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Oil Crops Outlook: April 2022

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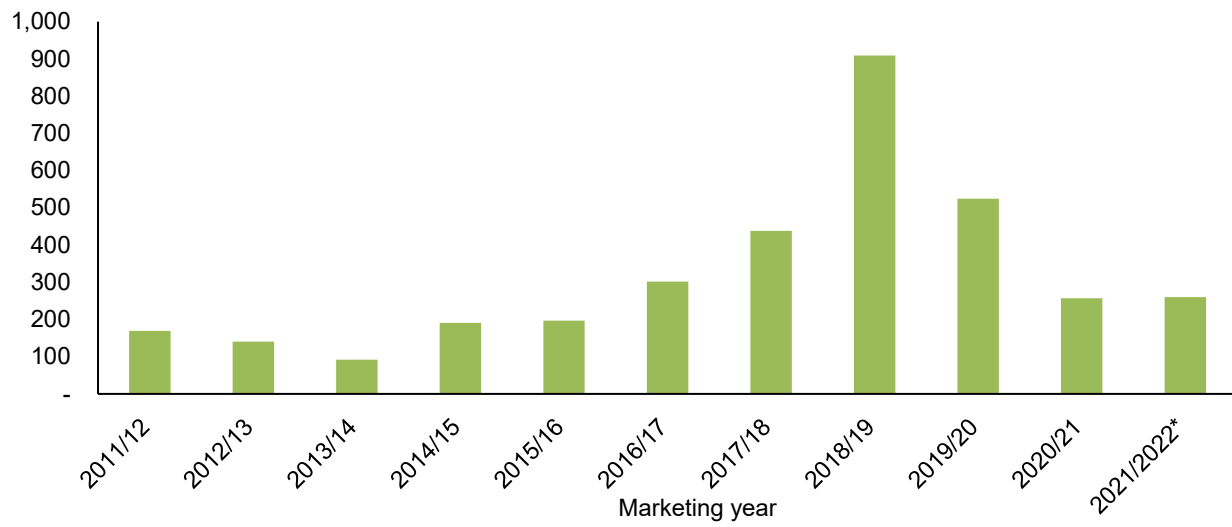
Record Soybean Planting Intentions Look To Offset Declining Stocks as Exports Rise

The U.S. Department of Agriculture (USDA), in its *Prospective Plantings* report, indicated that farmers intend to plant a record 90.96 million acres of soybeans. In response, central Illinois county elevators soybean prices declined in early April, but quickly recovered. Competitive U.S. soybean prices prompted active sales of soybeans. In March, a reported 4.7 million metric tons of soybeans were sold by U.S. entities to foreign markets. USDA raised the 2021/22 soybean export forecast by 25 million bushels this month to 2.12 billion bushels. As a result, season-ending stocks for 2021/22 are expected to be drawn down to 260 million bushels. The 2021/22 season average soybean price forecast is unchanged at \$13.25 per bushel.

Figure 1

U.S. soybean ending stocks as of September 1

Million bushels



Note: Asterisk (*) denotes forecasts.

Source: USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*.

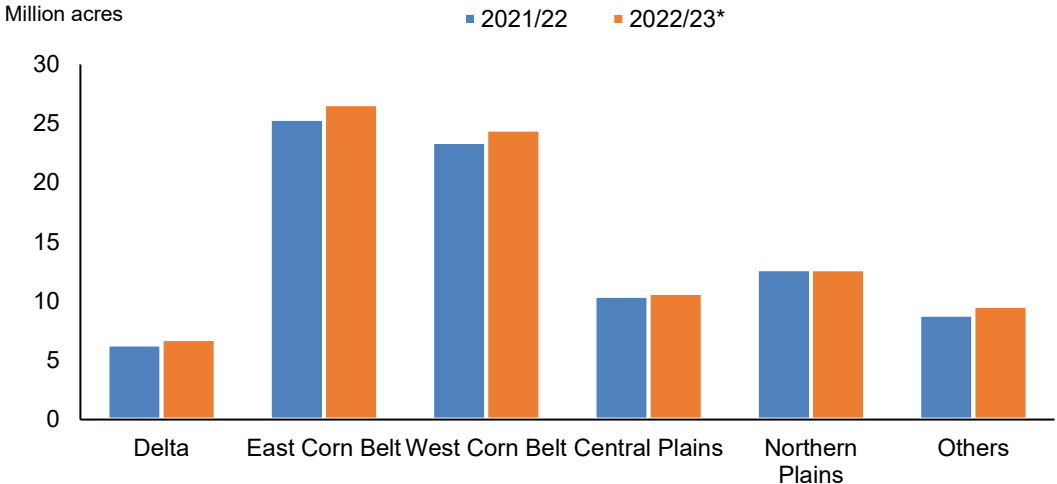
Domestic Outlook

Record High Oilseed Sowing Intentions for 2022/23

U.S. farmers indicated their intentions to plant a record 90.96 million acres of soybeans in 2022/23, up from 87.12 million last year. If this materializes, planted soybean area would exceed corn planting for the second time in more than 15 years. The largest increase would occur in the Midwest, where the acreage of corn, sorghum, and other wheat could decline. For the majority of soybean-producing States, intended soybean area is up with several States (Illinois, Ohio, Michigan, Nebraska, Missouri, Kentucky, and South Dakota) expecting a record soybean planted area. Although prices for all oil crops are at a record high this year, high input costs for alternative crops are a major concern. Farmers in the Eastern Corn Belt intended to plant a record 26.65 million acres which is 1.25 million higher than last year, or a 4.9 percent increase. Similarly, farmers in the Western Corn Belt intend to increase their planted soybean area by 1.05 million acres to 24.5 million. In the Delta region, farmers also intend to plant more soybeans this year, targeting 6.8 million acres. The only State intending to see a decline in 2022 soybean-planted acreage is North Dakota.

Additionally, a soybean acreage increase could be supported by higher double cropping of soybeans as the planting of winter wheat last fall increased by 0.59 million acres.

Figure 2
Soybean planted acres by regions



Notes: Delta: Arkansas, Louisiana, Mississippi, Eastern Corn Belt: Illinois, Indiana, Ohio, Michigan, and Wisconsin, Western Corn Belt: Iowa, Minnesota, Missouri, and Central Plains: Kansas and Nebraska, Northern Plains: North Dakota and South Dakota. Asterisk (*) denotes March 1 planting intentions. Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service Quick Stats Database.

The total principal crops are expected to increase by 0.2 million acres to 317.4 million. Also, USDA's Prospective Plantings report indicated that U.S. farmers intend to plant more acres of other oilseeds. Canola acres are expected to marginally increase to 2.158 million acres with North Dakota accounting for 1.76 million acres, or 82 percent of total sown acreage.

Increases in sunflowerseed and flaxseed intended plantings are seen exceeding 10 percent as farm prices have strengthened above last year's levels. Each crop is expected to have tight stocks carried over from 2021/22 harvests. Current cash prices for sunflowerseed received by farmers are 50 percent higher than last year at around \$32 per hundred weight (cwt). As a result, farmers intend to increase their 2022 sunflowerseed plantings to 1.42 million acres, up 127.5 thousand acres from last year. The sunflowerseed oil variety would increase 8 percent and reach 1.27 million acres while sunflowerseed nonoil type would jump 29 percent to 142 thousand acres. North Dakota would account for 85 percent of the increase in sunflower acreage. Similarly, flaxseed plantings are anticipated to increase to 360 thousand acres in 2022. All of the increase would occur in North Dakota, the top flaxseed-producing State.

U.S. cotton farmers indicate they are likely to sow 12.23 million acres in 2022, 9 percent more than last year. The increase in sown cotton acreage would be in almost all cotton producing States. Farmers in Texas and Georgia indicated that they would plant 7 percent and 3 percent more acres, respectively—reaching 6.8 million and 1.2 million acres. Peanut plantings may decline marginally in 2022 to 1.57 million acres, as farmers intend to plant alternative crops with lower input costs. Georgia, Alabama, and Florida expect to plant less peanuts than last year, while Texas and South Carolina intend to plant more acres of peanuts.

USDA's latest *Grain Stocks* report indicated that U.S. soybean stocks as of March 1 were 1.93 billion bushels or 23.7 percent higher than the same period last year. Nearly 39 percent of the total soybean stocks were kept on farms, which is up 156 million bushels from last year. The 1.22 billion-bushel reduction from December 1 soybean stocks reflects the second largest use between December and March.

U.S. Soybean Demand Increases

Soybean prices have declined over the last couple weeks on a better-than-expected *Prospective Planting* report issued by the National Agricultural Statistics Service (NASS). In central Illinois, soybean values in the first week of April were averaging \$0.59 lower than last month at \$15.95 per bushel, but \$1.26 higher than a year ago. The 2021/22 national average

price received by U.S. soybean farmers is projected at \$13.25 per bushel, unchanged from last month's forecast.

Despite higher-than-average prices, domestic soybean demand remains strong. In February, U.S. processors crushed 174.4 million bushels of soybeans, or 10.1 million bushels more than February 2021. During the first half of 2021/22, soybean crushing totaled 1,118.6 million bushels—a half percent increase from a year ago. Expectations of increased crush volume in the second half of the marketing year suggests processors will reach the 2021/22 soybean crush forecast, which remains unchanged this month at 2,215 million bushels.

U.S. soybean export shipments totaled 44.4 million metric tons as of March 31, 10.7 million metric tons below last year. The United States has benefitted from a worsening soybean outlook supply in Brazil as weekly sales have picked up in recent weeks—particularly to China. USDA raises the 2021/22 soybean export forecast by 25 million bushels this month to 2,115 million. With soybean exports projected higher this month and crush unchanged, season-ending stocks for 2021/22 are drawn down to 260 million bushels.

In March, U.S. export sales and shipments of soybean oil accelerated. Exports to India—a rare buyer—totaled 48.8 thousand tons in March and boosted U.S. export prospects for soybean oil. Total commitments for U.S. soybean oil totaled 640,000 metric tons as of March 31. Thus, USDA raised its 2021/22 soybean oil export forecast by 100 million pounds to 1,725 million. The domestic use of soybean oil continues as expected, hence the domestic consumption of soybean oil for 2021/22 marketing year was left unchanged at 25,085 million pounds. The strength in global prices of vegetable oils has kept U.S. domestic soybean oil prices firm. Central Illinois crude soybean oil prices increased in March by 7.75 percent to \$0.76 per pound. USDA has revised the season-average soybean oil price up to 70 cents per pound from 68 cents last month.

In contrast, the U.S. soybean meal export program is lagging as South America soybean meal is priced more competitively to major import markets. The 2021/22 U.S. soybean meal export forecast was reduced by 0.2 million to 14.2 million tons. In addition, the soybean meal import forecast was revised upward by 50,000 tons this month to 500,000. Year-to-date soybean meal domestic disappearance is higher than the same period last year. As a result, the outlook for 2021/22 domestic soybean meal use is revised up by 0.2 million short tons to 38.1 million. Central Illinois soybean meal prices averaged nearly \$494 per short ton in March which is high for this time of the year. However, average cash prices have declined in the first week of April.

Nevertheless, the 2021/22 soybean meal price forecast was left unchanged from the previous month at \$420 per short ton.

International Outlook

Soybean Demand Weakens in China

Reports from China's National Grain and Oil Information Centre indicate that soybean crush rates continue to drop, posting 3 consecutive weeks of decline. Year to date, soybean crush volumes are down over 4.5 million metric tons from last year. Poor crush margins, driven by high soybean prices, along with weaker demand from China's swine and poultry sectors are the main contributing factors. For these reasons, the 2021/22 soybean crush estimate in China is reduced by 3 million metric tons to 89 million. This lowers the soybean meal and oil production estimates by nearly 2.38 million metric tons to 70.48 million and 536,000 metric tons to 15.95 million, respectively. Moreover, the weakening soybean demand has resulted in a lower 2021/22 soybean import estimate for China, down from 94 million metric tons last month to 91 million.

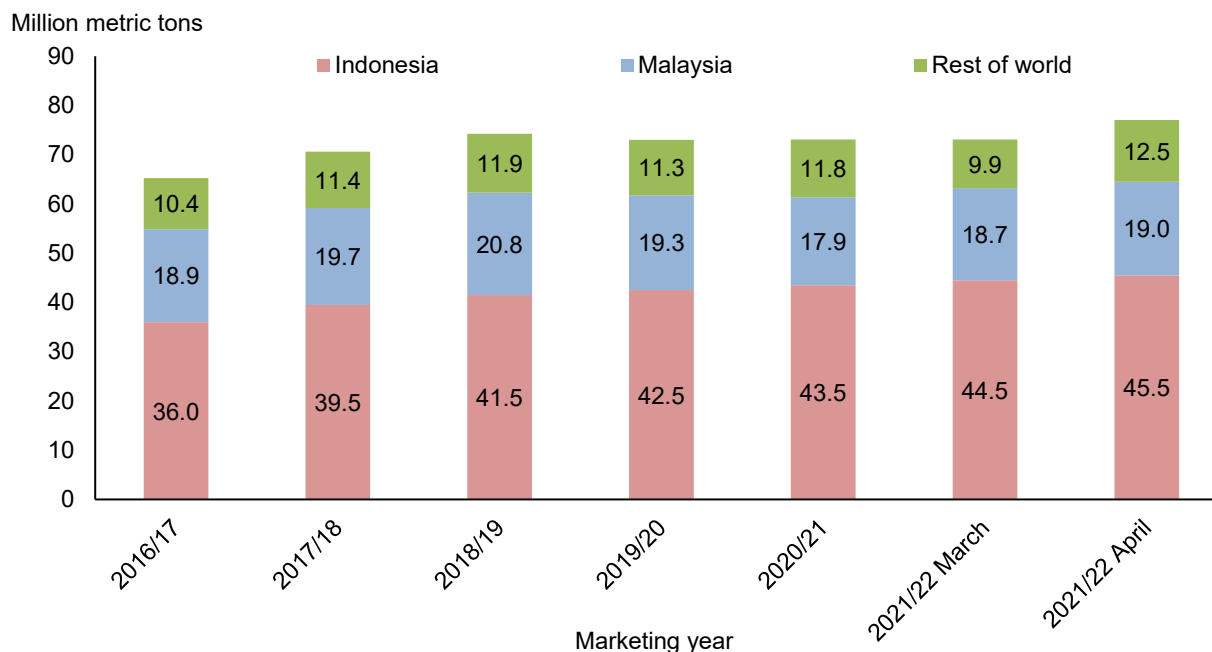
Palm Oil Production Expected To Increase in Indonesia and Malaysia

Palm oil production in Malaysia has recently been hindered, particularly during the 2020/21 marketing year, due to their reliance on migrant workers. The Government of Malaysia has been working with Bangladesh and Indonesia to solidify memorandums of understanding to reintegrate workers from these countries into the workforce. The current labor outlook suggests that migrant workers will re-enter the Malaysian workforce in May or June 2022. If realized, this will be timely as palm oil harvest begins to ramp up and palm oil prices continue to rally. Since Russia invaded Ukraine, average Malaysian (free on board (FOB)) palm oil prices have risen roughly 15 percent, averaging \$1,778 per ton in March. The prospect of a larger workforce and higher prices has lifted the 2021/22 Malaysian palm oil production forecast by 0.3 million metric tons to 19 million.

High prices are expected to boost Indonesian palm oil production in 2021/22. Harvested acreage is projected to increase by 200,000 hectares from last month's estimate to 12.3 million hectares, lifting the production estimate from 44.5 to 45.5 million metric tons. This would be a 2-million metric ton increase, or 4.6 percent, in Indonesian palm oil production from 2020/21.

Figure 3

Global palm oil production



Note: Asterisk (*) denotes forecast.

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

Precipitation in South America Too Late for Some Crops

Major South American soybean-producing countries received much needed rain during March. While this will benefit the second Paraguayan soybean crop, the first crop was severely damaged by the intense heat and drought. Moreover, crops in southern Brazil are reportedly past the flowering stage in below average condition.

Brazilian soybean yield estimates are reduced for the 2021/22 soybean crop in Brazil from 3.13 metric tons per hectare to 3.06 metric tons per hectare. Despite a slight increase of 200,000 in the harvested acreage forecast, poor yields are seen decreasing production by 2 million metric tons to 125 million this month. Lower supply combined with decreased demand for soybeans by China has resulted in a 2.75-million metric ton decrease in the 2021/22 soybean export forecast for Brazil to 82.75 million. This would be a 1.1-million metric ton increase from last year's soybean export program.

Brazil is expected to slightly offset lost soybean exports by crushing an additional 1 million metric tons of soybeans, totaling 47.25 million metric tons. Taking advantage of high soybean meal prices, Brazil is expected to increase soybean meal and oil exports by 750,000 and

125,000 metric tons, respectively. This raises the 2021/22 soybean meal export forecast total to 17.25 million metric tons and 1.83 million metric tons for soybean oil.

The Paraguayan 2021/22 soybean production estimate is lowered by 1.1 million metric tons to 4.2 million. Soybean exports are forecast down by 700,000 metric tons to 2.9 million and crush is lowered by 300,000 million metric tons to 1.55 million. The resulting decrease in soybean meal and oil reduces the respective Paraguayan exports by 200,000 and 55,000 metric tons to 900,000 and 300,000 metric tons.

Special Article: *Sunflower Oil and Its Contribution to the Global Vegetable Oil Market*

Summary

Due to its status as a non-genetically modified (GM) vegetable oil, sunflower oil has historically been a premium-priced oil in many import markets. Sunflower oil accounts for 12 percent of global food oil consumption and 9 percent of total oil consumption (including biofuels and other industrial use) in a typical year. Ukraine is one of the major producers and exporters of sunflower oil. Ukrainian sunflower oil exports account for 50 percent of global sunflower oil trade, which contributes about 3 percent to the global consumption of major vegetable oils. The events in Ukraine escalated an already tight vegetable oil market. Global vegetable oil prices skyrocketed in the last 5 weeks to record levels, further escalating inflation and growing concern for food supplies in many countries. The conflict between Ukraine and Russia has significantly increased the uncertainty of the agricultural supply and demand conditions in the region and globally. As a result, impacts are assessed and adjusted on a month-to-month basis.

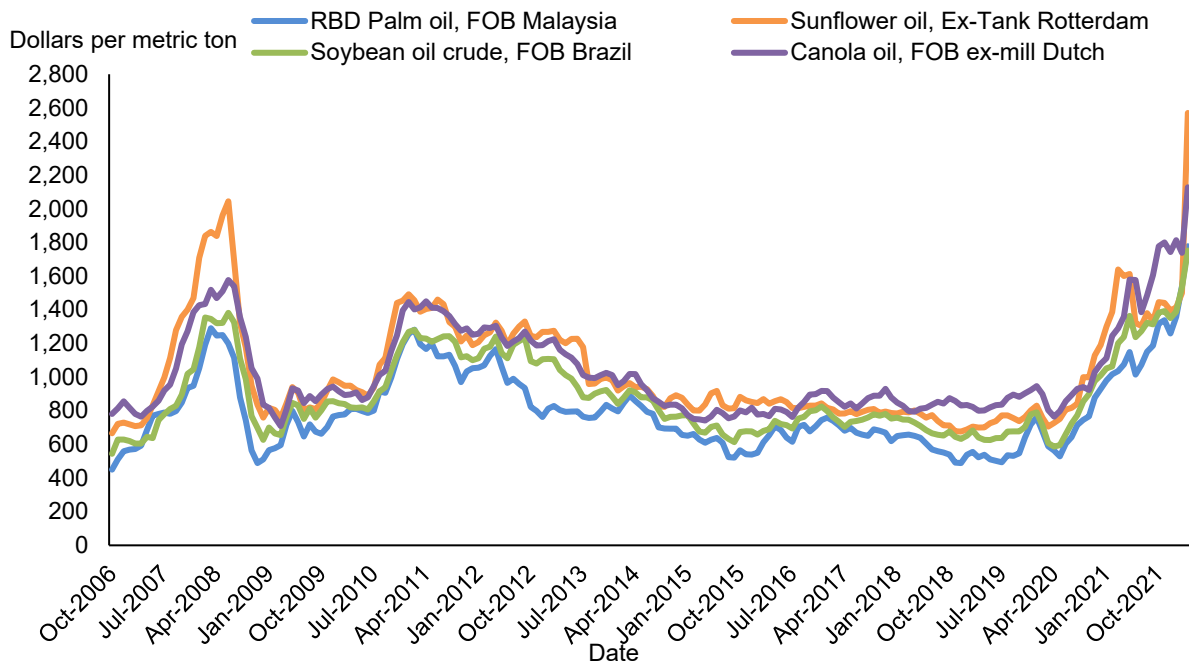
Prices

Sunflower oil prices in Rotterdam have swelled by over \$1,000 dollars, just in March, to a record price of \$2,570 per metric ton in anticipation of lower supplies spurred by the Russia-Ukraine conflict. With limited port access in the Black Sea, reduced sunflowerseed crush, and potentially reduced new crop plantings, sunflower oil prices are likely to remain high in the coming months.

Historically, sunflower oil is a premium-priced oil in many import markets due to its status as a non-GM oil. It is the preferred oil in markets throughout the Middle East and North Africa with consumption growing rapidly in India and China. The record sunflower oil prices are expected to result in the consumption of alternative oils like canola, soybean, and palm oil. Since they are main substitutes, international soybean and palm oil prices followed suit and increased this month by \$219 and \$238 per metric ton, respectively. Soybean oil nearby prices (FOB Brazil) surged to \$1,752 per ton in March, which is \$551 higher than the same period last year, a 46-percent increase. Similarly, palm oil prices (FOB Malaysia) have advanced to \$1,778 per metric ton, 72 percent higher than in March 2021 and the highest since 2007/2008. In addition to this, the high prices will ration overall vegetable oil consumption and/or reduce the waste of vegetable oil by extending its usage in frying/cooking in certain markets.

Figure 1

Historical monthly average vegetable oil prices



Notes: RBD: refined bleached deodorized. FOB: Free On Board.

Source: USDA, Economic Research Service using data from International Grains Council and Oil World.

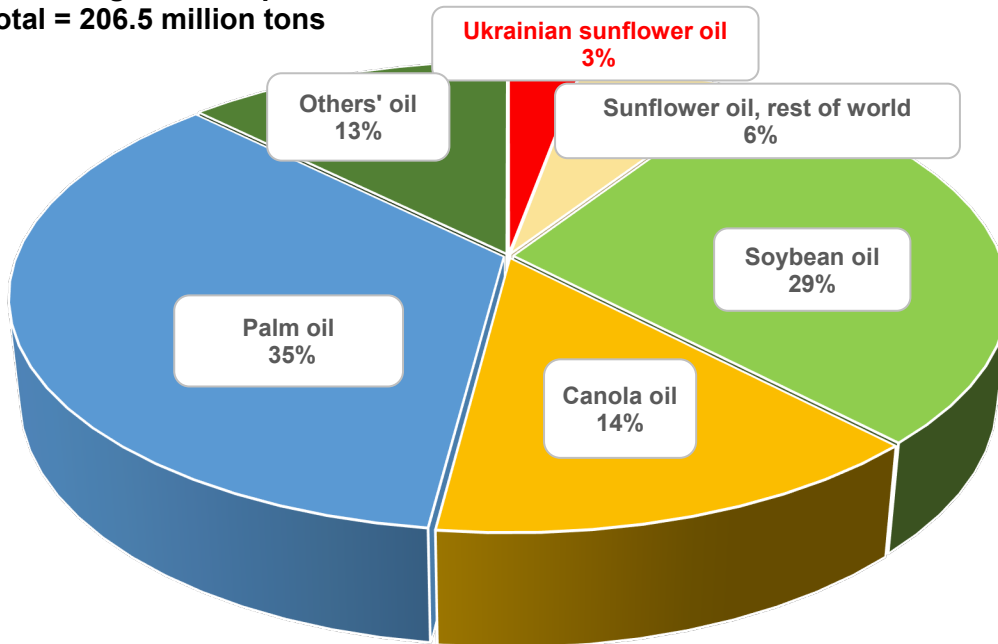
Supply and Demand

Global sunflower oil production reached 19.1 million metric tons in the 2020/21 marketing year, accounting for 9 percent of global vegetable oil production (206.5 million tons). Ukraine produced 5.9 million tons, or 30 percent, of the total global sunflower oil in 2020/21. Even so, this is only 3 percent of global vegetable oil production, as seen in figure 2 and figure 3.

Figure 2

Global vegetable oil production in 2020/2021

Total = 206.5 million tons

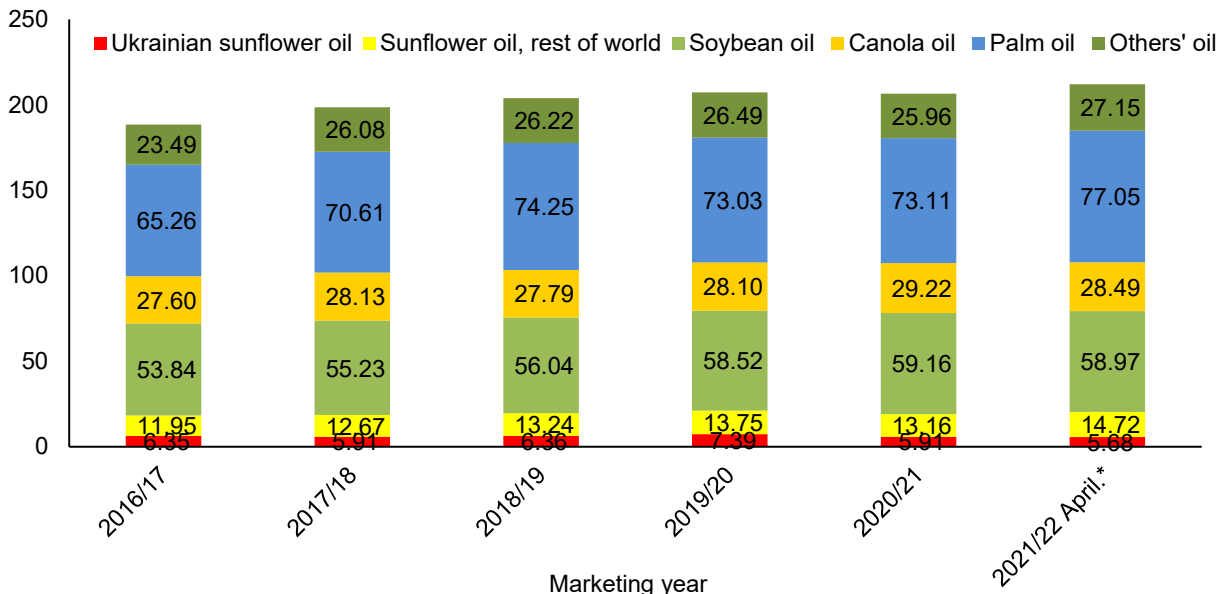


Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database, April 2022.

Figure 3

Ukrainian sunflower oil production share in global major vegetable oils production

Million metric tons



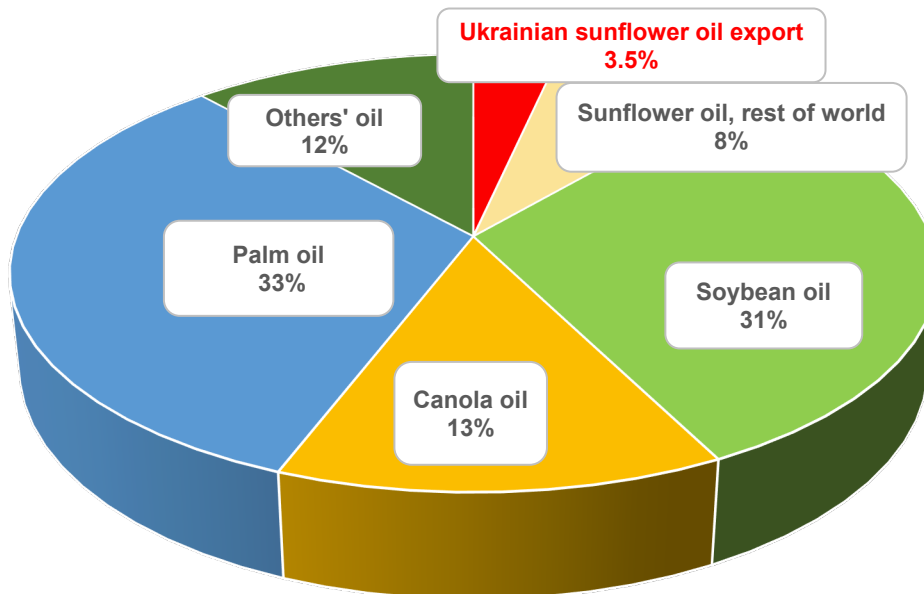
Note: Asterisk (*) denotes forecast.

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

In the 2021/22 marketing year, global sunflower oil production is expected to increase by 1.3 million tons, reaching 20.39 million tons, assuming Ukraine will supply 5.68 million tons. It should be noted that the forecasts for Ukraine are adjusted on a month-by-month basis. At the same time, global vegetable oil production is forecast to increase by about 5.5 million tons, to 212.04 million tons. Palm oil production is a major contributor to the growth in global vegetable oil production. It is expected to expand by 3.9 million tons to 77.05 million tons. Soybean oil production accounts for about 29 percent of global vegetable oil production but is expected to marginally decline in 2021/22 by 0.19 million tons to 58.97 million tons. Canola oil is forecast at 28.49 million tons, down 0.73 million, mainly due to lower crush in Canada affected by last year's drought. Tight markets for these other oils are accentuating the price reaction to the inaccessibility of supplies from Ukraine.

Ukraine exports nearly 90 percent of their sunflower oil production and accounts for 3.5 percent of the global food use of vegetable oil. Although this is not insignificant, palm and soybean oil are more widely used in food products, contributing 33 and 31 percent, respectively, to global consumption.

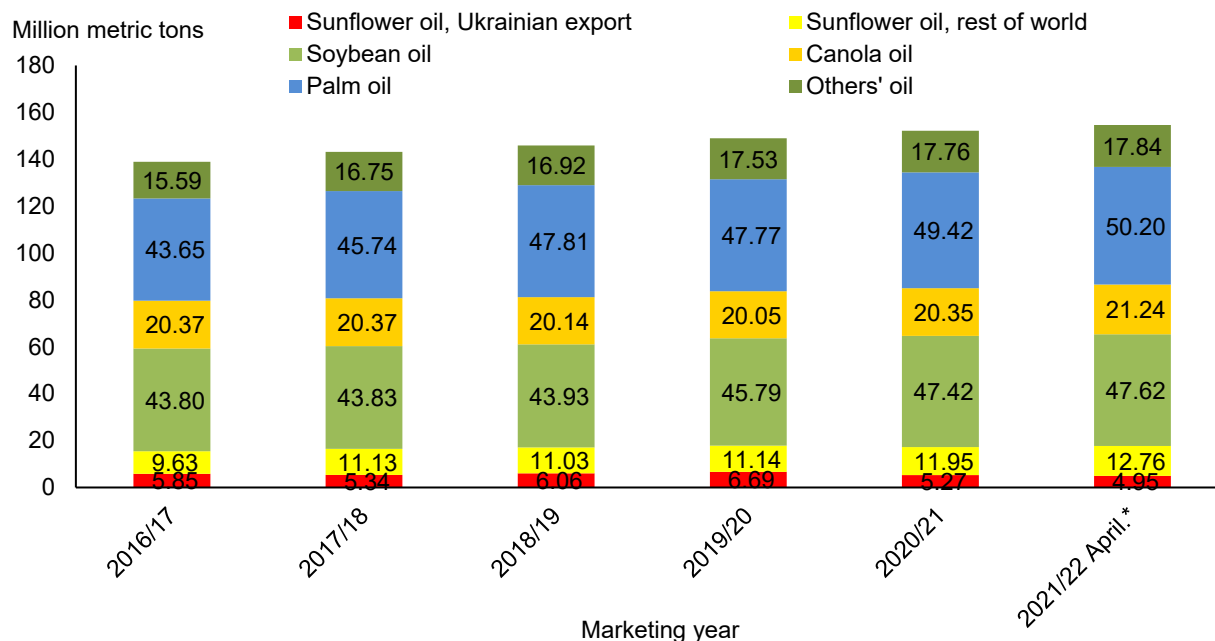
Figure 4
Global vegetable oils food consumption in 2020/2021
Total = 152.17 million tons



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

Figure 5

Ukrainian sunflower oil export contribution to global consumption of major vegetable oils



Note: Asterisk (*) denotes forecast.

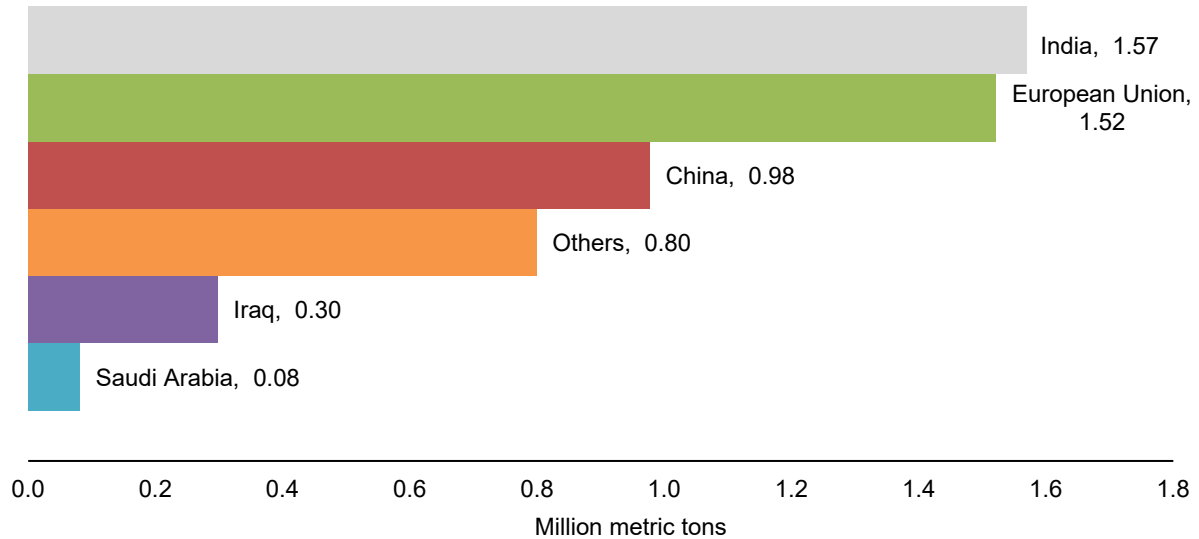
Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database, April 2022.

A lower supply of Ukrainian sunflower oil can be substituted with other vegetable oils, including canola, soybean, and palm oils, among others. However, finding substitutes this year will be challenging in a market facing tight vegetable oil supplies resulting from droughts in Canada and South America, and from the palm oil production issues.

In 2020/21, Ukraine’s primary export markets for sunflower oil included India, the European Union (EU), China, Iraq, and other Middle Eastern and North African countries. To make up the deficit of Ukrainian oil supply, Middle Eastern and North African countries are paying a higher premium to obtain sunflower oil from Argentina or/and canola oil from the E.U. Similarly, India and China may have to import more palm and soybean oil and boost the domestic crush of oilseeds.

Figure 6

Ukrainian sunflower oil exports by countries in marketing year 2020/21



Source: USDA, Economic Research Service using data from Trade Data Monitor, April 2022.

Although Ukraine may resume operations in some ports, oilseed crushing operations remain quite uncertain. Exports were revised down this month to 4.95 million tons for 2021/22, compared to 5.3 million last year despite higher sunflowerseed supplies.

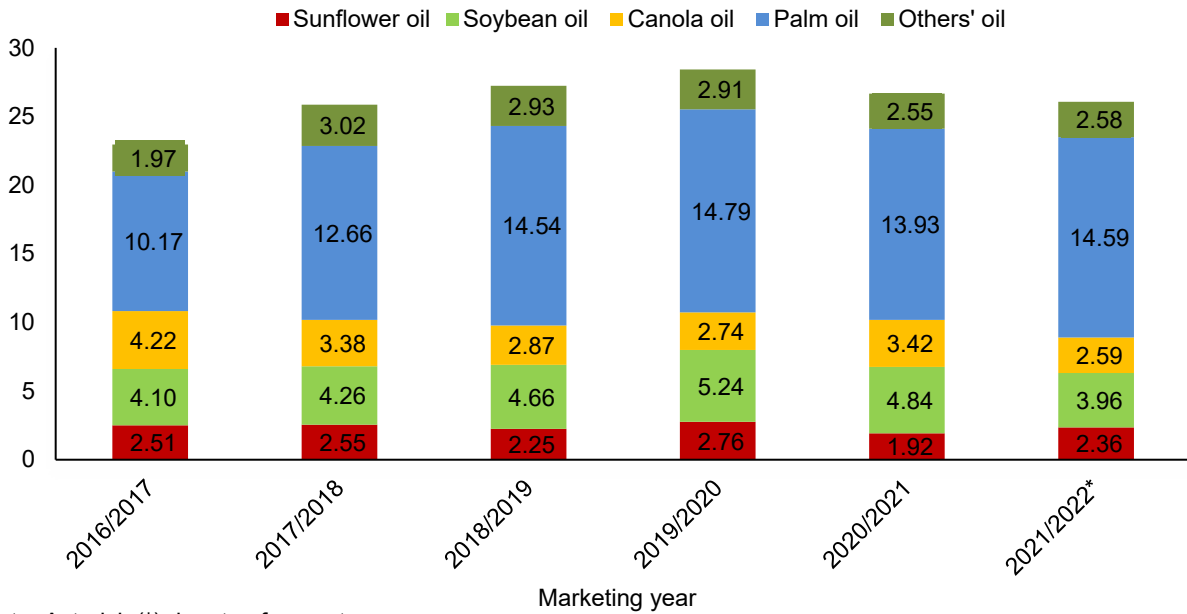
Global Vegetable Oil Stocks

In 2021/22, global vegetable oil stocks are expected to decline to 26.07 million metric tons, the lowest level since 2017/18. Tight vegetable oil stocks are the result of reduced oilseed crops production between 2019 and 2021 in Canada, Europe, Russia, and Ukraine. This year, poor crops in South America and a slow recovery in southeast Asian palm oil output have further extended run-ups in global vegetable oil prices. Thus, the war in the Black Sea region has exacerbated volatility in vegetable oil prices.

Figure 7

Global vegetable oils ending stocks as of September 30

Million metric tons



Note: Asterisk (*) denotes forecast.

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

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