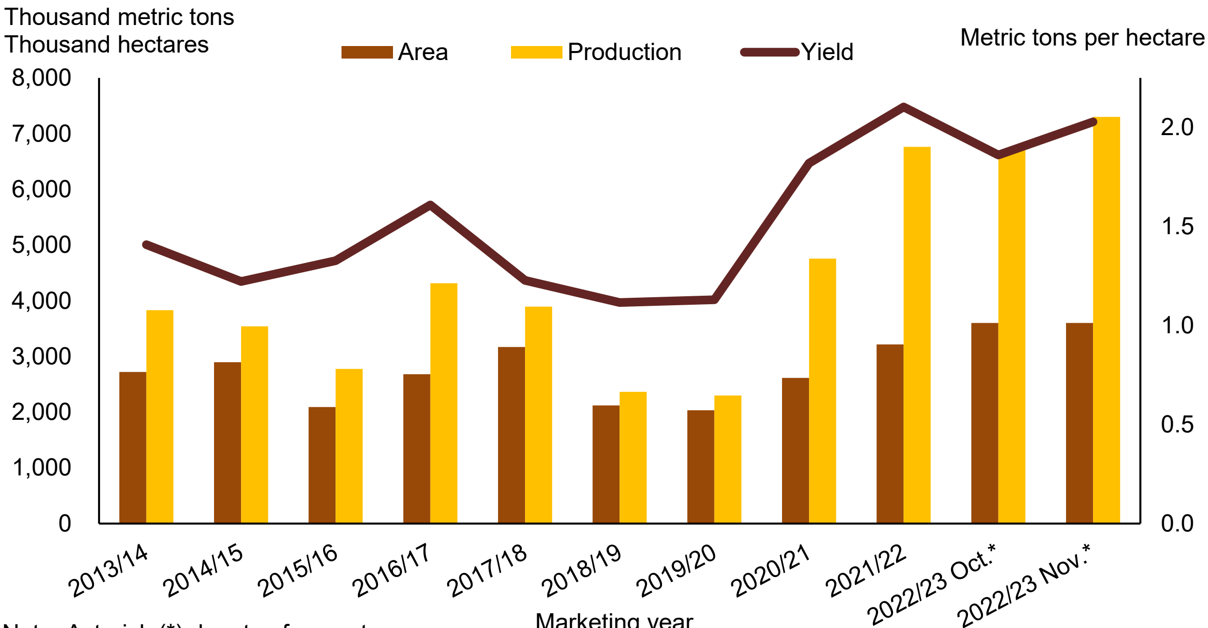
The 2022/23 soybean ending stock estimate is increased from October's projection by 1.7 million metric tons to 102.2 million metric tons mainly due to higher stocks in the United States and China. China's stocks were revised up 1.0 million metric tons this month as China's final soybean imports for 2021/22 were higher than expected, raising 2022/23 beginning stocks.

Higher Yields Boost Global Rapeseed Production

The 2022/23 forecast of global rapeseed production is increased by 1 million metric tons to 84.8 million metric tons this month as crops in Australia, the European Union (EU), and Uruguay are revised upwards. For Australia, rapeseed production is forecast to reach a new national record of 7.3 million metric tons, which is 0.6 million metric tons higher than last month's forecast. The favorable growing conditions observed in West Australia, New South Wales, Victoria, and South Australia contribute to high rapeseed yields in those States and bring the national rapeseed yield to level of 2.03 metric tons per hectare. This is shy of last year's record yield of 2.1 metric tons per hectare.

Figure 3

Australian rapeseed production



Note: Asterisk (*) denotes forecast.
Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply, and Distribution.*

As a result of higher rapeseed supply in Australia, both export and crush are raised this month by 0.2 million metric tons. Exports are predicted to reach 5.2 million metric tons, slightly below last year's record of 5.3 million metric tons. The crush is forecasted at 1.1 million metric tons, matching last year's level.

In addition to the increased rapeseed production in Australia, the EU's rapeseed crop is up by 0.4 million metric tons this month to 19.5 million metric tons. The increase is due to higher-than-expected rapeseed yields in Germany, France, and Denmark. As a result of the higher supply, the EU's rapeseed import forecast is revised down this month by 0.2 million metric tons and is expected to reach 5.3 million metric tons. Furthermore, the EU's rapeseed ending stocks for the 2022/23 marketing year are projected to be higher this month, reaching 0.8 million metric tons.

The projected growth in global rapeseed production for the 2022/23 marketing year exceeds the growth in global rapeseed demand; hence, global rapeseed ending stocks are expected to rebound to 7.2 million metric tons from last year's low level of 4.4 million metric tons that was caused by drought.

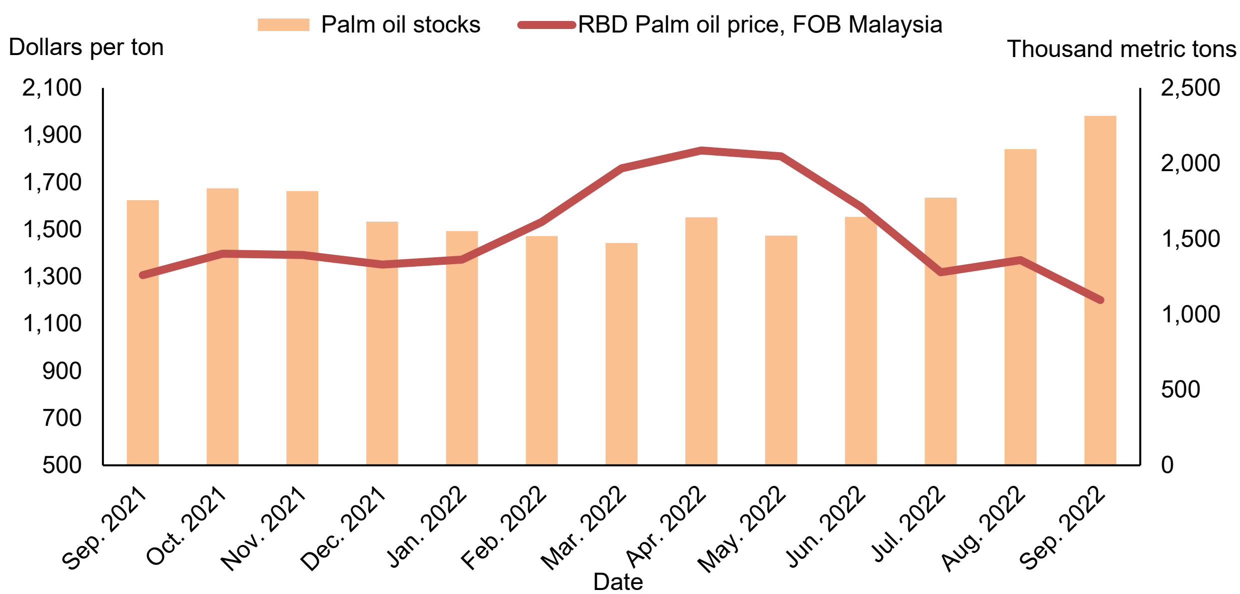
Malaysia's Palm Oil Output Lowered

USDA lowers its estimates of Malaysia's palm oil production for the 2022/23 marketing year by 1.0 million metric tons to 18.8 million metric tons this month. The palm oil yields are reduced this month to 3.4 tons per hectare from the previous forecast of 3.6 tons per hectare as labor shortages continue to impact the harvesting of fresh fruit bunches (FFB).

Notably, the Malaysian Palm Oil Board (MPOB) reported the end of September 2022 total palm stocks at 2.3 million metric tons, 0.6 million metric tons higher than the same period last year and 0.2 million metric tons higher than at the end of August 2022. The high palm oil stocks in Malaysia and Indonesia kept palm prices under pressure this summer. Refined, Bleached, and Deodorized (RBD) palm price Free On Board (FOB) Malaysia dropped by $400 per metric ton from June to September. The average price in September 2022 was $1,200 per metric ton, $100 lower than the same period last year.

Figure 4

Palm oil stocks and prices in Malaysia



RBD Palm Oil: Refined Bleached Deodorized palm oil. FOB: Free On Board, Malaysia.
Source: USDA, Economic Research Service using data from Malaysian Palm Oil Board (MPOB) and USDA, Foreign Agricultrual Service*, Oilseeds: World Markets and Trade*.

In addition to higher beginning stocks for the 2022/23 marketing year, palm oil imports are raised by 0.2 million metric tons to 1.3 million metric tons as Malaysia continues to import crude palm oil from Indonesia. The forecast for export and domestic demand is left unchanged. As a result of lower production, more imports, and unchanged demand, the Malaysian palm oil ending stocks are reduced this month by 0.5 million metric tons to 2.3 million metric tons for 2022/23 marketing year.

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