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# Oil Crops Outlook: January 2022

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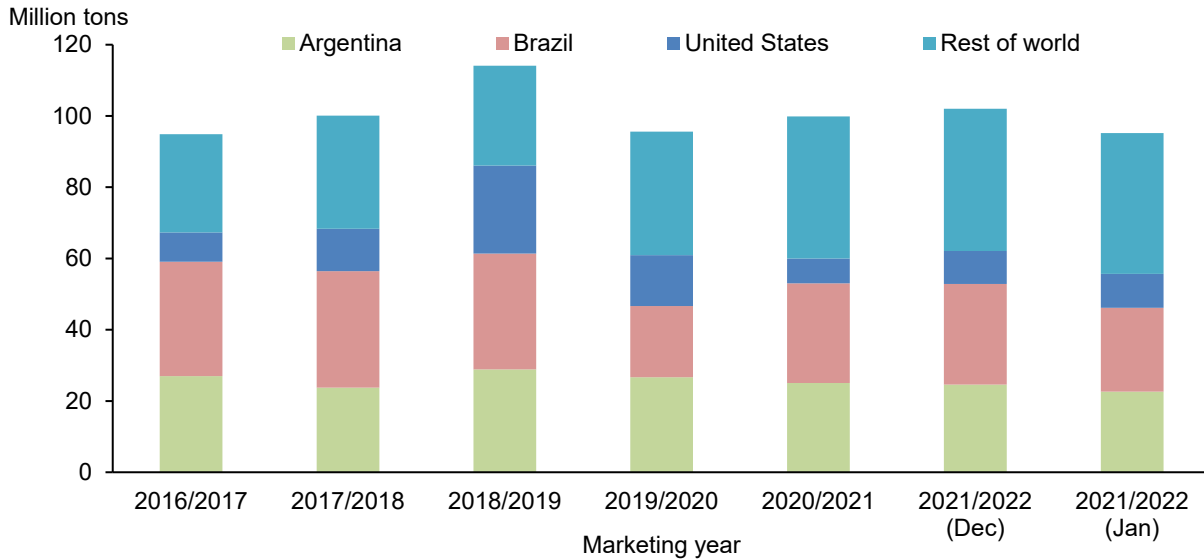
**Maria Bukowski**

## 2021/22 Global Soybean Stocks Fall in Tandem with South American Production

Global soybean production for 2021/22 is reduced by 9.2 million tons to 372.56 million metric tons in response to lower yields in South American crops. Nevertheless, 2021/22 global production will eclipse the 2020/21 production of 366.23 million metric tons by 6.3 million metric tons, if realized. Moreover, dry weather in Southern Brazil, Argentina, and Paraguay through the early portion of the season has reduced the potential for bumper soybean production. The anticipated reduction in soybean output is expected to lower 2021/22 global ending stocks by 6.8 million tons to 95.2 million, 5 percent below last year. This would be the lowest global soybean inventory since 2016/17.

Figure 1

### Global soybean stocks



Note: Stocks of September 1 for the United States and October 1 for Brazil and Argentina.

Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

# Domestic Outlook

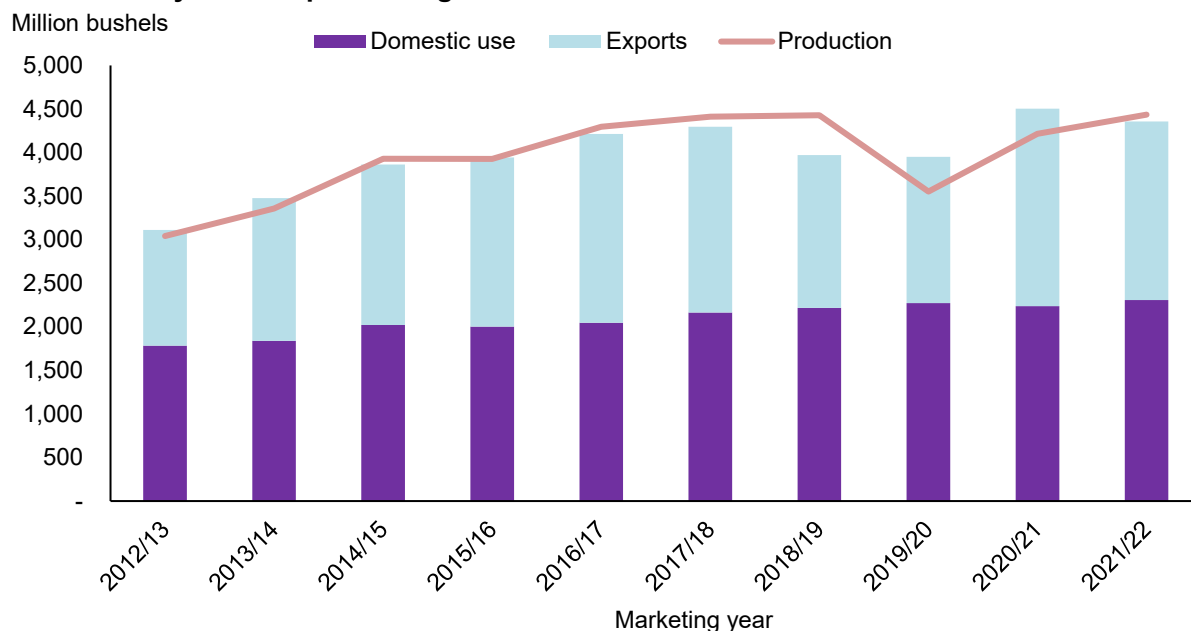
## Soybean Supply Down Despite Higher 2021/22 Production

This month, USDA, National Agricultural Statistics Service (NASS) published its *Crop Production—2021 Summary* report. The publication includes an estimate of the 2021/22 U.S. soybean crop which is up 10.29 million bushels from the previous forecast to a record of 4.44 billion bushels on 86.3 million acres harvested. New-crop soybean production exceeds last year's output by 219 million bushels and is comprised of record yields and productions achieved in several States. Namely, record yields of 64 bushels per acre were achieved in Illinois, 62 in Iowa, 63 in Nebraska, 56.5 in Ohio, 55 in Wisconsin, 51 in Michigan, 56 in Kentucky, and 46 in both Georgia and Alabama. Production records, in millions of bushels, are as follows: 673 in Illinois, 622 in Iowa, 351 in Nebraska, and 114 in Wisconsin. Output in Illinois and Iowa is up from the prior 5-year average nearly 2 percentage points to 29 percent of total production. The average U.S. soybean yield of 51.4 bushels per acre is the second highest in history—after 2016/17. Nevertheless, the record soybean output is countered by a lower level of beginning stocks. As a result, the expected supply for this season is 53 million bushels lower than 2020/21 at 4.7 billion bushels.

The USDA, NASS January *Grain Stocks* reported the December 1 soybean inventory totaled 3.15 billion bushels, 7 percent higher than the same period last year. On-farm stocks of 1.52 billion bushels are 48 percent of total stocks, compared with 44 percent a year ago. The report implies the September–November disappearance was 1.54 billion bushels, down 14 percent from the first quarter of 2020/21. This outcome was precipitated by the sluggish start for the 2021/22 U.S. soybean export program. Not only did Hurricane Ida create issues at the onset of the marketing year that have since been resolved, but competition with Brazil has remained strong in the global soybean export market as they have been offloading a high supply of soybeans in anticipation of a timely soybean crop. The 2021/22 U.S. soybean crush and export forecasts remain unchanged at 2.19 billion and 2.05 million bushels, respectively. Based on crop production and demand forecasts discussed above, 2021/22 season-ending stocks are forecast to rise by 10 million bushels to 350 million.

Figure 2

### Historical soybean crop and usage



Source: USDA, National Agricultural Statistics Service, *Crop Production* and World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*.

To round out the first quarter of 2021/22, U.S. processors maintained the same daily crush rate in November as October at 6.35 million bushels per day, contributing 190.5 million bushels of crushed soybeans to the first quarter crush volume total of 551.6 million bushels. Soybean oil yields remained strong in November while the opposite was observed in soybean meal yields. As a result, the 2021/22 extraction rate for soybean oil was raised by 0.08 pounds of oil per bushel to 11.83 and lowered by 0.2 pounds of soybean meal per bushel to 47.0. Consequently, the production estimate for soybean oil is raised by 175 million pounds to 25.91 billion and lowered for soybean meal by 200,000 short tons to 51.5 million.

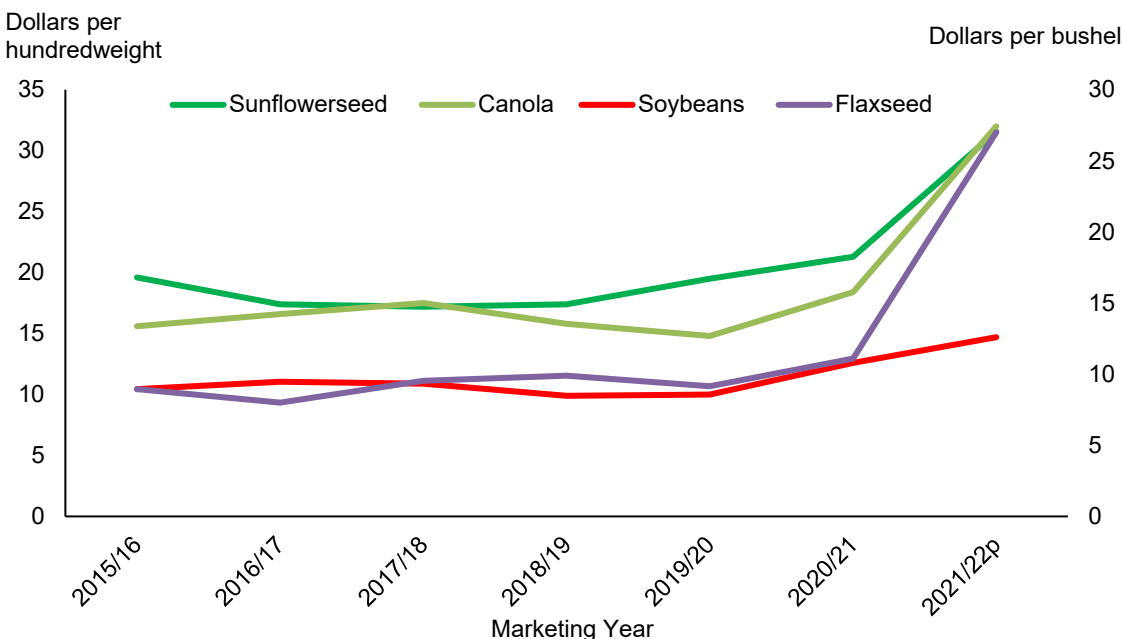
Soybean oil exports were 76.4 million pounds higher in November 2021 than in November 2020 due in part to strong Indian demand. For this reason, the 2021/22 soybean oil export forecast is raised from 1.25 million pounds to 1.43 million pounds. As suggested by lower soybean meal extraction rates, soybean meal production is reduced by 200,000 short tons to 51.5 million short tons. Furthermore, the 2021/22 soybean meal export forecast is revised down proportionately to 14 million short tons.

Tighter soybean stocks in the global market have placed upward pressure on soybean prices. In fact, the average price received for soybeans by U.S. farmers increased \$0.30 per bushel in November to \$12.20 per bushel. Additionally, a large jump in average U.S. soybean meal prices occurred in December 2021, up nearly \$41.00 to \$399.50 per short ton. These factors have

influenced 2021/22 soybean and soybean meal price forecasts. Specifically, the season average price forecast for U.S. soybeans is raised by \$0.50 per bushel to \$12.60 and \$45.00 per short ton for soybean meal to \$375.00. As depicted in figure 3, minor oilseed prices are also elevated in 2021/22 as inventory continues to shrink.

Figure 3

**Prices received by farmers**



Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, *Agricultural Prices*.

## Minor Oilseed Crop Production Estimates Updated

According to the USDA, *NASS Crop Production—2021 Summary* report, U.S. canola producers planted a total of 2.15 million acres in 2021/22, which is 328,000 more acres than in 2020/21. However, poor weather conditions in North Dakota have adversely affected yields. Over the past 3 years, North Dakota has accounted for roughly 85 percent of total U.S. canola production. Thus, the 620 pound per acre reduction in 2021/22 North Dakota canola yield to 1,340 pounds per acre has drastically affected national production. It is estimated that U.S. canola production will be 733 million pounds lower than the previous marketing year at 2.72 billion pounds.

Much like North Dakota, major canola producing Provinces in Canada have experienced lower yields—resulting in a record-low production of 12.6 million metric tons. Consequently, U.S. imports are forecast to be 64 million pounds lower than 2020/21 at 915 million pounds. Despite the diminished supply, U.S. processors have maintained a healthy domestic canola crush

program that is supported by strong canola oil and meal prices. During the first half of the 2021/22 canola marketing year, a little more than 2 billion pounds of canola have been crushed in the U.S. Despite strong crush in the first half of the marketing year, limited supplies results in a lower annual crush forecast of 3.59 billion pounds. As a result, 2021/22 ending stocks are forecast to be tight at 175 million pounds.

Higher canola meal extraction rates over the last several months has lifted the forecast up to 0.58 pounds of meal per pound of canola crushed. In conjunction with expectations of higher canola crush volumes, this raises the canola meal production estimate by 76,000 short tons to 1.1 million. Similarly, canola oil production is anticipated to increase by 80 million pounds. Like canola meal, this marketing year runs from October–September and is affiliated with a 2021/22 canola oil production estimate of 1.5 billion pounds. Increases in canola oil and meal production estimates are expected to satisfy growing domestic demand.

The canola seed price forecast is at a record high of \$32.00 per hundredweight. For reference, the season average price for 2020/21 was \$13.60 per hundredweight lower at \$18.40 per hundredweight. Average canola meal prices increased in December 2021 by \$32.75 per short ton to \$383 per ton. As a result, the season average price forecast is raised from \$325 to \$355 per short ton. Canola oil prices remain elevated at \$0.80 per pound.

Like canola, drought and intense summer heat took a heavy toll on sunflowerseed yields across the Northern Plains region. Not only is 2021/22 yield 15 percent lower than last year at 1,530 pounds per acre, but sown acreage also dropped 25 percent from 1.72 million acres to 1.3 million. Hence, U.S. sunflowerseed production is reduced by almost 36 percent in 2021/22 (to 1,903 million pounds) from the preceding year's bumper crop, with smaller harvests in North Dakota and South Dakota accounting for 86 percent of the reduction.

Sunflowerseed prices have been much higher in 2021/22 than previous years, averaging \$31.55 per hundredweight. Furthermore, U.S. demand for trans-fat free high- and mid-oleic sunflowerseed oils have experienced steady growth. Because domestic sunflowerseed oil consumption is forecast to reach a record level of 725 million pounds, oil exports are expected to decline, correspondingly, to 85 million pounds.

USDA, NASS reports a large decrease in 2021/22 flaxseed production from the previous year of 5.7 million bushels to 2.7 million bushels. These changes are the result of a 9.2 bushel per acre decrease in yield on 28,000 less harvested acres (268,000 acres) impacted by the drought in the major producing States. Prices have responded to the subdued flaxseed supply, which have

resulted in a \$16.00 per bushel year-over-year increase in the season average price projection of \$27.00 per bushel.

Although the January cottonseed production forecast was lowered by 199,000 short tons to 5.38 million, it is 21 percent higher than the 2020/21 crop production. Driven by healthy demand from the dairy market, the higher supply is forecast to increase 2021/22 feed use by 35 percent from last year to 3.6 million short tons. Conversely, the 2021/22 crush is forecast to be slightly lower at 1.5 million tons. The cottonseed export forecast is also slightly down from 2020/21 exports at 250,000 tons as domestic demand keeps prices firm. The cottonseed prices are predicted to reach \$245.00 per short ton.

## Strong Yields Lift Peanut Production

The USDA, *NASS Crop Production—2021 Summary* reports 2021/22 peanut production at 6.4 billion pounds, a 2 percent gain from the previous forecast and nearly 4 percent higher than last year's crop of 6.16 billion pounds. The upward revision reflects yields that are 323 pounds per acre higher in 2021/22 than 2020/21 at 4,135 pounds per acre. This upward revision more than offsets the 70,000-acre decline in harvested acreage. Oklahoma, South Carolina, and Virginia are associated with record-high yield estimates. Despite lower beginning stocks and imports, the anticipated 8.5-billion-pound peanut supply is 75 million pounds above the 2020/21 supply due to higher yields.

Deflated from last year, 2021/22 exports are down 8 percent to 1.3 billion pounds, suggesting a decrease of 3.2 percent in total peanut use on unchanged crush (875 million pounds). Domestic food use, the largest category of consumption, is expected to rise marginally and reach 3.39 billion pounds. With higher supplies and declining peanut use, ending stocks are expected to increase to 2.25 billion pounds after settling at 1.97 billion pounds in the previous year.

# International Outlook

## Poor Weather Impacts Soybean Crops in South America

Brazil's soybean production has been reduced this month by 5 million metric tons to 139 million. Precipitation throughout southern Brazil during November and December 2021 was about half of the normal amount. Farmers in Paraná were among the first to plant their 2021/22 soybean crop in Brazil and these crops are, thus, the most developed. As a result, the focus is on the severity of weather-induced yield damage for this production region. After recording the lowest rainfall totals in recent history during December 2021, the degree of yield loss will depend on the distribution of rainfall across southern Brazilian states throughout January and February.

In contrast, states in northern Brazil have received better weather conditions after the early soybean plantings. Very good growing conditions in Mato Grosso, Goiás, and Bahia are expected to produce yields that will partly offset anticipated losses in the southern Brazil. Despite expectations of a smaller-than-anticipated crop, Brazil is still expected to lead global soybean trade with exports for the 2021/22 marketing year (October 2021–September 2022O) forecast unchanged at 94 million metric tons, 12.35 million tons higher than last year. In contrast, due to lower supplies, USDA reduces exports for Brazil's local year (ending in 2023) by 4.3 million tons to 90 million, allowing for increased competition for the United States in the fall of 2022. Continued dry weather conditions in Argentina and Paraguay may further support that export program. In response to this lower crop projection, the Brazilian soybean crush estimate has been reduced by 0.5 million metric tons to 47.2 million metric tons, which is still 450,000 tons higher than in 2020/21.

Like in southern Brazil, dry weather in major producing provinces of Argentina is slowing the planting progress while also reducing crop yields in areas that planted early. According to Argentina's Ministry of Agriculture, 93 percent of the expected soybean area was sown by January 4, 2022 compared with 97 percent a year earlier. Within a couple of weeks, the planting window will close and second-crop soybeans will account for much of the remaining unsown area. As such, further planting is conditional on the development of late-season rainfall that can deposit enough moisture for crop germination. Recently, some light rains improved conditions for northern and western Argentina but missed the core soybean crop areas in Córdoba, Santa Fe, and Entre Ríos. As a result, Argentine soybean production was reduced by 3 million metric tons from last month's estimate to 46.5 million. The harvested acreage was adjusted to 16.2 million hectares—200,000 less than last month—and soybean yield declined from 3 tons per



hectare to 2.87, or 5 percent down from last month. With a lower output, both soybean exports and crush have been reduced, down by 0.5 million metric tons to 4.85 million and by 0.8 million metric tons to 41.2 million, respectively.

In light of persistent dry conditions, Paraguayan soybean production has been reduced this month, down by 1.5 million metric tons to 8.5 million. The harvested area was also reduced from 3.4 million hectares to 3.2 million hectares. In addition, soybean yield was adjusted down from 2.94 tons per hectare to 2.66 tons per hectare. As a result of the smaller crop, soybean exports are expected to fall and are reduced this month by 1.1 million tons to 5.25 million tons. The soybean crush forecast is also lowered by 0.3 million metric tons to 3.1 million metric tons from last month's forecast.

## Malaysian Palm Production Declines

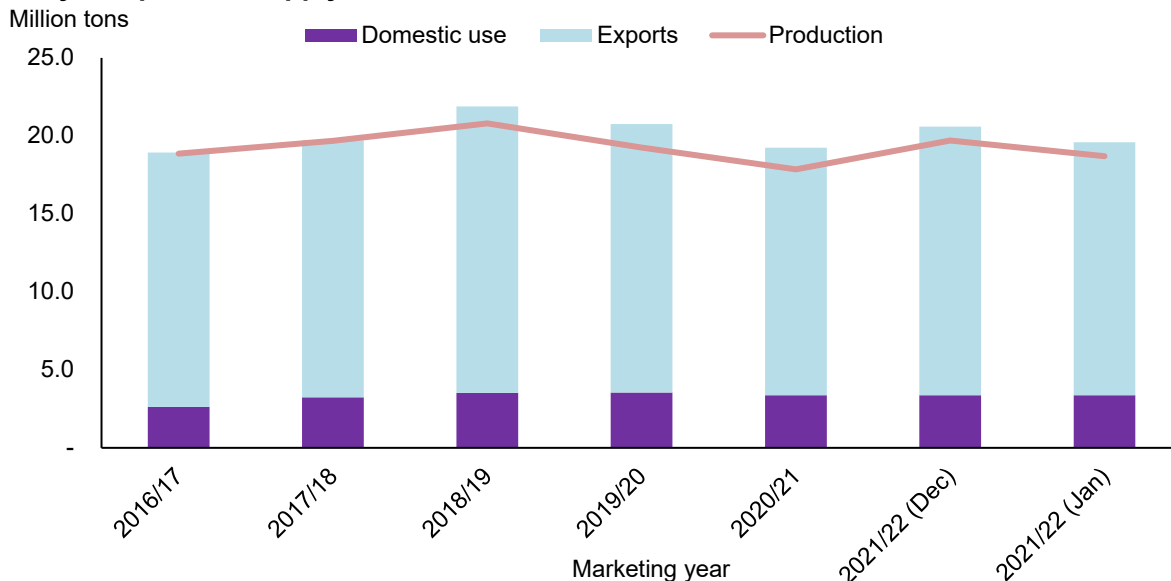
The forecast for Malaysian palm production is revised down this month from 19.7 million tons to 18.7 million tons due to abnormal weather in December and continued labor issues the industry has faced since 2019. Despite this reduction, the projected output is still almost 5 percent—or 846,000 tons—higher than in 2020/21 as both harvested area and yield are expected to increase. Specifically, harvested area for palm is predicted to increase by 50,000 hectares from 2020/21, reaching 5.45 million hectares, in conjunction with a 4 percent increase in yield to 3.43 tons per hectare.

According to the Malaysian Palm Oil Board (MPOB), December palm production decreased by 11.3 percent this month at 1.45 million metric tons, falling to the lowest level in the last 9 months. The smaller output was a result of super typhoon Rai that flooded many plantations throughout Peninsular Malaysia and limited access for harvest crews. Recently, the Government of Malaysia (GOM) concluded a Memorandum of Understanding (MOU) on migrant labor with Bangladesh to help with labor shortages. However, a similar MOU with Indonesia—the primary supplier of migrant labor for Malaysia—remains outstanding.

Due to lower palm oil production and expectations of weaker foreign demand, the palm export forecast has been reduced by 1 million metric ton to 16.22 million metric tons, which is 354,000 tons higher than last year. India, China, the European Union (EU), and Iran imports were revised lower this month reflecting lower exports from Malaysia. As a result of reduced exports, the palm oil ending stocks in Malaysia are predicted to stay stable at 1.72 million metric tons.

Figure 4

### Malaysian palm oil supply and demand



Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

## Indian Farmers to Produce Bumper Rapeseed Crop

With a fast-sowing pace of the 2021/22 rapeseed crop, farmers in India are expected to harvest 8.3 million hectares—1.6 million more hectares than last year. The area increase was prompted by strong domestic oil prices producing relatively better returns for rapeseed compared with wheat, along with favorable weather during planting. As a result, the forecast of Indian rapeseed production has increased this month to 9.5 million metric tons from 8.85 million. As a result of higher rapeseed crush and oil production, the 2021/22 palm oil import forecast is reduced by 150,000 tons to 8.45 million tons this month.

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