USDA
United States Department of Agriculture

Outlook

Economic Research Service | Situation and Outlook Report

OCS-22f | June 14, 2022 Next release is July 14, 2022

Oil Crops Outlook: June 2022

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In this report:

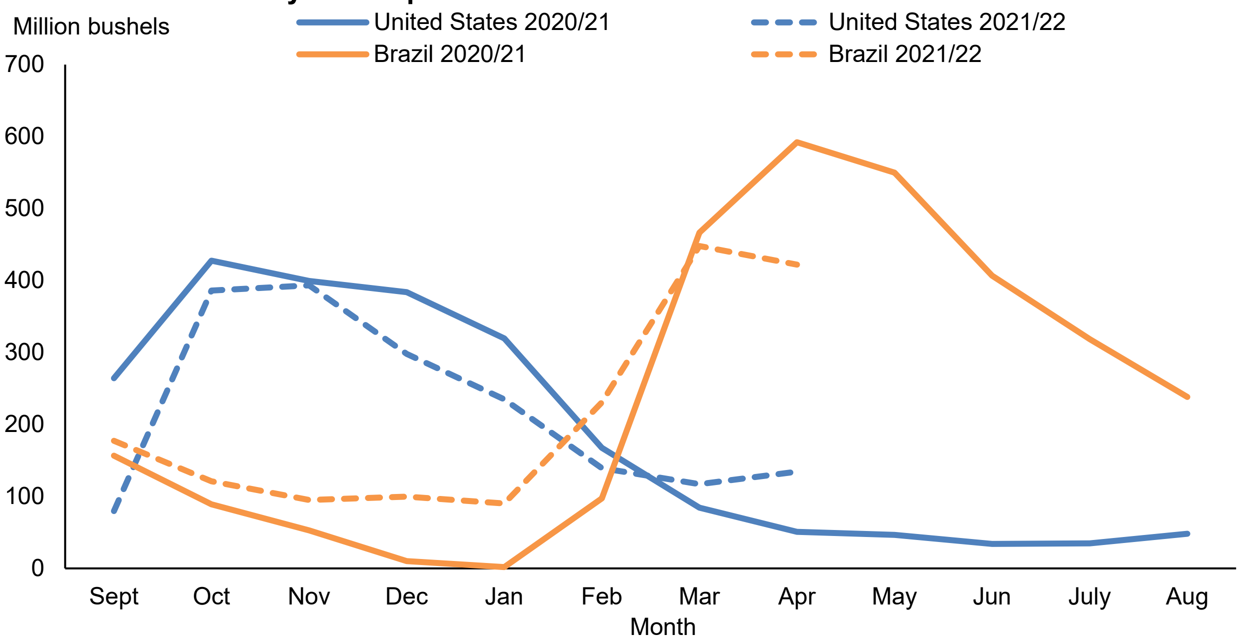
Strong Demand for U.S. Soybeans Persists

Major South American soybean-producing countries typically capture a large portion of the soybean export market during the second half of the October–September marketing year. However, U.S. exports in April proved to be exceptionally strong. This looks to continue during the summer as outstanding sales of U.S. soybeans to countries typically purchasing larger quantities from Brazil at this time of the year are high. These factors contribute to a brighter outlook for 2021/22 U.S. soybean exports. Anticipations of a tighter soybean supply in 2022/23, relative to last month's forecast, stem from increased foreign demand for old-crop U.S. soybeans.

Approved by USDA's World Agricultural Outlook Board

Figure 1

U.S. and Brazilian soybean exports



Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Global Agricultural Trade System;* and *Trade Data Monitor.*

Domestic Outlook

Demand for Old-Crop U.S. Soybeans Trims Ending Stocks

In April, a slight dip in the daily soybean crush rate was observed. Nevertheless, soybean crush margins remain strong as processors crushed nearly 181 million bushels. Although central Illinois soybean meal prices have fallen over the past 2 months, settling at $441 per short ton in May, soybean oil prices continue to reach new highs as the Decatur, Illinois, price rose to over 87 cents per pound. Additionally, biofuel demand continues to provide support for soybean oil use due to high energy prices, leaving the 2021/22 estimate unchanged from last month at 10.7 billion pounds. A continuation of strong crush margins contributes to a bright outlook for domestic crushing in 2021/22.

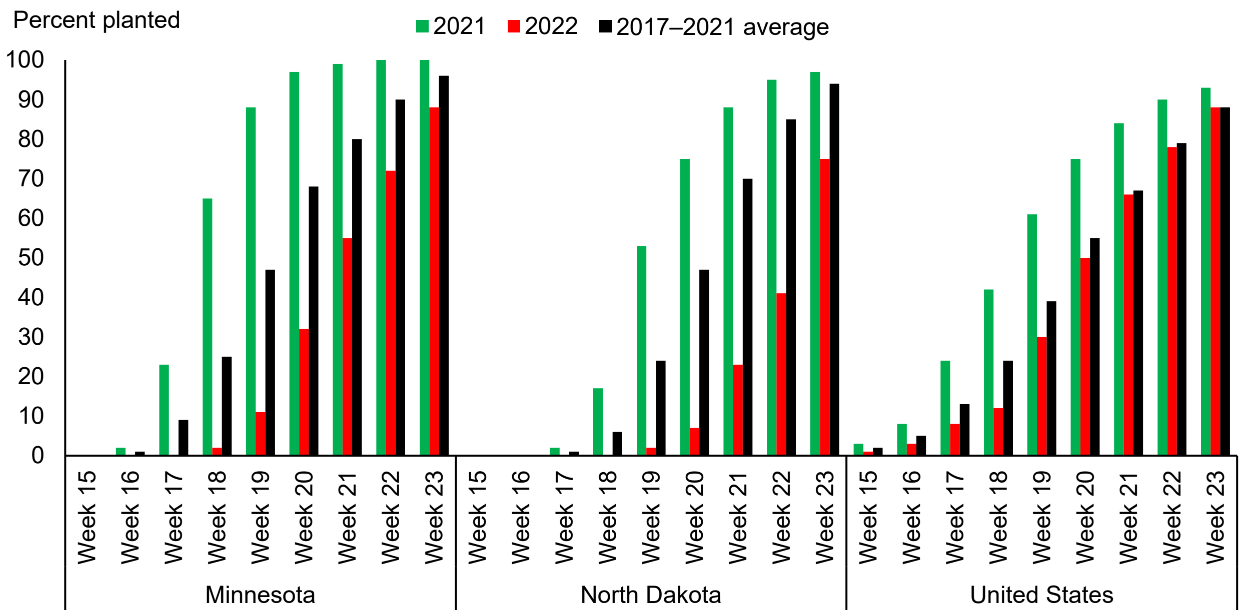
Soybean exports came in exceptionally strong for the month of April at over 134 million bushels. This trend looks to continue into the latter half of the 2021/22 marketing year as outstanding sales of U.S. soybeans to Algeria, Egypt, Pakistan, and Bangladesh sit at particularly high levels for this time of the year. For reference, outstanding sales of 2021/22 soybeans to Bangladesh were double the outstanding sales this time last year for 2020/21 soybeans at 110,000 metric tons. Moreover, outstanding sales for 2020/21 soybeans totaled 0 for all other countries mentioned last year and 730,000 metric tons as of June 2, 2022. While sales to China, Mexico, and unknown accounts sit well above last year's levels, the diversity of buyers of U.S. soybeans holds the promise of stronger exports during the remainder of the marketing year. Outstanding sales as of June 2 sit almost 160 percent above last year's level at this time. These factors have contributed to a higher 2021/22 U.S. soybean export forecast which is raised 30 million bushels this month to 2.17 billion.

Soybean exports look to remain strong in 2022/23 as outstanding sales for new-crop soybeans were 5.14 million metric tons higher on June 2 than this same time last year at 12.7 million metric tons. Many of the countries mentioned above are driving this difference; however, the increase in outstanding sales to China for the new crop year account for most of this increase. Specifically, outstanding sales to China for 2022/23 were nearly 145 percent higher at the beginning of June 2022 than the same period last year at 7.57 million metric tons. New crop sales to Algeria and Egypt combined for a total of 312,000 by June 2, 2022, compared with zero last year.

Despite a slow start, planting progress for the 2022/23 U.S. soybean crop was on pace with the 5-year average as of June 12 with 88 percent complete. Planting lags in Minnesota and North Dakota as cool, muddy field conditions have slowed progress. These states are expected to account for over 16 percent of total soybean acreage in 2022/23. Based on the latest *Crop Progress* report, Minnesota has planted 7.04 of their intended 8 million soybean acres and North Dakota 5.25 of their intended 7 million acres. Given their planting progress and prevented planting date of June 10, total soybean acreage might be impacted. Further clarification will be provided on June 30 when the National Agricultural Statistics Service (NASS) releases its annual *Acreage* report. The June Crop conditions for other major soybean-producing states are almost universally favorable.

Figure 2

U.S. soybean crop progress



Source: USDA, National Agricultural Statistics Service, *Crop Progress*.

Even with good production prospects, the expected reduction in 2021/22 soybean carryout stemming from increased foreign demand for old-crop U.S. soybeans is projected to tighten 2022/23 supplies of U.S. soybeans. Total supply of 2022/23 U.S. soybeans is trimmed this month from 4.89 billion bushels to 4.86 billion. With no additional changes to the 2022/23 balance sheet, ending stocks are lowered by 30 million bushels to 280 million. Tighter stocks have resulted in a $0.30 increase in the 2022/23 season average price of soybeans to $14.70 per bushel.

Strong Trade Flows Impact Canola and Sunflowerseed

As we approach the tail end of the 2021/22 canola marketing year, U.S. imports of canola seed were boosted by 178 million pounds in April. Nearly 88.5 million pounds of this month's imports came from Australia as they continue to produce large crops in contrast to other major producers. The United States is expected to import a healthy volume of canola in the last month of the marketing year. Combined with strong April imports, this lifts the 2021/22 import forecast by 115 million pounds to 1.01 billion.

The increased supply of canola is expected to provide processors with enough canola to increase contributions for burgeoning vegetable oil demand. Raised 50 million pounds from last month, the 2021/22 canola crush estimate now sits at 3.7 billion pounds and will provide an additional 20 million pounds of canola oil. This brings the total supply of canola oil to an estimated 5.97 billion pounds for the 2021/22 marketing year (October–September).

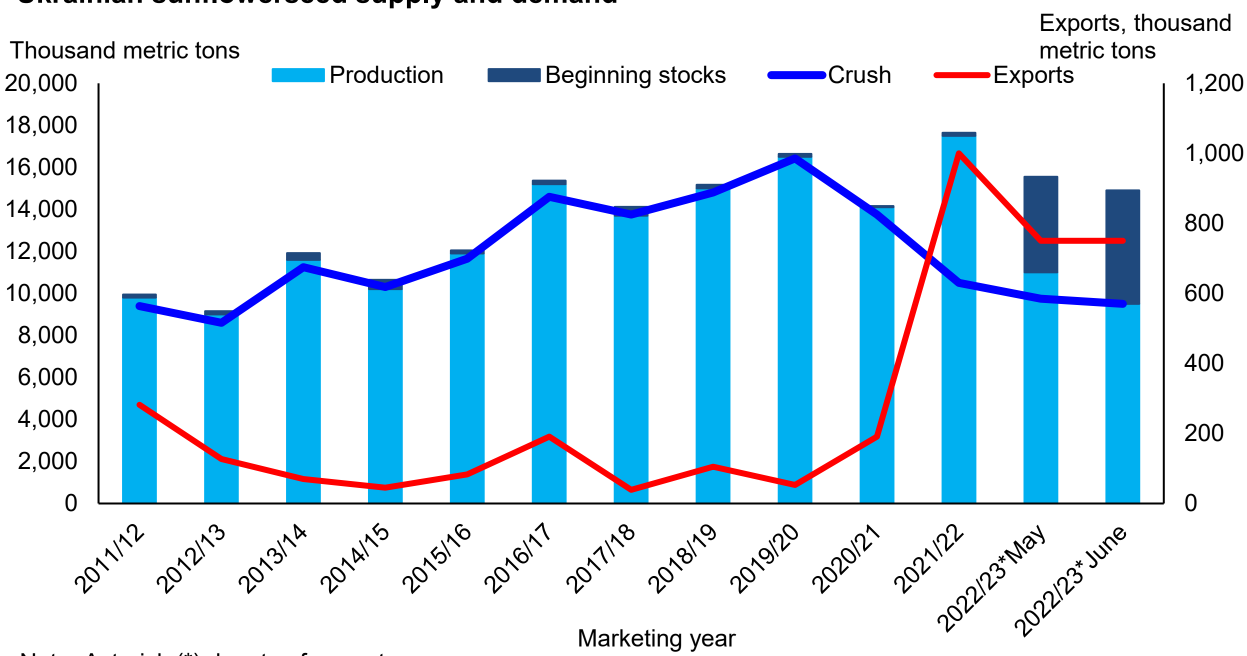
To combat tight vegetable oil supplies, the United States continues to import high volumes of sunflower oil. Through April 2022, the United States has imported 131 million more pounds of sunflower oil this marketing year relative to April 2021. As Ukrainian sunflower oil production continues to be hindered by the ongoing conflict, the United States is seen purchasing higher volumes of sunflower oil from the European Union, particularly France. As such, the 2021/22 U.S. sunflower oil import estimate is raised by 100 million pounds to 400 million, which lifts the total supply to 874 million pounds. Increased supply of sunflower oil lifts domestic consumption to 724 million, which offsets the reduction in domestic soybean oil consumption resulting from lower imports and higher exports.

International Outlook

World Sunflowerseed Markets Adjust to Ukrainian Dynamics

Continued conflict between Russia and Ukraine has impacted the ability for crushing facilities to process sunflowerseed in Ukraine. As a result, the 2021/22 sunflowerseed crush forecast is reduced 1.5 million metric tons from last month's forecast to 10.5 million. In response to limitations on crush, Ukraine has adjusted by exporting larger quantities of sunflowerseed than previously expected. Consequently, the 2021/22 Ukrainian sunflowerseed export forecast is raised by 650,000 metric tons to 1 million with the European Union expected to receive much of this increase. If realized, Ukrainian sunflowerseed exports would contribute over 38 percent to global exports. This has not happened since 2000/01.

Figure 3
Ukrainian sunflowerseed supply and demand



Note: Asterisk (*) denotes forecast.
Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply and Distribution* database, June 2022.

With reduced sunflowerseed crush, export forecasts for sunflower oil and sunflower meal are reduced 250,000 and 150,000, respectively. A lower supply of these byproducts has provided the opportunity for competitors to capture a larger share of the export market, particularly for sunflowerseed oil.

Coinciding with a 400,000 metric ton increase in sunflowerseed crush, up to 9.9 million, the European Union is expected to export an additional 125,000 metric tons of sunflowerseed meal and 75,000 metric tons of oil. This raises the 2021/22 export forecasts for these products to 800,000 and 750,000 metric tons, respectively. In response to a projected 6-percent jump in sunflowerseed crush to 3.4 million metric tons, Argentine sunflower oil exports are forecast to increase by 85,000 metric tons from last month's estimate to 835,000 metric tons and by 95,000 metric tons to 910,000 metric tons for sunflowerseed meal. Turkey might be the greatest benefactor in the sunflowerseed oil export market as its exports are anticipated to grow by 100,000 metric tons to 725,000. In total, global sunflowerseed exports are seen slightly higher this month at 10.22 million metric tons despite a large reduction in imports from China.

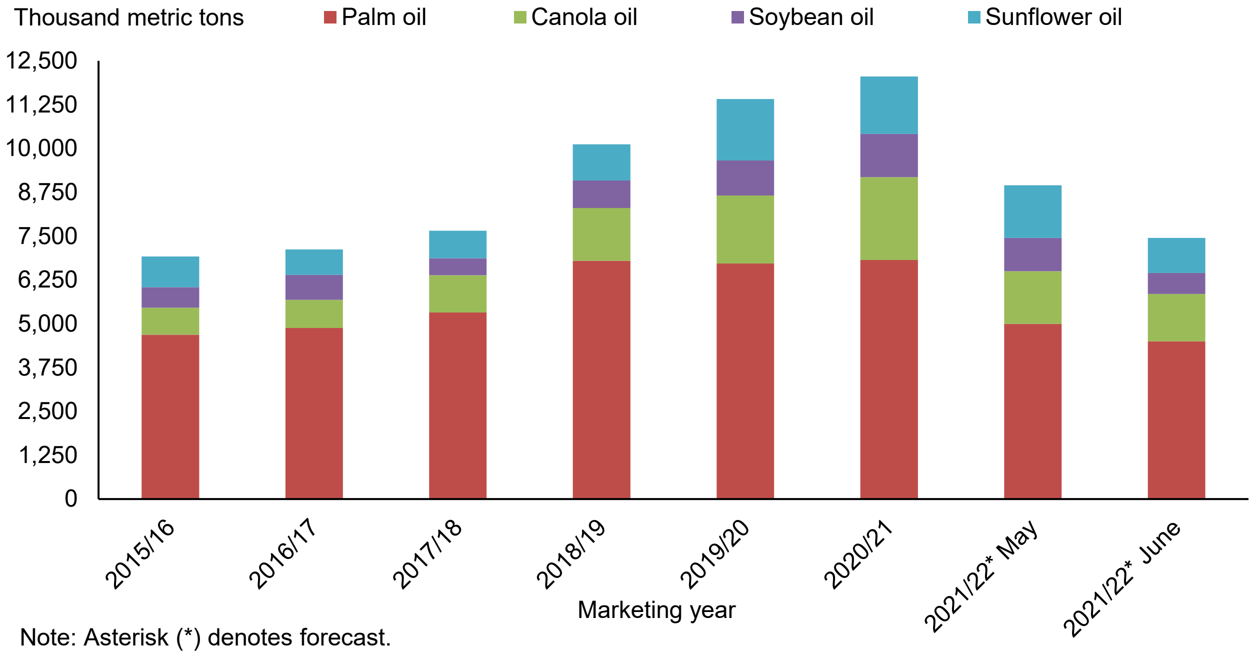
Lower Domestic Demand in China Impacts Vegetable Oil Markets

Domestic demand for vegetable oil is waning in China as it adheres to lockdown protocols, resulting in lower import volumes. Although import volumes are expected to rebound in the new marketing year, 2021/22 vegetable oil import forecasts are reduced for a combined total of 1.5 million metric tons.

With soybean crush unchanged this month, the 2021/22 soybean oil import forecast is reduced by 350,000 metric tons to 600,000 metric tons; canola oil imports are lowered by 150,000 metric tons to 1.35 million metric tons, and sunflowerseed oil imports are lowered this month by 500,000 metric tons to 1 million metric tons as Ukraine exports move lower. Additionally, China is expected to import 4.5 million metric tons of palm oil, 500,000 fewer than was forecasted last month. These factors have resulted in the tightening of China's 2021/22 vegetable oil stocks.

Figure 4

Major vegetable oils imported by China



Note: Asterisk (*) denotes forecast.
Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply and Distribution* database, June 2022.

Global Rapeseed Production To Recover in 2022/23

The 2021/22 global rapeseed production is projected at 71.38 million metric tons, up 203,000 metric tons from last month on higher production for India. The India rapeseed production is projected at 11 million metric tons, up by 200,000 metric tons from last month as harvest nears completion and reported yields are higher than previously expected. Global rapeseed production is also raised for 2022/23 as higher production in Australia is only partly offset with a lower EU estimate. Australian rapeseed production is revised this month, up 700,000 metric tons to 5.4 million metric tons, as the planted acreage continues to expand in response to high prices. In contrast, European Union rapeseed production has been revised down this month by 250,000 metric tons to 18.25 million metric tons on lower yields. The rapeseed yields are lowered this month from 3.19 metric tons per hectare to 3.15 metric tons per hectare due to unfavorable weather in May, particularly for France.

Despite a slight downward revision in rapeseed production, the European rapeseed crush is kept unchanged at 22.5 million metric tons due to higher rapeseed imports. The European Union is expected to import 5.6 million metric tons of rapeseed in 2022/23, which is 0.6 million metric tons up from last year. Ending stocks in the European Union are projected at 691,000 metric tons, slightly recovering from the record low level of 366,000 metric tons in 2021/22.

South American Soybean Crops Growing as Harvest Nears Completion

As soybean harvest nears completion in major South American soybean-producing countries, greater insight can be gleaned regarding final production estimates. For example, soybean yields in Argentina appear to be higher than previously forecasted. Raised from 2.63 bushels per hectare to 2.71 bushels per hectare, the Argentine 2021/22 soybean production estimate is lifted 1.4 million metric tons from last month's forecast to 43.4 million. In response, processors are expected to increase their crush volume in the 2021/22 marketing year by 250,000 metric tons to 40.25 million. In turn, Argentina is projected to export the resulting 200,000 metric tons of soybean meal produced and utilize the 45,000 metric tons of soybean oil generated for domestic consumption of industrial goods.

Harvested soybean acreage in Brazil is slightly higher than anticipated. After raising harvested area by 200,000 hectares this month to 41 million, USDA raised Brazil's 2021/22 soybean production estimate by 1 million to 126 million metric tons. It is expected that Brazil will crush the additional supply of soybeans, totaling 48.5 million metric tons. Brazil is expected to export the majority of the soybean meal produced from increased crush volumes. Specifically, it is expected that 650,000 metric tons of the additional 775,000 in soybean meal production will be exported. The remainder will be stocked. Of the 192,000 metric ton increase in soybean oil production, Brazil is projected to export 75,000 metric tons. Like soybean meal, the remaining soybean oil will lift ending stocks. In addition, soybean exports have been lagging out of Brazil. As such, the 2021/22 soybean export forecast is lowered by 500,000 metric tons to 82.25 million, which will, in turn, replenish ending stocks.

Suggested Citation

Aaron M. Ates and Maria Bukowski, *Oil Crops Outlook: June 2022*, OCS-22f, U.S. Department of Agriculture, Economic Research Service, June 14, 2022.