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Oil Crops Outlook: September 2022

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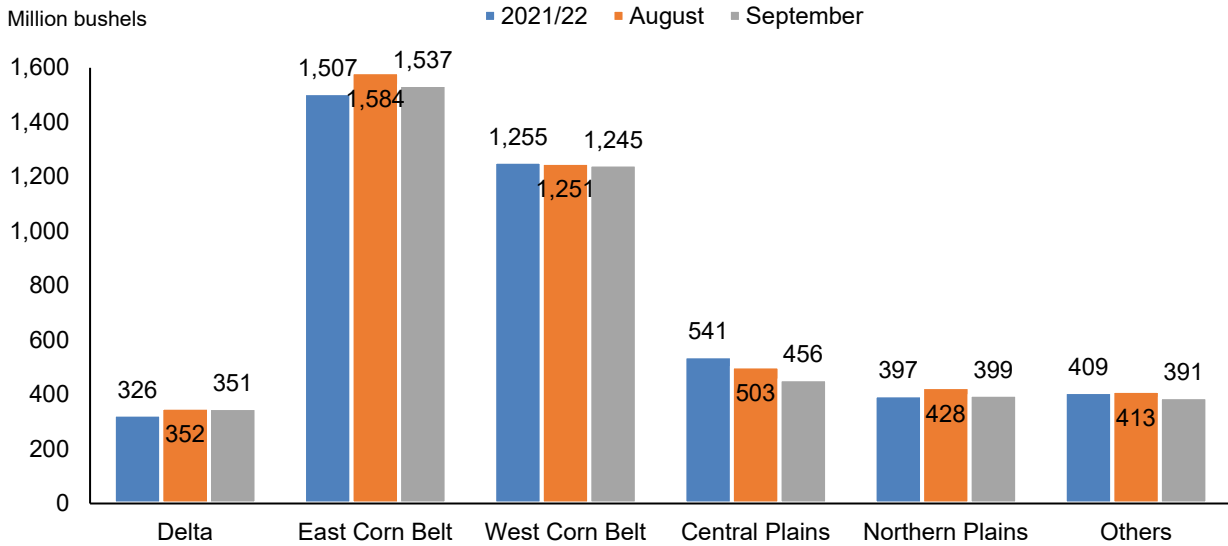
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2022/23 U.S. Soybean Production Reduced on Lower Acreage and Yield

The September USDA, National Agricultural Statistics Service (NASS) *Crop Production* report forecasts a 2022/23 soybean yield at 50.5 bushels per acre, down from last month's forecast of 51.9 bushels per acre. Combined with a 0.58-million-acre reduction in the harvested area forecast to 86.6 million acres, the production forecast is scaled down by 152.37 million bushels to 4.38 billion. As a result, 2022/23 soybean crush and export volumes are expected to decrease by 20 and 70 million bushels to 2.23 billion bushels and 2.09 billion, respectively. Ending stocks are lowered by 45 million bushels from last month's forecast to 200 million bushels. USDA's forecast of the 2022/23 average price received by soybean farmers remains unchanged this month at \$14.35 per bushel.

Figure 1

2022/23 soybean production estimates by region



Notes: Delta = Arkansas, Louisiana, and Mississippi; Eastern Corn Belt = Illinois, Indiana, Ohio, Michigan, and Wisconsin; Western Corn Belt = Iowa, Minnesota, and Missouri; and Central Plains = Kansas and Nebraska; and Northern Plains = North Dakota and South Dakota.

Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics, Service Quick Stats database.

Domestic Outlook

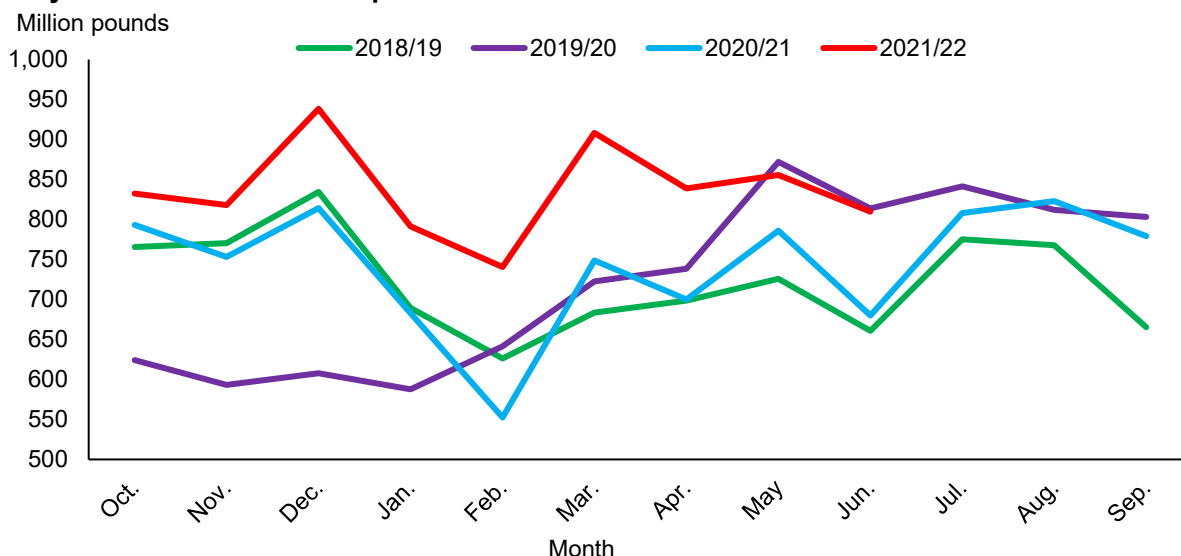
2022/23 Soybean Production Slashed

Although the 2021/22 soybean marketing year has officially concluded, balance sheet estimates will be finalized in the coming months as necessary information becomes available. This month, the 2021/22 soybean export estimate was reduced by 15 million bushels from last month's forecast to 2.15 billion, proportionally raising 2022/23 beginning stocks to 240 million bushels. This is offset by a reduction in the 2022/23 soybean production forecast. In the September *Crop Production* report, USDA, National Agricultural Statistics Service (NASS) updated the 2022/23 soybean acreage and yield estimates to reflect a soybean production forecast that is 152 million bushels lower than last month at 4.38 billion bushels. Soybean production is expected to decrease across all major growing regions. Major cuts in the Eastern Corn Belt and Central Plains regions account for a combined 62 percent of the anticipated decrease in production with an additional 20 percent by producers in the Northern Plains. Given the reduction in soybean production, crush volumes are expected to decline by 20 million bushels to 2.23 billion and exports by 70 million bushels to 2.09 billion. No changes were made this month to the 2021/22 and 2022/23 average soybean price forecasts of \$13.30 and \$14.35 per bushel, respectively.

With fewer soybeans available for processing, the 2022/23 soybean crush estimate is lowered by 20 million bushels this month to 2.23 billion bushels. The resulting 235-million-pound reduction in the soybean oil production forecast, which now sits at 26.08 billion pounds, is expected to impact domestic demand for soybean oil. In line with a 300-million-pound reduction for soybean oil used in biofuels for 2021/22, the 2022/23 forecast is reduced by 200 million pounds to 11.8 billion. Relative prices and policy incentives suggest using alternative fats and oils over soybean oil in biofuel production. The U.S. Energy Information Administration's *Feedstocks consumed for production of biofuels* report showed the soybean oil share to be significantly lower for May and June 2022 than prior months' estimates. However, with cooling soybean oil prices and expected capacity expansion, monthly usage of soybean oil for biofuel is expected to remain historically high.

Figure 2

Soybean oil consumed for production of biofuels



Note: The United States Energy Information Administration did not include renewable diesel in their *Feedstocks consumed for production of biofuels* estimate until January 2021.

Source: USDA, Economic Research Service using data from United States Energy Information Administration, *Feedstocks consumed for production of biofuels*, August 31, 2022.

A slight bump in beginning stocks curbs the projected decrease in soybean oil supply, lifting the season ending stocks estimate by 15 million pounds to 1.83 billion. Given the near offsetting reductions in soybean oil supply and demand, the 2022/23 price forecast remains unchanged this month at \$0.69 per pound.

Soybean meal prices averaged nearly \$511.00 per short ton in Decatur, Illinois during August, contributing to a \$5.00 per short ton increase in the 2021/22 price forecast of \$440.00 per short ton. Despite the price increase, market participants' behavior suggests soybean meal remains the preferred source of protein over alternatives—especially as they consider the amount of protein gained per dollar spent. For these reasons, domestic soybean meal disappearance has continued to expand. As a result, the 2021/22 soybean meal domestic disappearance forecast is raised by 0.20 million short tons this month to 38.70 million. This prevalent growth is partly supplemented by higher import volumes, increasing the forecast by 25,000 short tons this month to 625,000 short tons. Export volumes are seen lagging, reducing last month's forecast by 0.10 million short tons to 13.60 million.

Anticipations of lower crush volumes in 2022/23 are projected to reduce soybean meal production by 0.50 million short tons to 52.35 million. In order to satisfy domestic soybean meal demand, imports are expected to increase by 150,000 short tons to 600,000 short tons.

Consequently, soybean meal export volumes are expected to decline in 2022/23, lowering last month's forecast by 0.30 million short tons to 13.70 million.

Canola Demand Surges

Imports of canola ballooned in the first two months of the 2022/23 marketing year, totaling more than 540 million pounds. For perspective, this volume was not eclipsed until after the eighth month in the past 3 marketing years. As a result, the 2022/23 canola import forecast is raised by just over 220 million pounds this month to 1.49 billion pounds bringing the total supply estimate to 5.32 billion. The increased supply will support the strong domestic crush program that is expected to increase from last month's forecast by 114 million pounds to 4.53 billion pounds.

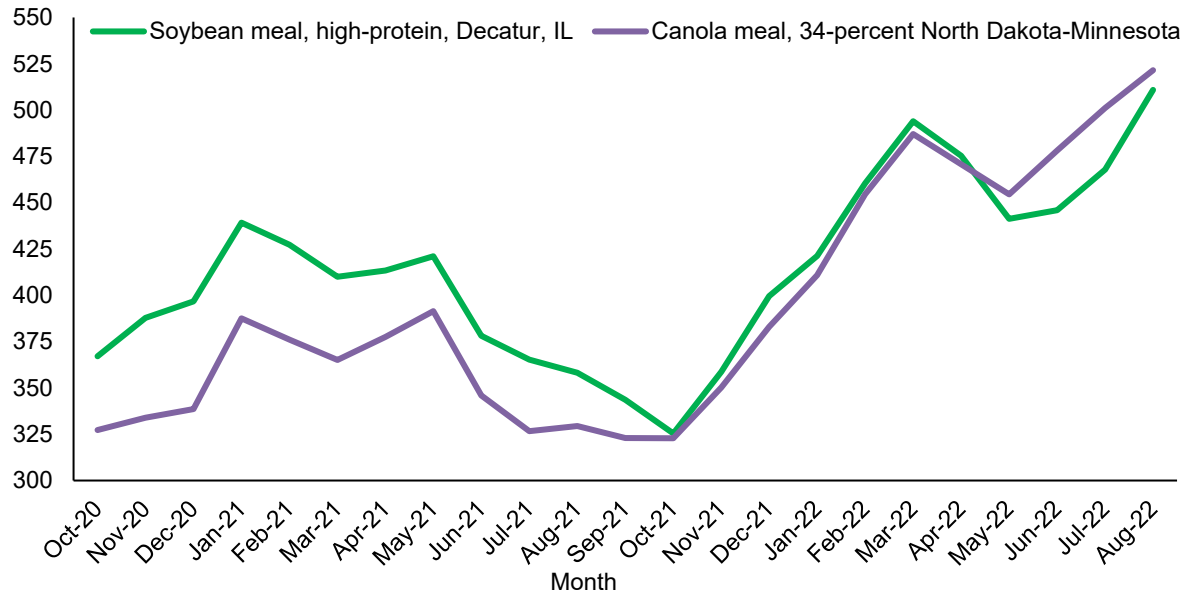
Increased supplies of canola oil and meal generated from higher crush volumes are expected to suppress the run-up in prices observed throughout the past marketing year. Specifically, canola oil prices are projected to fall from \$0.91 per pound in 2021/22 to \$0.79 in 2022/23 and from \$440.00 per short ton to \$350.00 for canola meal. Consequently, the United States is expected to consume the additional supply domestically. In 2022/23, 1.30 billion pounds of canola oil is projected to be used in biofuel production, up by 50 million pounds from the previous forecast. Similarly, canola oil for food use is raised by the same amount to 4.88 billion pounds. Much like canola oil, the United States is expected to consume the additional canola meal produced. Specifically, the 2022/23 canola meal domestic consumption forecast is up from last month's forecast of 4.97 million short tons to 5.01 million.

Given the historic premium of canola meal relative to soybean meal prices observed in recent months, domestic consumption is seen lagging near the end of the 2021/22 October–September marketing year. This month, the 2021/22 canola meal domestic demand estimate was lowered by 46,000 short tons to 4.34 million. Declining demand has slowed canola meal import volumes, reducing the 2021/22 forecast by 55,000 short tons to 3.26 million. Similarly, high prices have discouraged the use of canola oil for food use, resulting in a 15-million-pound reduction in the 2021/22 estimate to 4.33 million pounds. Likewise, exports of canola oil have fallen well below normal volumes in recent months and results in a 33-million-pound cut in the 2021/22 estimate to 234 million.

Figure 3

Soybean and canola meal prices

Dollars per short ton



Source: USDA, Economic Research Service using data from USDA, Agricultural Marketing Service, *National Grain and Oilseed Processor Feedstuff Report*.

International Outlook

Global Soybean Stocks Decline On Lower U.S. Production

The 2022/23 global soybean production forecast is revised down by 3.03 million metric tons this month on lower soybean production in the United States, which is partially offset by higher production in Canada and Ukraine. In addition, 2021/22 global soybean production is increased by 0.5 million metric tons with increased production in Uruguay.

In Canada, the 2022/23 soybean production increased this month by 0.4 million metric tons to 6.4 million metric tons due to higher soybean yield. The crop conditions are positive this season with the lately beneficial rainfall in southern Ontario. As a result, the soybean yield was increased from 2.86 tons per hectare to 3.05 tons per hectare. This increase in yield and production is commensurate with Statistics Canada's production forecast released on September 7, 2022. The additional supply of soybeans is projected to be absorbed by additional crush and exports that are both increased this month by 0.1 million metric tons. Canada's 2022/23 soybean crush is predicted at 1.85 million metric tons and exports at 4.4 million tons.

In Ukraine, farmers planted more soybean acreage than expected, and the forecasted harvested acreage increased this month by 0.3 million hectares to 1.5 million. The yield is forecast at 2.33 tons per hectare, unchanged from last month. The weather conditions have been favorable this growing season. As a result of the higher area, the soybean production is increased this month by 0.7 million metric tons to 3.5 million. This additional supply is expected to be crushed and exported.

The global 2022/23 soybean export forecast is revised down by 1.2 million metric tons to 167.88 million on lower U.S. exports. Partly offsetting this reduction is an increase in Argentina's export forecast which is 0.4 million metric tons higher at 4.7 million. China's imports are lowered by 1 million metric tons to 97 million and the European Union's (EU) imports by 0.4 million metric tons to 14.8 million.

The 2022/23 global soybean crush forecast is reduced this month by 0.69 million metric tons to 327.07 million metric tons. The major changes this month are in the EU soybean crush, where the crush is reduced by 0.7 million metric tons for 2022/23 marketing year. The lower EU soybean crush is offset by higher rapeseed and sunflowerseed crush which is expected to supply more oils. Hence, domestic oil demand in the EU is expected to grow by 2 percent.

In summary, the 2022/23 global soybean ending stocks are projected at 98.22 million metric tons, 2.49 million lower than last month's forecast. This would be 9.2 million metric tons higher than 2021/22.

Global Rapeseed Supply Outlook Better Than Expected

The global rapeseed production forecast for 2022/23 increased this month by 0.66 million metric tons to 83.14 million. This is largely driven by higher output in Australia and the EU.

The 2022/23 Australian rapeseed crop is increased this month by 0.6 million metric tons to 6.7 million on favorable weather and a higher area. The precipitation and soil moisture levels were above average in August. The higher rapeseed prices supported higher sown area that increased this month by 200,000 hectares. Hence, the harvested acreage is forecast to reach a record level of 3.6 million hectares. If materialized, this would be the second largest rapeseed crop in Australia behind 2021/22.

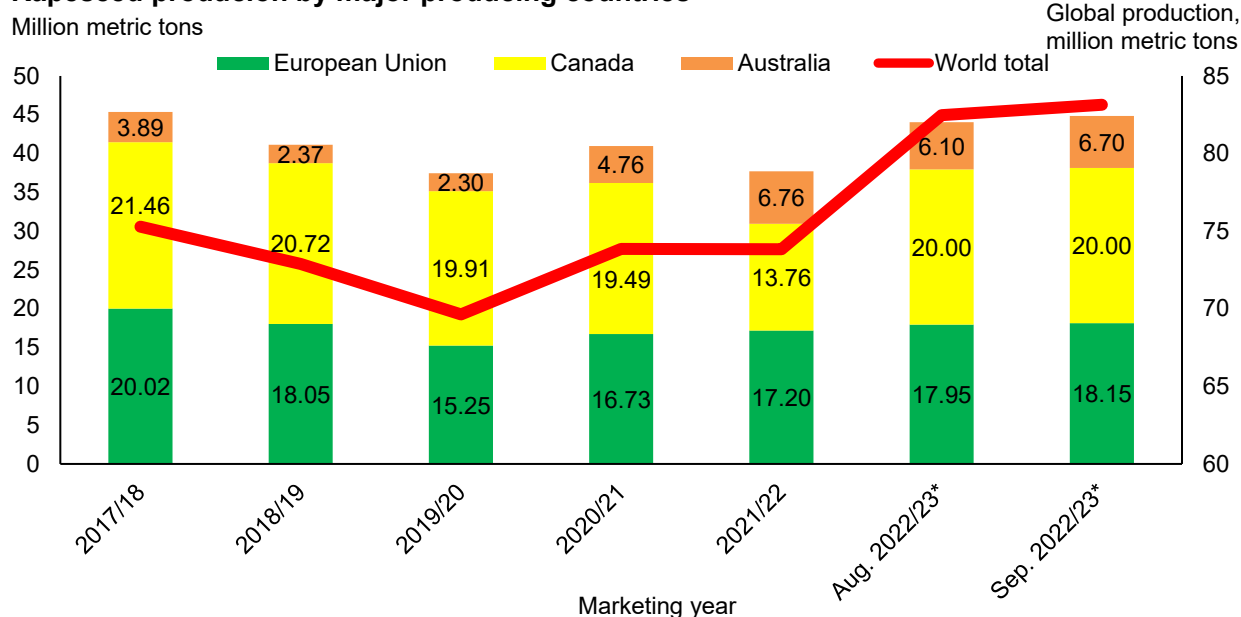
Following two large rapeseed crops, the Australian export program is on the rise. The 2021/22 rapeseed export forecast is 0.3 million metric tons higher this month and projected to reach a record level of 5.3 million metric tons, an annual increase of 1.55 million tons.

As a result of higher rapeseed supply, global rapeseed crush is increased this month for the 2022/23 marketing year by 0.66 million metric tons. Crushers in the EU and Canada are expected to crush more due to the higher oil and meal demand. As a result, the 2022/23 global rapeseed crush is forecast to increase from 2021/22 by 5.11 million metric tons to 76.70 million. Furthermore, the global rapeseed stocks are expected to rebound to 7.24 million metric tons, which is 0.43 million higher than last month's forecast.

Also notable, in Canada, the final 2021/22 rapeseed yield was raised by Statistics Canada to 1.54 metric tons per hectare, lifting production by 1.16 million tons to 13.76 million. This raises 2022/23's beginning stocks by 0.18 to 0.88 million metric tons. Good growing conditions in all Canadian provinces this season kept the 2022/23 rapeseed production forecast unchanged at 20 million metric tons.

Figure 4

Rapeseed production by major producing countries



Note: Oilseed, other includes copra, cottonseed, palm kernel and peanut. Asterisk (*) denotes forecast.
 Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply and Distribution* database, September 2022.

Global Sunflowerseed Crush Rises On Higher Sunflower Oil Demand

Global sunflowerseed production for 2022/23 is raised by 1 million metric ton to 51.96 million metric tons mainly on Ukraine's higher production. With higher supplies, Ukraine's exports are increased in line with higher EU imports. Better than expected sunflowerseed oil demand drives higher sunflowerseed crush in the EU. Therefore, EU sunflowerseed crush increases this month by 0.3 million metric tons and is projected to reach 10.6 million metric tons. As a result, the global sunflowerseed ending stocks for marketing year of 2022/23 are slightly lifted this month to 6.74 million metric tons. The majority of these stocks are in Ukraine.

Sunflowerseed oil consumption in the EU is revised up by 0.15 million metric tons to 5.36 million tons for 2022/23 marketing year, aligning with the 2021/22 consumption increase. As a result, the global sunflower oil consumption forecast for 2022/23 is up by 0.22 million metric tons this month and projected to reach 18.52 million tons which is 0.5 million year-over-year higher. Global sunflowerseed oil stocks are projected at 2.29 million tons at end of 2022/23, which is marginally higher than this year's level.

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