United States Department of Agriculture

Economic Research Service | Situation and Outlook Report

OCS-23b | February 10, 2023

Next release is March 10, 2023

Oil Crops Outlook: February 2023

Aaron M. Ates

Maria Bukowski

In this report:

Soybean Production in Argentina Declines on Lower Area and Yields

The U.S. soybean crush forecast for the 2022/23 marketing year is reduced this month by 15 million bushels to 2.23 billion bushels on lower soybean meal domestic disappearance. Soybean exports are unchanged at 1.99 billion bushels. The season-ending stocks are raised by 15 million bushels to 225 million bushels. Based on early priced soybean sales, USDA revised its forecast of the U.S. season-average farm price to $14.30 per bushel from $14.20 last month.

Due to hot, dry weather, Argentina's soybean harvested area and yield for 2022/23 were lowered this month. Consequently, Argentina's soybean production forecast is reduced by 4.5 million metric tons to 41 million metric tons. The lower production is partially offset by higher soybean imports from Brazil and Paraguay, along with reduced exports and crush. Brazil's soybean exports are raised to 92 million metric tons.

Domestic Outlook

Soybean Crush Volumes Fall Below Expectations

Despite a strong start to the marketing year, U.S. soybean crush volumes have fallen below expectations over the past couple months due to cold temperatures causing downtime. Reduced by 15 million bushels, the 2022/23 soybean crush forecast now sits at 2.23 billion bushels, lifting ending stocks to 225 million bushels. While the season average farm price averaged $13.85 per bushel through December, nearby cash prices are reported above $15.00 per bushel. This lifts the 2022/23 season average price forecast from $14.20 to $14.30 per bushel.

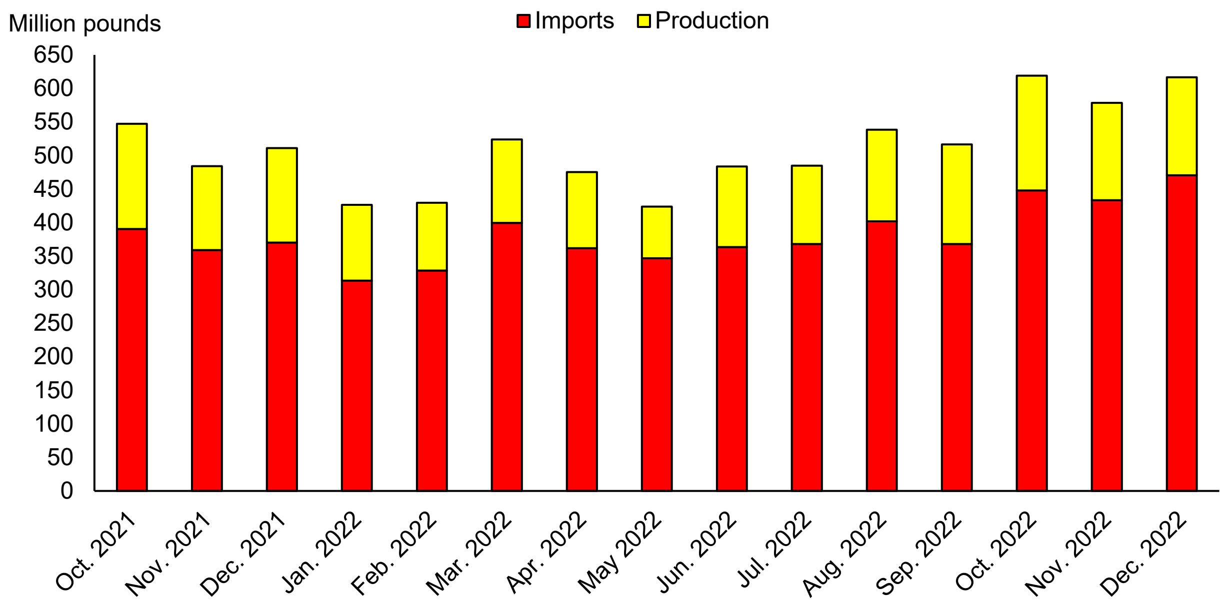
Expectations of lower soybean crush volumes imply reduced soybean meal and oil production; however, a slight bump in extraction rates are partly offsetting these forecasted reductions. The net result is a decrease of 0.2 million short tons for the 2022/23 soybean meal production forecast, which is now lifted to just over 52.6 million short tons and a 65-million-pound reduction in soybean oil production to 26.25 billion pounds. In response to declining domestic soybean meal use, the domestic disappearance forecast is lowered from 39.7 million short tons to 39.5 million. The prospect of a smaller than anticipated Argentine soybean crop supports the U.S. soybean meal export program during the second part of the marketing year. In the U.S., average soybean meal prices in Decatur, IL have risen by over $45.00 per short ton in the past 3 months. As a result, the 2022/23 U.S. soybean meal price forecast is lifted to $450.00 per short ton.

Contrary to soybean meal, the outlook for foreign demand of U.S. soybean oil remains bleak. High U.S. prices compared with competitors have led to low U.S. sales. As of January 26, total soybean oil commitments were just shy of 91.3 million pounds. For context, this is 8.5 percent of soybean oil commitments during the same time last year. As a result, the soybean oil export forecast is lowered by 100 million pounds to 700 million pounds. The outlined changes to the 2022/23 soybean oil balance sheet are expected to lift ending stocks from 1.90 million pounds to nearly 1.94 million.

Domestic Canola Oil Demand Strengthens

The United States imported more canola seed in December 2022 than the previous 4 months combined at 126 million pounds. The timing of this jump in imports aligns with the recently adopted canola oil pathway for biofuel production. Combined with the oil generated from a projected crush volume of 4.55 billion pounds, rising canola oil imports are expected to boost canola oil supply to 6.87 billion, up 184 million from last month. Most of this supply growth is allocated to increased use in biofuel production, up from last month's forecast of 1.6 billion pounds to 1.7 billion pounds. Combined with expectations of increased food use, the anticipated 175-million-pound growth in domestic canola oil demand is expected to suppress export volumes. Reduced from last month's forecast of 227 million pounds, 2022/23 canola oil exports are forecast to eclipse 200 million pounds. The net result boosts ending stocks from 188 million pounds to 224 million pounds. Amidst the growing supply of canola oil, prices have steadily decreased–lowering the forecast from $0.79 per pound to $0.74 per pound.

Figure 1
U.S. canola oil imports and production



Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, Global Agricultural Trade System (GATS); and USDA, National Agricultural Statistics Service, Fats and Oils: Oilseed Crushings, Production, Consumption and Stocks.

International Outlook

Global Oilseeds Supply Declines on Lower Soybean and Sunflowerseed Production

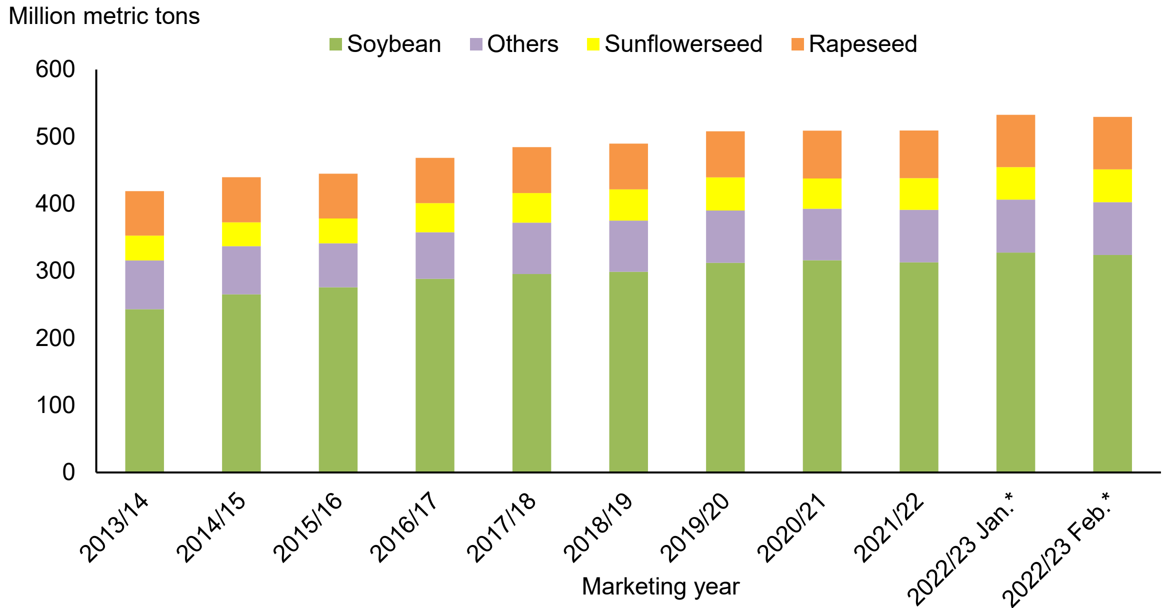
Global oilseed production for marketing year (MY) 2022/23 is forecast at 636.7 million metric tons, down 5.2 million metric tons from last month due to lower soybean, cottonseed, sunflowerseed, and peanut production. Rapeseed, copra, and palm kernel production are marginally higher this month. Soybean production is forecast at 383 million metric tons, down 5 million metric tons on lower production in Argentina and Ukraine. Argentina's production is lowered by 4.5 million metric tons and Ukraine's production is lowered by 0.4 million metric tons. Global rapeseed production is forecast at 85.1 million metric tons, up 0.3 million metric tons due to higher output in Ukraine and Uruguay. Global sunflowerseed production is forecast at 50.8 million metric tons, down 0.3 million metric tons this month with lower production in Argentina and Russia, which is partially offset by higher production in Ukraine.

Global oilseed exports for MY 2022/23 are projected at 198 million metric tons, up 1.1 million metric tons this month on higher rapeseed and sunflowerseed exports. Global rapeseed exports are forecast to reach 19.3 million metric tons, up 1 million metric tons from last month. Rapeseed exports from Australia and Canada are higher than expected with China and the European Union (EU) importing more. China's and the EU's imports are revised up by 0.7 million metric tons and 0.3 million metric tons, respectively. The global sunflowerseed export forecast is up slightly to 5.5 million metric tons due to higher exports from Ukraine. Global soybean exports for 2022/23 are projected at 167.5 million metric tons, marginally lower than last month but up 13.6 million metric tons from last marketing year. Lower soybean exports from Argentina are offset by higher exports from Brazil and Paraguay.

Global oilseeds crush volume for MY 2022/23 is forecast at 529.5 million metric tons, down 3 million metric tons from last month on lower soybean, cottonseed, and peanut crush volumes. These crush volume forecasts are partially offset by higher rapeseed, sunflowerseed, and copra crush volumes. Soybean crush is projected at 324 million metric tons, down 3.4 million metric tons this month. Lower crush in Argentina, China, Pakistan, Paraguay, United States, and the EU are partially offset by higher crush volumes in Brazil and Turkey. Crush in China is decreased by 1 million metric tons as the year-to-date crush pace is slower than expected. This month, crush in Pakistan is reduced by 0.8 million metric tons due to lower soybean imports. Pakistan Government authorities have restricted genetically engineered (GE) soybean and rapeseed imports. This downward revision reflects the uncertainty regarding the trade policy and trade loss in the first and second quarters of MY 2022/23.

Global rapeseed crush is raised this month by 0.3 million metric tons to 78.1 million metric tons. The projected higher rapeseed crush for China, the EU, and United Kingdom (UK) significantly offsets lower crush volumes in Australia and India.

Figure 2
Global major oilseed crush volumes



Note: Asterisk (*) denotes forecast. Others = Copra, cottonseed, palm kernel, and peanut.
Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

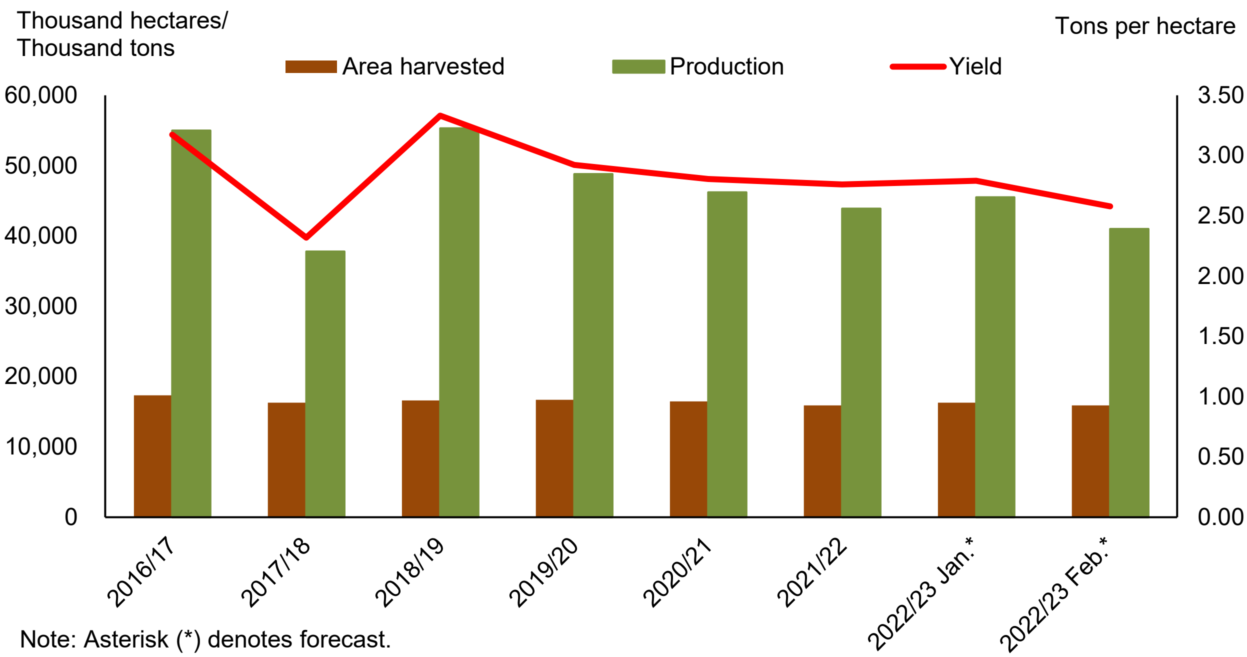
Global major oilseed ending stocks for 2022/23 are projected at 119.2 million metric tons, down 3 million metric tons from last month. Soybean ending stocks are projected to be 102 million metric tons, down 1.5 million metric tons from last month. However, these soybean ending stocks are 3.2 million metric tons higher than a year ago. Global rapeseed and sunflowerseed ending stocks are reduced this month by 0.6 and 0.9 million metric tons, respectively. Rapeseed ending stocks are forecast at 6.2 million metric tons, 1.9 million metric tons higher than a year ago. Sunflowerseed ending stocks are forecast at 4.9 million metric tons, down 3.2 million metric tons from a year ago as Ukraine moves toward normal stock levels.

Argentina's Soybean Production Declines on Lower Area and Yields

Argentina's soybean production for the 2022/23 MY is lowered 4.5 million metric tons from last month's forecast to 41 million metric tons due to lower planted area and yields. The soybean yield is estimated at 2.58 metric tons per hectare, down nearly 8 percent from last month. In addition, the soybean harvested area is estimated at 15.9 million hectares, down 0.4 million hectares. The hot and dry weather in Argentina's major producing provinces through mid-January has hindered planting and reduced crop yield prospects. However, rainfall in the second half of January brought some relief and allowed farmers to finish planting. According to Argentina's Ministry of Agriculture, soybean planting was nearly complete at the end of January. February's weather is critical for further development of the late-planted crop.

Figure 3

Argentina's soybean production



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

Argentina's lower production is partially offset by increased imports. Soybean imports are raised by 1.3 million metric tons this month and are projected at 6.3 million metric tons. Increased imports partially offset lower production resulting in a net, 3.25 million metric ton reduction in Argentina's soybean supply. As a result of lower production, soybean exports and crush are reduced by 1.5 million metric tons and 0.7 million metric tons, respectively. Soybean exports are forecast at 4.2 million metric tons compared with 2.9 million metric tons in MY 2021/22. Argentina's reduced soybean exports are offset by higher exports from Brazil and Paraguay. Brazil's soybean export is forecast at 92 million metric tons for MY 2022/23, up 1 million metric tons from last month.

Argentina's soybean crush is forecast at 37.3 million metric tons, down 1.5 million metric tons from last year and the lowest it has been since MY 2017/18. Consequently, soybean meal and oil supplies are lowered by 0.55 million metric tons and 0.14 million metric tons, respectively.

Furthermore, Argentina’s meal and oil exports are reduced by 0.3 million metric tons and 0.15 million metric tons, respectively. However, Argentina’s reduced soybean meal exports are partially offset by higher exports from Brazil.

Higher Palm, Rapeseed, and Sunflower Oil Production Compensates For Loss of Soybean Oil Production

Global vegetable oil production for MY 2022/23 is lowered marginally this month and stands at 217.6 million tons but remains 9.1 million metric tons higher compared with last year. Global soybean oil production is forecast at 61 million metric tons, 0.6 million metric tons lower this month due to reduced soybean crush in Argentina, China, Pakistan, the EU, United States, and Paraguay. The lower production of soybean oil is offset by increased rapeseed, sunflowerseed, and palm oil production. The rapeseed oil production is higher due to expectations for higher crush in China, the EU, and UK. The sunflower oil production increased this month is due higher crush in Ukraine.

Malaysia’s palm oil production is revised up 0.2 million metric tons to 19 million metric tons on higher yields. The yields are raised to 3.45 tons per hectare, a 1-percent increase from last month and a 3.6-percent increase from last year. According to the Malaysian Palm Oil Board (MPOB), palm oil production from October through December totaled 5.1 million metric tons, up 6 percent from same period last year. Furthermore, palm oil exports are increased by 0.2 million metric tons to 16.7 million metric tons for MY 2022/23 as palm oil prices are very competitive with other vegetable oils.

In addition to palm, sunflower oil exports are raised this month by 0.7 million metric tons, partially offset reduction in soybean oil exports. The increased sunflower oil exports are attributed to higher exports from Ukraine, Turkey, Russia, and the EU. In summary, global vegetable oil exports for 2022/23 have increased this month by almost 0.7 million metric tons to 88 million metric tons. Global vegetable oil consumption is adjusted down slightly by 0.2 million metric tons, to 212.9 million metric tons. Global vegetable oil ending stocks are 0.3 million metric tons higher than last month and stands at almost 30 million metric tons with palm oil stocks accounting for 57 percent of the ending stocks.

Suggested Citation

Aaron M. Ates and Maria Bukowski, *Oil Crops Outlook: February 2023*, OCS-23b, U.S. Department of Agriculture, Economic Research Service, February 10, 2023.