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Oil Crops Outlook: July 2022

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In this report:

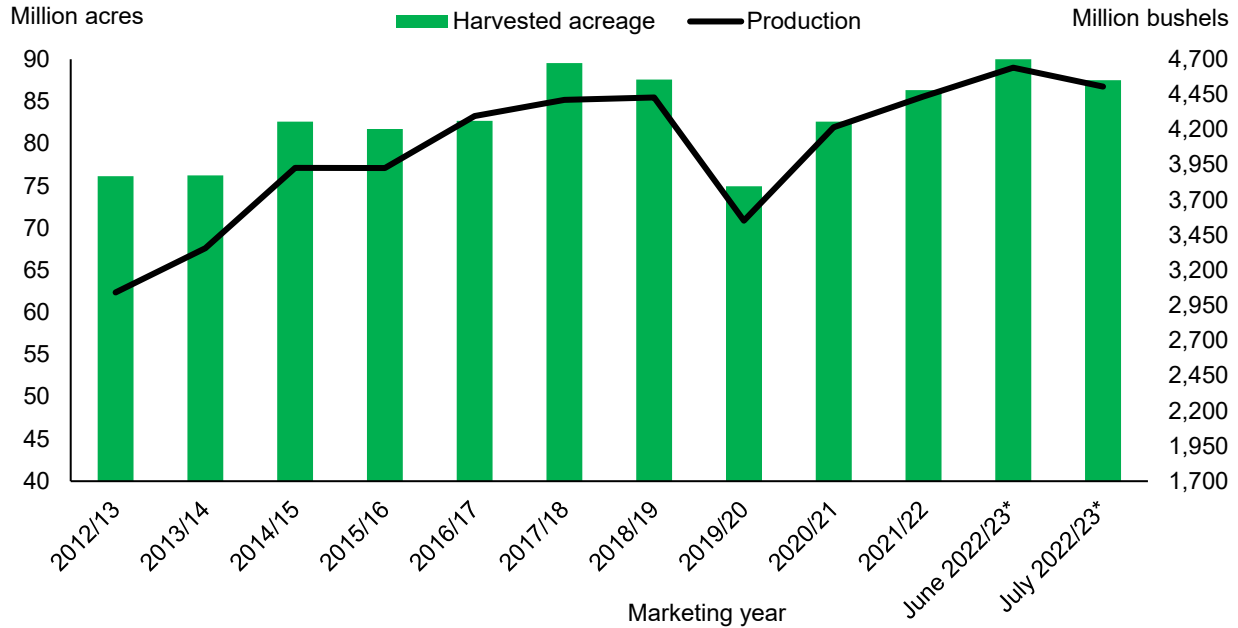
[Domestic Outlook](#)
[International Outlook](#)

U.S. Soybean Stocks Expected To Tighten in 2022/23

USDA's *Acreage* report last month indicated that the 2022/23 soybean acreage is 88.33 million acres, a 1-percent increase from last year, but a 3-percent decrease from March planting intentions. Crop conditions as of July 10, 2022, are slightly better than last year with 62 percent of the crop rated in good-to-excellent condition. USDA lowered its 2022/23 soybean production forecast by 135 million bushels to 4.51 billion bushels based on a harvested area estimate of 87.51 million acres and an unchanged yield estimate of 51.5 bushels per acre. Expectations of a slight increase in beginning stocks is not enough to offset the reduction in production, lowering total supply. This is expected to impact 2022/23 soybean crush and export volumes, lowering the ending stocks estimate by nearly 50 million bushels to 230 million.

Figure 1

U.S. soybean acreage and production



Note: Asterisk (*) denotes forecast.

Source: USDA, Economic Research Service using data from USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*.

Domestic Outlook

Acreage Estimates Updated

USDA's June 30, 2022, *Acreage* report indicated that sown soybean acreage for 2022/23 is 88.33 million acres—a nearly 2.6 million-acre decrease from farmers' planting intentions in March. Overall, this is still a gain of 1.13 million acres from 2021/22. Regionally, the Corn Belt and Delta gained 1.35 million and 0.31 million acres, respectively. In contrast, the Northern Plains lost 1.3 million acres from last year as muddy field conditions brought on by a wet spring impacted plantings. U.S. harvested acreage is projected 2.6 million acres lower than the previous forecast at 87.51 million acres.

As of July 10, soybean crops are seen developing slower than prior years, with 32 percent of soybeans blooming compared with the 5-year average of 38 percent. Soil moisture conditions are now adequate for supporting crop development, with 62 percent of the crop currently rated in good-to-excellent condition—matching the 5-year average. Thus, the 2022/23 soybean yield forecast is left unchanged from last month at 51.5 bushels per acre, which lowers the production estimate by 135 million bushels to 4.51 billion.

The *Acreage* report also conveys a large drop in North Dakota canola acreage. Down 190,000 acres from planting intentions, this decrease accounts for most of the lost canola acreage that now sits at 1.96 million acres. Despite a year-over-year decline in sown acreage, canola production looks to rebound in 2022/23 to 3.59 billion pounds on higher yields. Weather was pivotal to last year's crop, and this year is no exception. As of July 10, 81 percent of North Dakota cropland had adequate subsoil moisture conditions compared with 20 percent in 2021.

Total sunflowerseed planted acreage is expected to be higher than farmers indicated in March. Largely driven by increased oil-type sunflowerseed acreage, total sunflowerseed area is estimated to be 1.67 million acres after accounting for 19,000 fewer acres of confection sunflowerseed. A 31-percent increase in oil-type plantings accounts for 1.54 million acres of the higher acreage total, with increases in North and South Dakota leading the way. In fact, farmers in five of the eight major sunflower-producing States increased acreage by 25 percent or more. All acreage allocated for sunflowerseed production have been planted.

Anticipations of Tight Stocks Remain for Oil Crops

Declining crush margins have contributed to a 10-million-bushel reduction in the 2021/22 soybean crush forecast that now sits at 2.21 billion bushels. Consequently, the soybean meal estimate was slightly lowered to 51.66 million short tons. Domestic demand for soybean meal continues to remain strong, resulting in a 200,000-short ton increase in domestic disappearance to 38.5 million. Conversely, foreign demand for U.S. soybean meal is seen waning, with the 2021/22 soybean meal export forecast reduced to 13.7 million short tons.

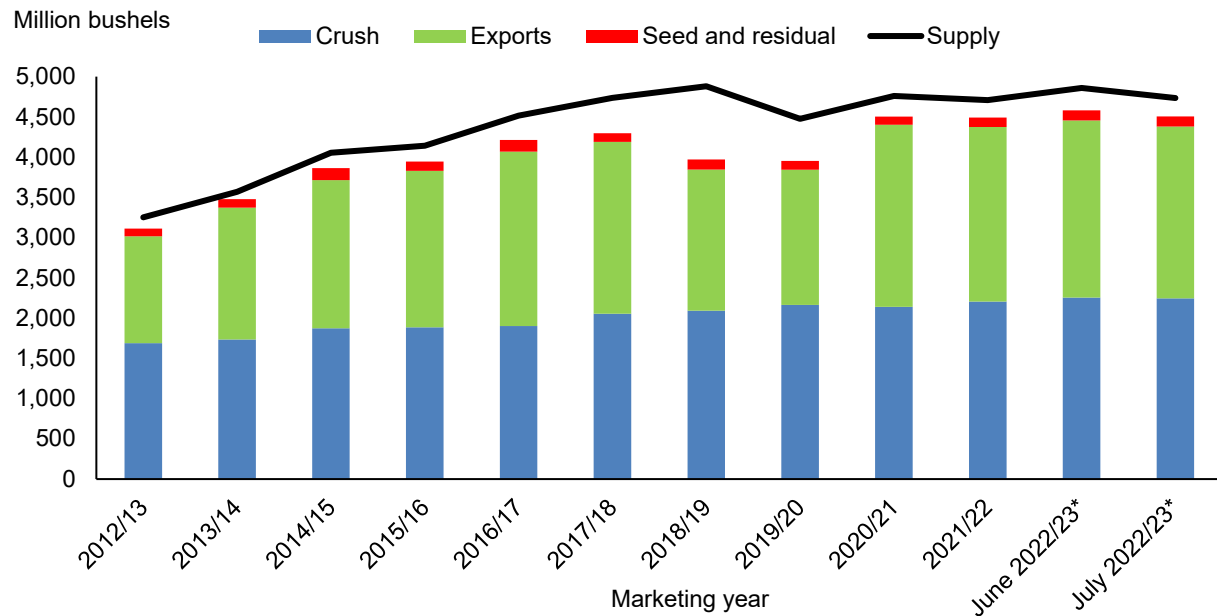
Considering export volumes for the 2021/22 marketing year in conjunction with outstanding sales, the soybean oil export forecast was lowered by 25 million pounds this month to 1.78 billion. Domestic demand of soybean oil is also expected to decline, particularly for food, feed, and other industrial usage, and was lowered this month by 100 million pounds to 14.19 billion. The 2021/22 soybean oil for biofuel use estimate remains unchanged this month at 10.7 billion pounds. Supply reductions, linked to lower crush and import volumes, offset these changes and leave ending stocks unchanged.

With a lower supply of soybeans available in 2022/23, the soybean export forecast was lowered by 65 million bushels from the previous estimate to 2.14 billion. The 2022/23 soybean crush forecast was also lowered this month to 2.25 billion bushels. Nevertheless, this estimate will represent the largest soybean crush volume in a given marketing year if realized.

This month, the 2022/23 soybean meal production estimate fell from 53.05 million short tons to 52.85 million. Foreign demand for U.S. soybean meal is expected to slightly increase in 2022/23 from the current marketing year, settling at 14 million short tons. Strong domestic demand for soybean meal looks to continue into 2022/23, lifting the current forecast by 200,000 short tons to 39.2 million. The same is true for soybean oil; however, domestic demand is largely driven by biofuel production. Unchanged at 12 billion pounds, the 2022/23 forecast of soybean oil for biofuel use represents a year-over-year increase of 12 percent—accounting for 47 percent of domestic soybean oil disappearance compared with 43 percent in 2021/22. Food, feed, and other industrial uses are forecast at 13.7 billion pounds, down 100 million pounds from last month.

Figure 2

U.S. soybean supply and demand



Note: Asterisk (*) denotes forecast.

Source: USDA, Economic Research Service using data from USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*.

This month, USDA finalized the 2021/22 canola (seed) balance sheet. In general, slight adjustments were made to trade figures as official data became available. The most impactful change that affects 2022/23 estimates pertains to ending stocks, which were reported by USDA’s National Agricultural Statistics Service (NASS) in their quarterly stocks report at 241 million pounds, which is 51 million pounds higher than the previous forecast. Although this aids in offsetting the production lost to acreage reductions, the United States is expected to import an additional 110 million pounds of canola. This raises the 2022/23 import forecast to 1.27 billion pounds and lowers total supply by a net total of 157 million pounds to 5.1 billion pounds. Impacts on canola exports are expected, resulting in a 55-million-pound reduction to 276 million pounds. Despite a lower 2022/23 canola crush forecast, it will be the second highest crush volume (if realized) behind the 2020/21 volume at 4.42 billion pounds. Canola ending stocks are expected to rebound in 2022/23 to 311 million pounds with the season average price forecasted at \$34.80 per hundredweight.

Higher oil-type sunflowerseed acreage more than offsets the small reduction in confection sunflowerseed area reported by USDA’s NASS, raising the total 2022/23 sunflowerseed production estimate this month by 427.26 million pounds to 2.77 billion. More specifically, this is the net result of a 27.24-million-pound reduction in confection sunflowerseed production and a 455-million-pound increase in oil-type sunflowerseed production. Confection imports are

projected to rise from the previous estimate by 25 million pounds to partially supplement decreased domestic output, lifting the total 2022/23 sunflowerseed supply from 2.93 billion pounds to 3.37 billion. For the same reasons, exports of confection sunflowerseed are expected to decrease 10 million pounds, bringing the 2022/23 sunflowerseed export estimate to 100 million pounds.

Given the increased supply of oil-type sunflowerseed, 2022/23 crush volumes are anticipated to increase from 1.19 billion pounds to 1.39 billion pounds. As a result, sunflower oil production is lifted by 85 million pounds to 585 million pounds. The extra supply of sunflower oil is expected to be consumed domestically. The same scenario exists for sunflower meal production and consumption, which are raised to 355,000 and 338,000 short tons, respectively.

The 2022/23 U.S. cotton acreage expanded from March planting intentions by 244,000 to 12.478 million acres. However, drought conditions in Texas and Oklahoma may result in greater-than-usual acreage abandonment. In Texas, over 40 percent of the cotton acreage is currently rated as poor-to-very poor condition. Similarly, 13 percent of the Oklahoma cotton crop is rated as poor to very poor and 52 percent fair. Other states with growing cotton acreage, such as Tennessee, North Carolina, Mississippi, and Missouri, also report less than favorable growing conditions. For these reasons, harvested cotton acreage is expected to decline 1.72 million acres from last year to 8.55 million. In response to lower acreage, the 2022/23 cottonseed production estimate is lowered by 0.33 million short tons this month to 4.79 million. This is well below last year's output of 5.32 million short tons.

As the cottonseed supply is reduced, lower domestic usage is inevitable. While the domestic crush volume is expected to remain unchanged from last year at 1.5 million short tons, feed use of cottonseed is projected to fall 12 percent to 3.10 million short tons. The 2022/23 cottonseed export forecast is also lowered this month by 50,000 short tons to 225,000 tons. The 2022/23 season average cottonseed price is projected at \$220 per short ton.

Planted U.S. peanut acreage is projected to decline to 1.54 million acres in 2022/2023, down 42,200 acres from 2021/2022, and a reduction of 28,000 acres from March planting intentions. Sown acreage declined in almost all states, with the biggest decline in Georgia, Florida, and Texas. With the reduced acreage, U.S. peanut production for 2022/2023 is projected to reach 6.24 billion pounds, slightly lower than last month but 2 percent below last year. Despite lower-than-expected peanut production, the total peanut supply for the 2022/2023 marketing year is projected to reach 8.7 billion pounds with higher beginning stocks offsetting this month's peanut production reduction.

The total use of peanuts in 2022/23 is expected to grow about 4 percent from 2021/22 due to higher domestic food usage and exports. Season-ending peanut stocks are projected to decline slightly to 2.3 billion pounds. The season average peanut price for marketing year 2022/2023 is forecasted at \$0.245 per pound.

The 2022/23 U.S. flaxseed planted acreage was reduced this month to 235,000 acres, falling 125,000 acres short of March planting intentions. Acres planted declined in both growing states (Montana and North Dakota), but most of the reduction happened in North Dakota. The wet spring in North Dakota prevented farmers from planting flaxseed and other crops on all intended acreage. Despite the lower acreage, flaxseed production is expected to recover by 1.55 million bushels after last year's drought to 4.26 million bushels, assuming normal weather and yield. Despite higher domestic production, U.S. flaxseed supply is expected to be down slightly from 2021/22 due to lower beginning stocks and imports from Canada. The *Grain Stocks* report released by USDA's NASS shows record low domestic flaxseed stocks on June 1 at 0.49 million bushels. For reference, June 1, 2021, flaxseed stocks totaled 1.34 million bushels. With the lower supply, domestic demand is down 4 percent on lower crush and export volumes. Average seasonal flaxseed prices were strong in 2021/22 (averaging \$26.60 per bushel) and are expected to remain strong at \$24.30 in 2022/23.

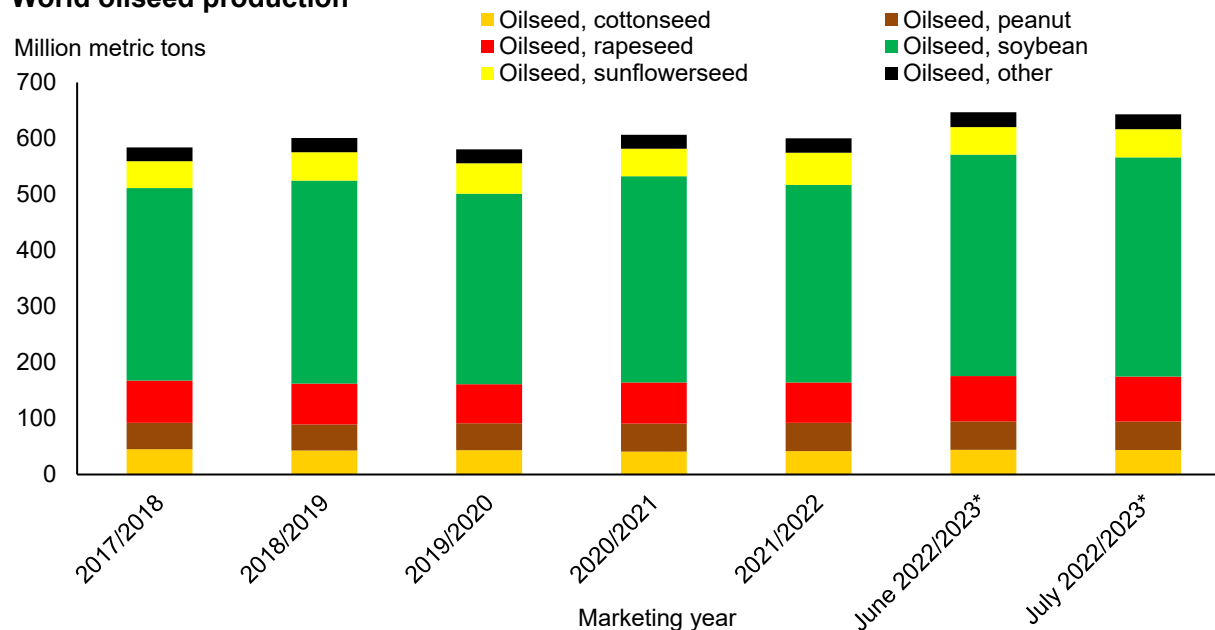
International Outlook

World Oilseed Production Impacted by Lower Soybean Production

The world total oilseed production estimate was revised down this month by 3.75 million metric tons to 643.07 million. The reduction is mainly due to lower soybean and rapeseed production that is partially offset by higher sunflowerseed production. Global soybean production is predicted this month at 391.4 million metric tons, or 3.97 million metric tons lower than last month due to lower expected production in the United States and Canada. The global rapeseed output is lowered this month by 0.57 million metric tons and expected to reach 80.2 million metric tons. The global sunflowerseed production is revised upward this month by 1.16 million metric tons to 50.38 million. Despite these changes, if the projections outlined above materialize, the world oilseed production would be a record.

Figure 3

World oilseed production



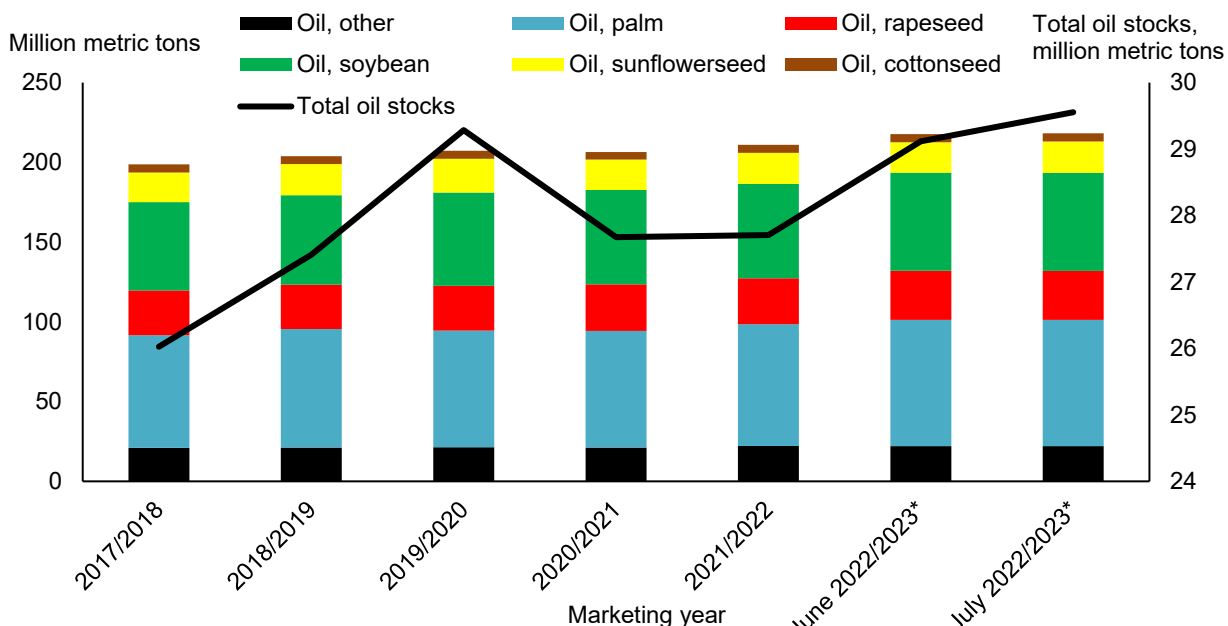
Note: Oilseed, other includes copra oil and palm kernel oil. Asterisk (*) denotes forecast.

Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply and Distribution* database, July 2022.

The global oils and meals in 2022/2023 are projected to increase 3.3 percent and 3.9 percent, respectively, reaching 218.21 million and 362.74 million metric tons. If this forecast is materialized, the global oils and meal stocks would recover from the record low level.

Figure 4

World vegetable oil production and stocks



Note: Oil, other includes coconut oil, olive oil, palm kernel oil, and peanut oil. Asterisk (*) denotes forecast.
 Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply and Distribution* database, July 2022.

Lower Global Soybean Trade Offsets Smaller U.S. Soybean Production

The global soybean production for 2021/22 increased this month by 0.750 million metric tons because of higher soybean production in Argentina and South Africa. With the harvest completed, the final yields results were higher than expected. Argentina and South Africa produced 44 million and 2.1 million metric tons, respectively, bringing the total global soybean production for the 2021/2022 marketing year to 352.74 million metric tons. However, the global soybean demand for crush is lower than expected, so the global crush was reduced by 1.63 million metric tons this month. The global soybean crush is projected to reach 327.13 million metric tons in marketing year 2021/22.

China’s 2021/22 soybean crush estimate was cut by 2 million metric tons this month due to the sluggish soybean meal demand. On the other hand, the crush increased in Brazil and Argentina by 0.75 million metric tons and 0.15 million metric tons, respectively. As a result of lower crush in China, the 2021/22 soybean imports were reduced by 2 million metric tons this month to a total of 90 million. The reduction in global trade, due to lower Chinese soybean imports, is partially offset by higher soybean imports in Argentina, Iran, and the United Kingdom.

Consequently, the global soybean ending stock for 2021/22 marketing year increased this month by 2.58 million metric tons to 88.73 million.

Global soybean production for 2022/23 was lowered by 3.97 million metric tons this month to 391.4 million. While the United States accounts for most of the decline, soybean production was also reduced in Canada. North American farmers planted less acreage than expected. As mentioned above, the United States is expected to produce 122.61 million metric tons of soybean crop and Canada 6 million metric tons. The cut in the global production is offset partially by lower trade, which was reduced this month by more than 1.42 million metric tons to 168.89 million, with China accounting for 70 percent of this reduction. The global soybean season-ending stocks in 2022/23 were lowered by 0.85 million metric tons this month to 99.61 million metric tons.

Prospects for Global Rapeseed Output Remain Favorable

Global rapeseed production for 2021/22 was raised this month to 72.1 million metric tons on higher production in China. China's rapeseed production increased this month by 0.71 million metric tons to 14.71 million metric tons. Most of the increase in Chinese rapeseed supply was absorbed by the higher domestic rapeseed crush, resulting in a higher crush estimate of 16.5 million. Additionally, the 2021/22 European Union's (EU) rapeseed crush estimate slightly increased this month to 21.6 million metric tons as total imports were higher than anticipated at 5.2 million metric tons. In total, the global rapeseed imports for 2021/22 increased by 0.75 million metric tons this month.

For the new 2022/23 marketing year, the global rapeseed production is expected to reach 80.23 million metric tons as Canadian production recovers from last year's drought. Canadian farmers expect to produce 20 million metric tons of canola with a harvested area of 8.6 million hectares, which is 4.5 percent lower than last year. Likewise, Australia will produce a second largest crop of 5.4 million metric tons. The EU rapeseed production estimate is down by 0.4 million metric tons this month because of the lower yield, bringing the 2022/23 production forecast to 17.85 million metric tons. The persistent dry weather in France and Germany impacted the rapeseed yield. Despite a reduction in production, the EU rapeseed crush was maintained this month at 22.5 million metric tons as a reduction in domestic supply is offset by higher rapeseed imports from Australia. Season-ending rapeseed stocks are almost unchanged this month at 5.93 million metric tons, but these stocks are 1.31 million metric tons higher than the previous season (2021/22).

Global Sunflowerseed Supply is on the Rise

The global sunflower trade for 2021/22 is revised up this month by 0.66 million metric tons to 3.9 million as shipments from Ukraine are better than expected. Ukraine's sunflowerseed export volume is expected to reach 1.6 million metric tons this year. However, in 2022/23 marketing year, Ukraine's export volume is projected to decrease to 0.75 million metric tons.

The global sunflowerseed output for 2022/23 increased this month by 1.16 million metric tons to 50.38 million due to the higher production in Russia and the United States. In Russia, farmers planted more sunflowerseed than anticipated. Therefore, with the normal weather, the sunflowerseed production in Russia increased by 1 million metric tons this month and is projected to reach 15.5 million. As mentioned above, U.S. sunflowerseed production is expected to increase by 0.39 million metric tons and reach 1.25 million metric tons. The Ukrainian sunflowerseed production estimate remains unchanged this month at 9.5 million metric tons.

With the higher global supply, the 2022/23 global sunflower crush has been revised this month by 1.35 million metric tons with higher crush in Russia and the United States. Now, the global sunflowerseed crush is forecasted to reach 46.70 million metric tons, slightly above this year. As a result of higher sunflowerseed crush, the global sunflowerseed oil production increased this month by 0.56 million metric tons to 19.61 million. From that additional supply of sunflowerseed oil, the EU is expected to benefit most. Hence, the domestic consumption was revised for both marketing years by 0.15 million metric tons (2021/22) and 0.25 million metric tons (2022/23), respectively.

Despite the higher global supply of sunflowerseed oil, global sunflowerseed oil stocks are projected to be relatively low at 2.1 million metric tons by the end of September 2023.

Labor Constraints Continue To Impact Malaysian Palm Oil Production

The global palm oil output for 2021/22 is down this month because of the lower palm oil production in Malaysia. The continued labor shortage in Malaysia this season is impacting the monthly outputs; hence, the 2021/22 production was reduced by 0.7 million metric tons to 18.3 million metric tons. As a result of a lower output in 2021/22, both palm oil exports and ending stocks were lowered this month in Malaysia. The Malaysian palm oil export is down by 0.32 million metric tons to 15.8 million metric tons. The ending stocks are expected to decline to 1.56 million metric tons by the end of September 2022.

The 2022/23 Malaysian palm oil production estimate remains unchanged this month at 19.8 million metric tons. However, the palm oil export volume was lowered this month by 0.22 million metric tons this month to 16.5 million metric tons. As a result, the Malaysian palm oil ending stocks are expected to recover to 2.35 million metric tons by September 2023.

Indonesia's palm production and export volume for both 2021/22 and 2022/23 marketing years have not changed this month. In summary, global palm oil exports in 2022/23 are projected to reach 51.18 million metric tons, which is 0.15 million lower than last month but up 5.04 million metric tons from 2021/22. In addition, global palm oil consumption is lowered for both marketing years this month on lower European demand. Global palm oil stocks are expected to rebound in 2022/23, reaching 16.94 million metric tons by the end of September 2023.

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