



Oil Crops Outlook: January 2023

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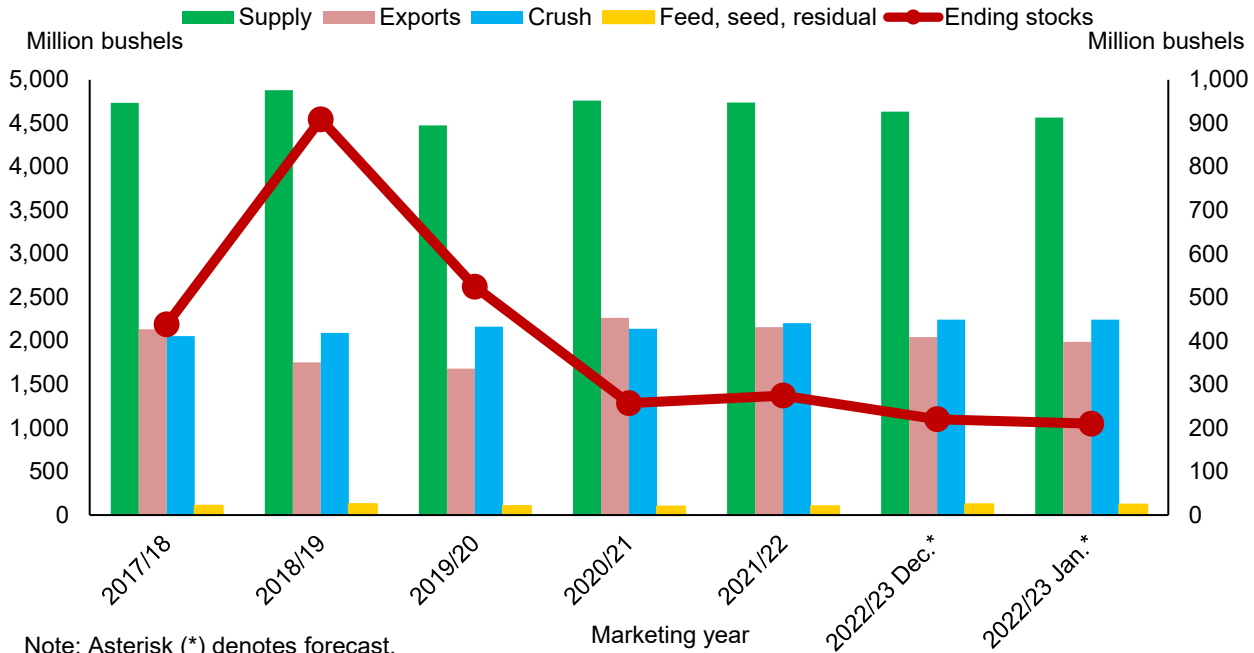
2022/23 U.S. Soybean Exports Decline on Lower Production

This month, U.S. Department of Agriculture, National Agricultural Statistics Service (NASS) published *Crop Production—2022 Summary*, which reduced the 2022 U.S. soybean production estimate by 69 million bushels to 4.28 billion bushels. The national average soybean yield decreased by 0.6 bushels to 49.5 bushels per acre. Despite higher U.S. soybean sales commitments relative to this time last year, the U.S. soybean export for 2022/23 marketing year is reduced this month by 55 million bushels to 1.99 billion bushels to reflect the lower supply, reduced imports for China, and higher exports from Brazil. With lower supply, unchanged crush, and lower exports, the forecast for 2022/23 ending stocks was lowered by 10 million bushels this month to 210 million bushels.

Global soybean production for 2022/23 is estimated to decrease by 3.2 million metric tons this month—to 388 million metric tons—as reductions for Argentina's, the United States', and Uruguay's soybean production are partially offset by higher production in Brazil and China. Exceptionally dry weather in major soybean producing provinces in Argentina is expected to impact soybean area and yield. The country's 2022/23 crop was reduced by 4 million metric tons this month to 45.5 million metric tons. In Brazil, Government surveys indicate an increase of 0.5 million hectares from the previous estimate to 43.4 million hectares, which helped raise the production estimate to 153 million metric tons from 152 million metric tons last month.

Figure 1

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*, January 2023.

Domestic Outlook

Soybean Stocks Decrease on Lower Production

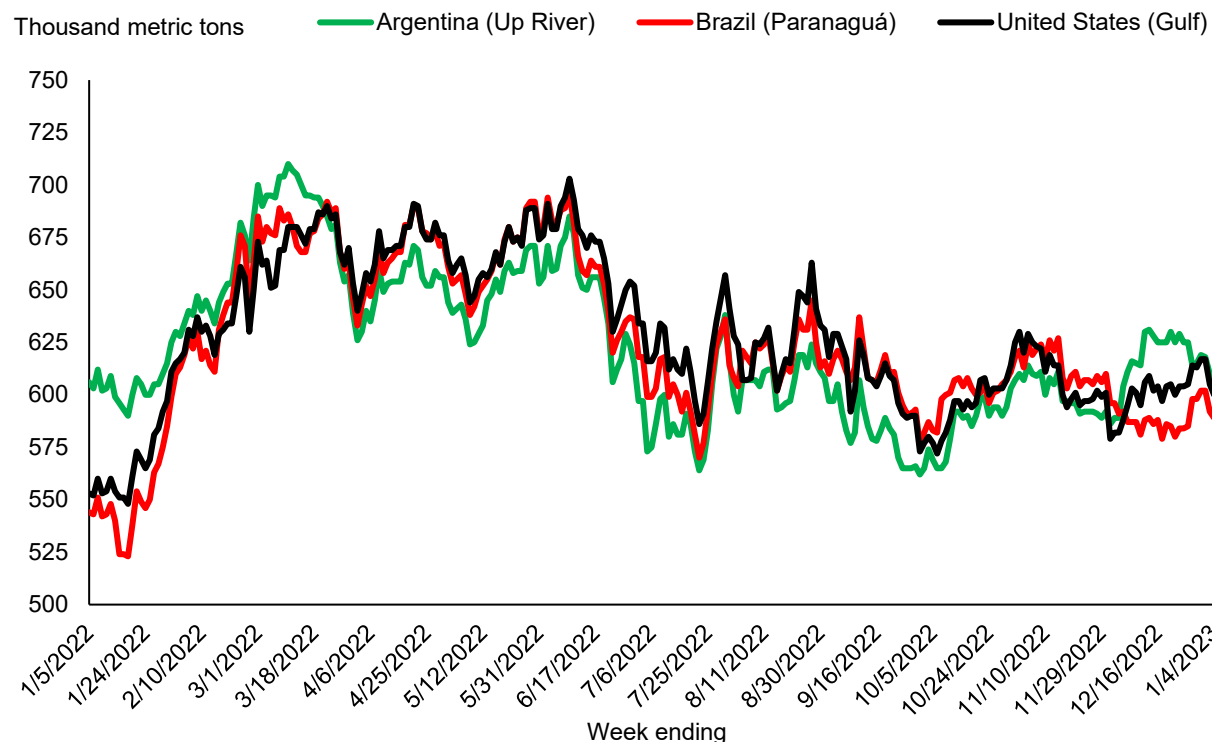
In this month's *Crop Production—2022 Summary* report, USDA, NASS published an estimate of the 2022/23 U.S. soybean crop at 4.3 billion bushels. In this month's *Crop Production—2022 Summary* report, USDA, NASS published an estimate of the 2022/23 U.S. soybean crop at 4.3 billion bushels. Compared with the previous forecast, the crop estimate declined by 69 million bushels on lower harvested area and lower yields. The harvested area was reduced this month by 0.3 million acres to 86.3 million acres, mainly due to lower areas in Texas, Oklahoma, and Kansas that was impacted by drought. The national average soybean yield is forecast at 49.5 bushels per acre, down 0.6 bushels per acre this month and down 2.2 bushels per acre from last year. Lower production for Missouri, Indiana, Illinois, Kansas, and Nebraska account for two-thirds of the crop reduction this month.

USDA, NASS released Grain Stocks report on January 12, 2023. That report indicated that December 1 soybean stocks were at 3.02 billion bushels. Onfarm stocks of 1.48 billion bushels are 48.9 percent of total stocks, compared with 48.5 percent a year ago. The Grain Stocks report implies the September–November disappearance was 1.53 billion bushels, down 4 percent from the same period last year.

The cumulative U.S. soybean exports for September–November 2022 totaled 793 million bushels, 68 million bushels below last year same period. Despite total export commitments currently above a year ago, the higher exportable supply in Brazil prompted USDA to lower U.S. soybean exports by 55 million bushels to 1.99 billion bushels. Brazil's soybean prices in December were on average near \$15.00 less than U.S. Gulf prices.

Figure 2

Soybean export prices



Source: USDA, Economic Research Service using data from International Grains Council, January 2023.

U.S. soybean crush for September–November 2022 totaled 554 million bushels, surpassing last year’s first quarter by more than 2 million bushels. The U.S. domestic soybean meal demand is off to a strong start. In contrast, the soybean meal export commitments are below last year’s level. However, the slowed pace of Argentina’s crushing and meal exports are expected to benefit U.S. soybean meal sales in the future. This led USDA to keep U.S. soybean crush forecast unchanged at 2.25 billion bushels compared with 2.20 billion bushels in 2021/22.

With lower supplies only partly offset by reduced use, season-ending soybean stocks are projected at 210 million bushels, down 10 million bushels from last month. On expectations for a tighter balance sheet, the seasonal average soybean price forecast is revised up 20 cents to \$14.20 per bushel. The soybean meal price is projected at \$525 per short ton, up 15 dollars.

With strong domestic use supporting soybean oil prices, soybean oil exports continue to be historically low. Higher supplies of palm oil, rapeseed, and sunflower oil also kept trading partners away from the U.S. market. As a result, the 2022/23 soybean oil export forecast is reduced by 0.3 billion pounds to 0.8 billion pounds this month. The reduction in soybean oil exports is offset by higher domestic food, feed, and residual. Hence, season-ending soybean oil

stocks are unchanged this month at 1.9 billion pounds, compared with the 2021/22 carryout of 2.0 billion pounds. The soybean oil price is unchanged at 68 cents per pound.

2022/23 U.S. Minor Oilseeds Production Lowered

2022/23 estimates released by USDA, NASS for sunflowerseed, canola, and peanuts are all lowered this month. This is partly offset by a higher cottonseed crop. This month, the final estimate of 2022/23 sunflowerseed production is lowered by 98 million pounds to 2.81 billion pounds on slightly lower harvested area and yields. Production of oil-type varieties is reduced by 3 percent to 2.57 billion pounds, which accounts for the majority of the reduction. The lower yields decreased the harvest of non-oil-type varieties by 3 percent to 241 million pounds. The yield estimate is at 1,880 pounds per acre, above last year's level of 1,602 pounds per acre. As a result of lower supply this month, the non-oil use and residual is reduced and sunflowerseed crush is unchanged at 1.39 billion pounds. Ending stocks are expected to rebound to 361 million pounds, from last year's low level of 295 million pounds.

Similarly, 2022/23 canola production—estimated at 3.8 billion pounds—is reduced on lower yields that more than offset a slightly higher planted area. This estimate is 124 million pounds lower than the previous forecast but is 1.1 billion pounds higher than last year's production estimates. The planted area estimate is slightly higher at 2.2 million acres. The final yield estimate is 1,762 pounds per acre this month, a 64-pound decrease from last month but up from last year's drought-reduced level.

The 2022/23 canola seed imports are revised down this month by 194 million pounds on slowing imports from Canada and stands at 1.35 billion pounds. With lower production and lower imports, the supply is trimmed by 318 million pounds this month to 5.4 billion pounds. The annual canola crush is revised down this month by 286 million pounds to 4.4 billion pounds. The canola ending stocks are projected to rebound this year to 0.45 billion pounds. The seasonal average canola prices are forecast at 30 cents per pound, slightly lower than last month's forecast.

With the lower canola crush, the canola oil production estimate for October–September 2022/23 is reduced this month by 84 million pounds to 1.9 billion pounds. Reduced domestic production is offset by higher canola oil imports leading to a slight increase the canola oil supply. The canola oil supply for 2022/23 is raised by 15 million pounds to 6.69 billion pounds and is expected to satisfy growing domestic demand in the United States. Specifically, higher demand for canola oil is expected as the U.S. Environmental Protection Agency (EPA) approved a path

for using canola-based fuels, renewable diesel, and renewable jet fuel. Therefore, the use of canola oil in production of biofuel is revised up this month by 100 million pounds to 1.60 billion pounds.

The 2022/23 U.S. cottonseed production estimate is 4.46 million short tons, an increase of 0.13 million short tons since last month and 0.87 million short tons lower than 2021/22. This year's greatest production losses are for Texas and Oklahoma, where farmers lost cotton crops due to drought. The cottonseed production in other States is up this year but only marginally offsets the losses in Texas and Oklahoma.

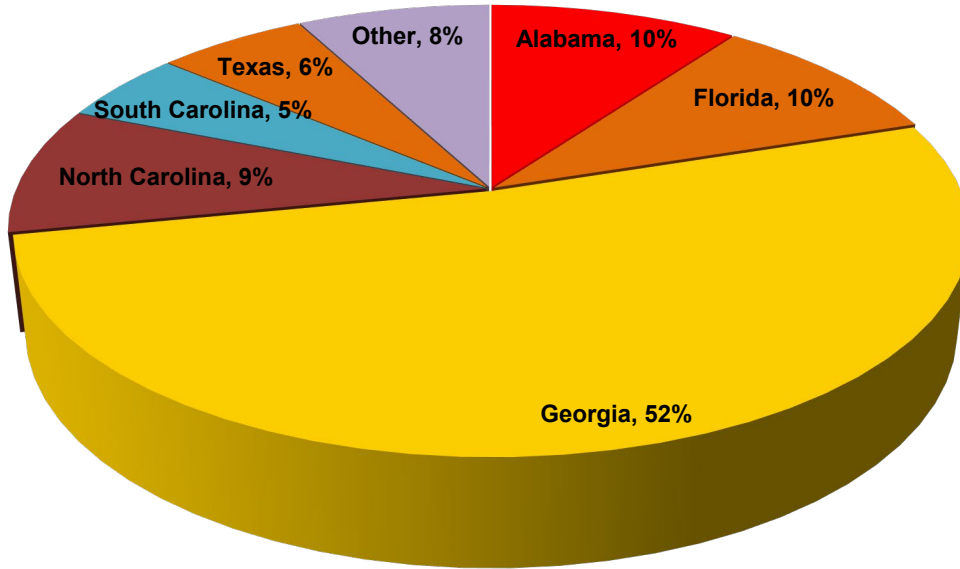
The cottonseed annual import forecast is revised up this month to 55,000 short tons on the higher imports from Australia. Weak August–November shipments led to a 25,000-short-ton reduction for the cottonseed export forecast, to 0.2 million short tons, representing the lowest export forecast since 2015/16. With higher domestic production and higher imports, the total supply is 157,000 tons higher this month. This additional supply of cottonseed is absorbed by higher domestic feed and other use. The annual cottonseed crush for 2022/23 is unchanged this month at 1.54 million short tons, slightly below last year. The seasonal ending cottonseed stocks are forecasted at 0.42 million short tons, slightly up this month. The average seasonal cottonseed price forecast is down by \$5.00 per short ton this month to \$335.00 per short ton. In addition, the cottonseed oil price forecast is revised up this month by 8 cents per pound, forecast to average \$1.10 per pound for the 2022/23 marketing year.

On updated USDA, NASS data, the 2022/23 U.S. peanut crop is lowered by 0.2 million pounds this month to 5.57 billion pounds. A yield reduction for Georgia and Alabama and a reduction in harvested area for Texas account for most of the peanut output decline. The lower U.S. peanut production in 2022/23, resulting from lower harvested acreage and lower peanut yield of 4,019 pounds per acre, trims the estimated total peanut supply by 203 million pounds, a 2.5-percent reduction. On expectations for lower exportable supplies, U.S. peanut exports are reduced by 100 million pounds to 1.1 billion pounds. Season-ending stocks are slightly up this month and forecast to remain at 2.18 billion pounds, below the 2021/22 carryout of 2.36 billion pounds. The season average peanut prices received by farmers are forecasted at 28 cents per pound, down 5 cents from last month and 15 percent above last year's level.

Figure 3

2022/23 U.S. peanut production by States

Total = 5.57 billion pounds



Note: Other includes Arkansas, Mississippi, New Mexico, and Oklahoma.

Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service, *Crop Production—2022 Summary*, January 2023.

Flaxseed production for 2022 is estimated at 4.3 million bushels, 1.6 million bushels higher than last year. The 19-percent decline in the planted area is offset by higher yields this year. The national flaxseed yields of 17.6 bushel per acre are significantly up from last year but remain 11 percent below the 5-year average prior to the 2021 drought.

International Outlook

Argentina's Soybean Crop Hampered by Weather

The 2022/23 global soybean production forecast is reduced by nearly 3.2 million metric tons this month to 388 million metric tons. The lower production in United States and Brazil is partially offset by higher production in China and Brazil.

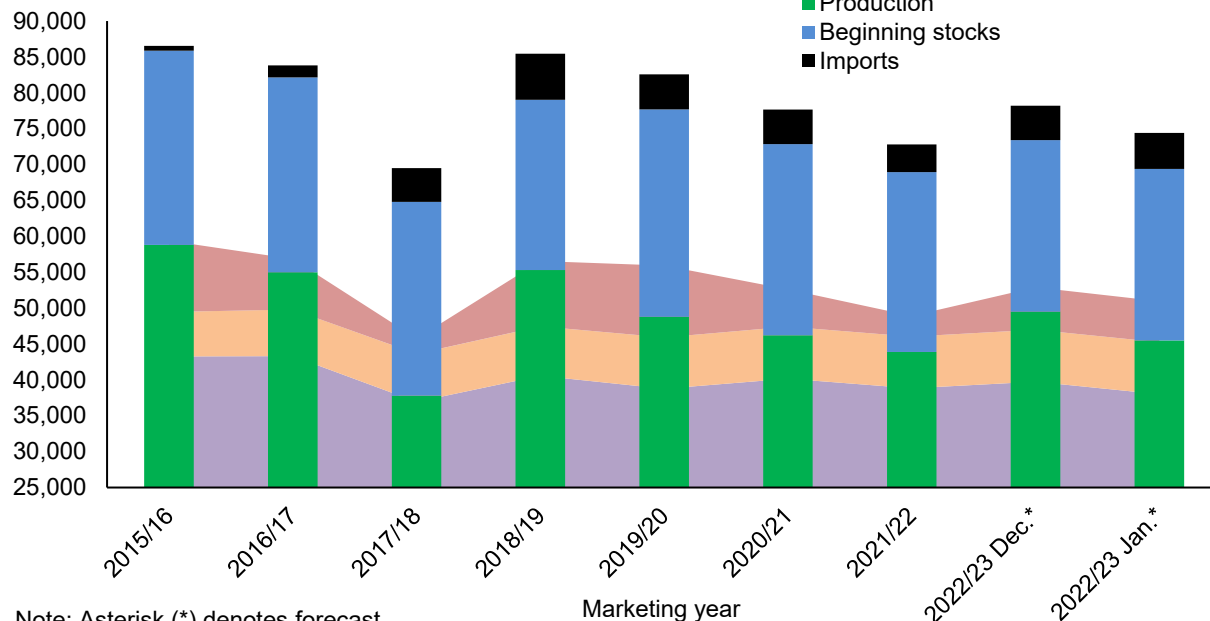
Throughout much of the October–December 2022 period, low levels of precipitation and above average temperatures were recorded in Argentina's major soybean growing regions of Santa Fe, Entre Ríos, and eastern Córdoba—extending further east into Uruguay. This drought has impacted planting in Argentina, reducing harvested area expectations to 16.3 million hectares. Combined with a lower yield—now forecast at 2.8 metric tons per hectare—Argentina's 2022/23 soybean production forecast is lowered by 4 million metric tons to 45.5 million metric tons. Even though Argentina's soybean production is lowered this month, it remains 4 percent higher than last year. Similarly, Uruguay's soybean production forecast is lowered this month to 2.3 million metric tons from 2.5 million metric tons on lower yields. This supply decrease contributes to lower projections for Uruguay's 2022/23 soybean exports, now forecast at 2.2 million metric tons. Due to the impact of the ongoing drought on production, Argentina's soybean exports are reduced by 2 million metric tons this month to 5.7 million metric tons.

Despite a slight uptick in expected soybean imports—now forecast at 5 million metric tons—it is not enough to offset the reduction in Argentina's output. Consequently, Argentina's soybean crush volumes are projected to fall to 38 million metric tons from the previous forecast of 39.75 million metric tons. Domestic consumption and export volumes of soybean products are expected to decline due to the impending decreases in output. This month, Argentina's soybean meal exports are reduced by 1.1 million metric tons to 26.5 million metric tons and soybean oil exports are estimated to be lowered by 0.25 million metric tons to 5.25 million metric tons. Moreover, slight reductions in domestic soybean oil and meal consumption are partially offset by projected increases in sunflowerseed oil and meal consumption. Ultimately, this stems from a brighter outlook for Argentina's sunflowerseed production, up to 4.6 million metric tons from 4.2 million metric tons on higher planted area. Processors are expected to crush this additional sunflowerseed, hence the prospective substitution of sunflowerseed products in domestic consumption in lieu of soybean meal and oil.

Figure 4

Argentina's soybean supply and demand

Thousand metric tons



Note: Asterisk (*) denotes forecast.

Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database, January 2023.

Compared with Argentina, weather in Brazil has been favorable in major soybean producing States. In fact, the 2022/23 soybean production forecast has been raised from 152 to 153 million metric tons on higher area. With higher supply in Brazil and lower exports for Argentina, Brazil's exports are estimated to increase by 1.5 million metric tons to 91 million metric tons. Moreover, Brazil's processors are expected to ramp up soybean crush volumes by 0.75 million metric tons and reach 52.5 million metric tons. As a result, Brazil is expected to capture portions of the soybean meal and oil export markets from Argentina. In fact, Brazil's soybean meal exports are increased by 1.1 million metric tons to 20.7 million metric tons, completely seizing Argentina's market loss. In addition, Brazil's soybean oil exports are estimated to increase by 0.1 million metric tons to 2.25 million metric tons.

China Boosts Soybean Production

China's soybean harvest for 2022/23 is estimated to be nearly 2 million metric tons higher compared with last month at 20.3 million metric tons. The change reflects official data indicating increased planted area for soybeans in China—up nearly 10 percent from the previous estimate.

Increased domestic soybean production is expected to reduce reliance on foreign soybean supplies to satisfy current domestic demand projections. Hence, the soybean import forecast is lowered from 98 million metric tons to 96 million metric tons. Sluggish soybean crush volumes place downward pressure on the 2022/23 forecast, which is lowered to 95 million metric tons from 96 million metric tons.

Given the loss in soybean meal production, China's soybean exports are lowered by 0.4 million metric tons to 0.6 million metric tons. Projected losses in protein content are supplemented by anticipated increases in alternative protein sources—namely sunflowerseed meal, copra meal, and palm kernel meal. To combat the decrease in soybean oil output, China is expected to consume more palm oil to satisfy domestic vegetable oil demand.

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