



Oil Crops Outlook: July 2023

In this report:

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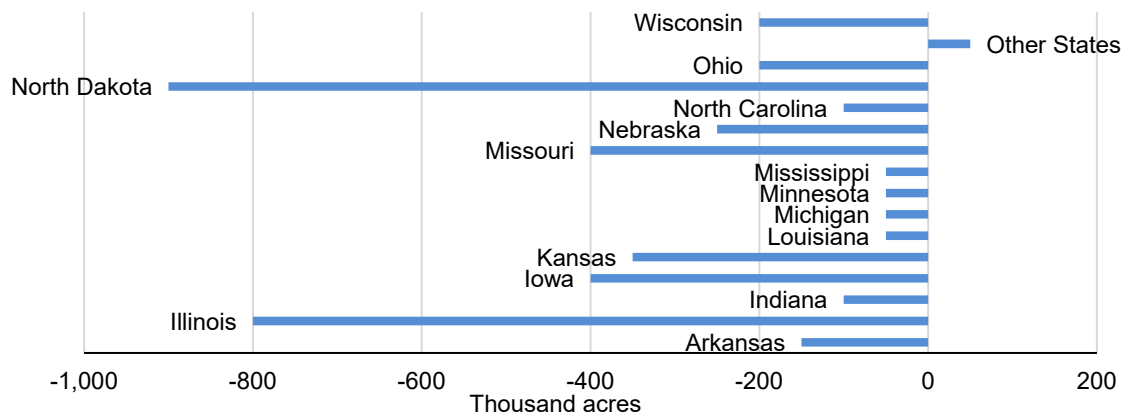
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U.S. Soybean Acreage Cut Reduces 2023/24 Production and Stocks

Last month's USDA planted *Acreage* report indicated that U.S. planted soybean acreage in 2023/24 totaled 83.5 million acres, 5 percent lower than last year and down 5 percent from farmers' intended planting in March (figure 1). With the soybean yield forecast at 52 bushels per acre (unchanged from last month), the lower estimate of harvested acreage edges the 2023/24 soybean production forecast down by 210 million bushels this month to 4.3 billion bushels. Reduced U.S. supplies may boost the 2023/24 seasonal average soybean prices to \$12.40 per bushel, \$0.30 higher than last month. U.S. soybean exports and soybean crush for the 2023/24 marketing year (MY) are reduced by 125 million bushels and 10 million bushels, respectively, and forecast at 1.85 billion bushels and 2.3 billion bushels. U.S. soybean ending stocks for MY 2023/24 are projected at 300 million bushels, down 50 million bushels from last month.

Figure 1

U.S. soybean acreage changes from March planting intentions



Source: USDA, Economic Research Service calculation using USDA, National Agricultural Statistics Service, Prospective Planting and Acreage data.

Domestic Outlook

U.S. Soybean Sowings Fall Short of March Intentions

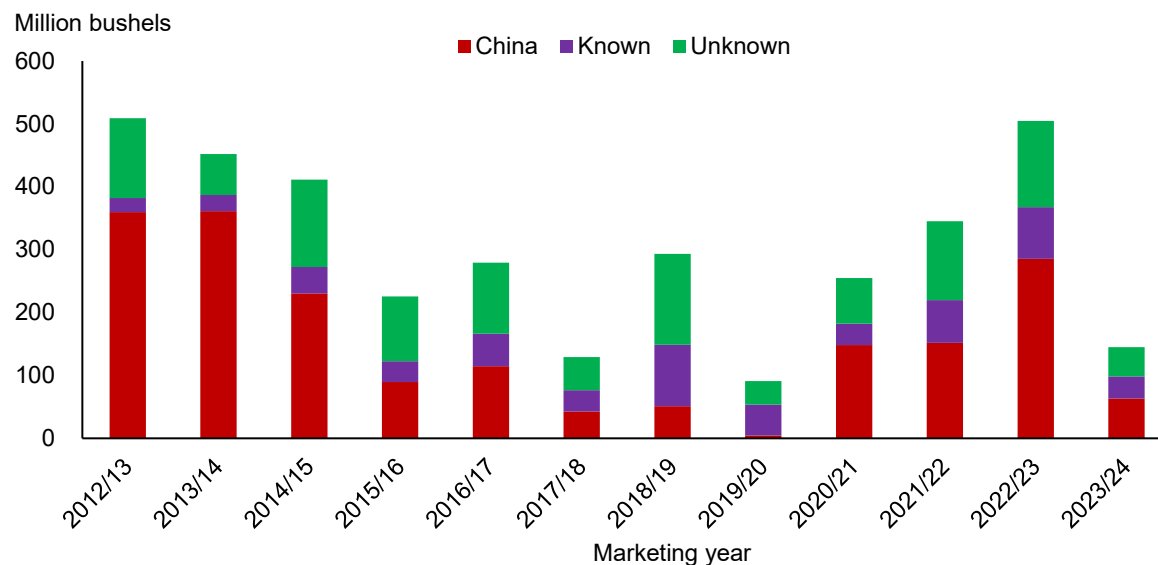
In June, the USDA, National Agricultural Statistics Service's *Acreage* report indicated that soybean sowings (planted acreage) were down or unchanged in 21 of the 29 States relative to March intentions. The largest reduction in acreage is expected in North Dakota with Illinois close behind. Combined, these two States account for nearly 43 percent of the 4-million-acre reduction in 2023/24 soybean acreage. Based on a reduced planted area, harvested soybean acreage is adjusted downward and is now forecast at 82.7 million acres, down 4 million acres from the June estimate and down 3.6 million acres from last year.

As of July 9, soybean crops are seen to be developing faster than in previous years with nearly 40 percent of soybeans blooming compared with the 5-year average of 35 percent. Although recent rainfall across portions of the Central Plains and (central) Corn Belt provided some relief to soybean crops and soil moisture conditions, crop conditions have remained relatively stagnant with 51 percent of the crop rated as good-to-excellent compared with 62 percent rated same period last year. Weather conditions in the coming months will be impactful to this year's crop. The soybean yield forecast is unchanged this month at 52 bushels per acre, contributing to the updated production forecast of 4.3 billion bushels. Higher beginning stocks, up 25 million bushels and reflecting a forecast decline in exports for 2022/23, contributes to the net impact on total soybean supply, which is forecast at 4.58 billion bushels, 185 million bushels lower than the previous forecast.

Tightening U.S. soybean supplies support a boost in 2023/24 season average farm prices, which are raised \$0.30 from last month's forecast to \$12.40 per bushel. Rising prices are set to weaken U.S. competitiveness in the export market, particularly with South America. In fact, export sales for new crop soybeans are lagging. As of June 29, outstanding new crop soybean sales were more than 70 percent lower than the same time last year (figure 2). As a result, the 2023/24 soybean export forecast is lowered by 125 million bushels to 1.85 billion bushels. Moreover, the projected decline in soybean supply is expected to impact crush volumes. The 2023/24 soybean crush forecast is lowered by 10 million bushels this month to 2.3 billion bushels. These supply and demand changes reflect a 50-million-bushel reduction in 2023/24 ending stocks to 300 million bushels.

Figure 2

U.S. Soybean new crop outstanding sales end of June



Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *U.S. Export Sales*.

The projected reduction in soybean crush volume implies lower soybean oil and meal production forecasts. Specifically, soybean meal production is expected to decline by 200,000 short tons in 2023/24. The lower supply of soybean meal is expected to impact prices, raising the forecast by \$10.00 per short ton to \$375.00 per short ton. These factors, in conjunction with competitively priced protein alternatives and projected reductions in pork production, contribute to a reduced domestic soybean meal disappearance forecast of 39.98 million short tons.

The projected 120-million-pound reduction in soybean oil production for 2023/24 contributes to reduced total supplies, which are lowered by 95 million pounds with higher imports slightly offsetting the reduced production. Nevertheless, prices are expected to remain elevated at \$0.60 per pound, curtailing U.S. competitiveness in the global market. As a result, the 2023/24 soybean oil export forecast is lowered by 150 million pounds this month to 450 million pounds. USDA analyzed the U.S. Environmental Protection Agency’s (EPA) final renewable fuels standards rule for 2023–25. In short, a higher biomass-based diesel mandate is offset by a lower total fuel obligation for 2024 and warrants no change in the 2023/24 forecast of soybean oil use for biofuel production. Soybean oil ending stocks remain relatively unchanged at 1.84 billion pounds.

Record-High Canola Plantings Spurred by Growing Domestic Demand for Biofuel

Based on USDA, National Agricultural Statistical Service (NASS)'s *Acreage* report, U.S. farmers planted a record high 2.28 million acres of canola, slightly higher than their March planting intentions and a 3-percent increase from last year's planted area. Planted area in North Dakota, the leading canola-producing State, is up 6 percent from last year and is the highest planted area for canola on record. North Dakota's canola area accounts for 86 percent of the 2023/24 national canola acreage and stands at 1.9 million acres, up 0.1 million acres from last year. Farmers in Washington State sowed a record 155,000 acres of canola. Planted area has decreased by more than 10 percent in Minnesota and Montana compared with last year and it decreased by more than 60 percent in Kansas and Oklahoma. If this forecast is realized, both planted and harvested area will reach a record low in Kansas and Oklahoma.

With higher planted and harvested canola acreage and a canola yield of 1,800 pounds per acre, 2023/24 U.S. canola production is forecast at 4.0 billion pounds, up 20 million pounds from last month and up nearly 220 million pounds from last year. While higher domestic canola supplies in 2023/24 are expected to moderate U.S. canola imports, rising demand for canola oil could swell the domestic canola crush to 4.4 billion pounds from 4.2 billion pounds in 2022/23. In addition, coupled with higher canola supply, the canola seed export forecast is raised this month by 66 million pounds to 397 million pounds. Partly offsetting is lower crush, leaving canola ending stocks unchanged for MY 2023/24 at 450 million pounds. The season average canola seed price is forecast at \$24.00 per hundredweight.

Record-high canola planted area is supported, in part, by growing domestic demand for canola oil. The EPA's approval of the canola oil pathway for renewable diesel production in December 2022 contributes to increased domestic utilization forecasts. In fact, the 2022/23 and 2023/24 forecasts for canola oil used for biofuel production are increased by 350 million pounds and 400 million pounds, respectively, to 2.5 billion pounds and 2.8 billion pounds. Higher domestic demand for canola oil in 2023/24 is supported by both higher domestic canola oil production and by higher canola oil imports. Canola oil imports for MY 2023/24 are raised by 220 million pounds this month to a new record of 6.2 billion pounds. Notably, 2022/23 canola oil imports increased by 330 million pounds to 5.8 billion pounds on higher-than-expected monthly import volume. Given the estimated increase in demand and slightly lower ending stocks, the season average canola oil price is forecast at \$0.63 per pounds, which is marginally higher than last month.

Weaker Prices Contribute to Reduced Sunflowerseed and Flaxseed Acreage

Planted sunflowerseed acreage for 2023/24 declined by 20 percent to 1.35 million acres, representing the third lowest planted area since 1976. Compared with last year, growers in all eight major sunflower producing States reported a decrease in planted acreage. The States with the largest decline in acreage from last year are North Dakota, South Dakota, and Colorado. Planted area in both California and Colorado are the lowest on record. Price declines for both sunflowerseed and flaxseed last spring (2022) contributed to farmers' decision to shift acres out of these crops and into canola and other crops.

While confection-type sunflowerseed acreage—a small share of total sunflowerseed acres—increased by nearly 15 percent to 164,000 acres, plantings of oil-type varieties declined by 24 percent to 1.18 million from 2022. Reduced plantings of oil-type varieties more than offset the small gain in confection-type sowings, resulting in a net reduction in total sunflowerseed acreage. Compared with last year, planted area of oil-type varieties is lowered by more than 30 percent in Colorado, Nebraska, and South Dakota. Given the lower acreage, sunflower oil-type production is reduced this month by 35 million pounds to 2 billion pounds. In contrast, confection-type sunflowerseed production increased to 266 million pounds this month due to higher planted area.

Similar to net declines forecast for sunflowerseed sowings, 2023/24 planted flaxseed area is forecast to fall from the prior marketing year. USDA, NASS's *Acreage* report indicated that growers planted 140,000 acres of flaxseed, down 47 percent from 2022 and the lowest area since 1996, if realized. Planted acreage in North Dakota, the largest flaxseed-producing State, is forecast down 39 percent, or 65,000 acres, from 2022. Planted acreage in Montana is expected to decrease by 59 percent from last year to 40,000 acres. USDA, National Agricultural Statistics Service's (NASS) *Grain Stocks* report showed that flaxseed stocks were at 1.6 million bushels on June 1, up 1.1 million bushels from last year and the largest ending stocks since 2017/18.

Planted U.S. peanut acreage is reported by USDA, NASS to increase by 9 percent to 1.58 million acres in 2023/24, 2 percent higher than March's planting intentions. Sown acreage is forecast to increase in all major peanut producing States with the biggest increases in Georgia, Florida, North Carolina, and South Carolina. In Georgia, the largest peanut-producing State, planted area is up 11 percent from 2022/23 and is expected to total 760,000 acres. As of July 3,

2023, 64 percent of the peanut acreage is rated in good-to-excellent condition compared with 57 percent at the same time last year.

Peanut yields are forecast at 4,230 pounds per acre, up 5 percent from last year. As a result of higher acreage and yields, U.S. peanut production is projected to reach 6.5 billion pounds in MY 2023/24, 220 million pounds higher than last month and nearly 17 percent higher than last year. If realized, this would be the largest peanut harvest since MY 2017/18.

The total use of peanuts in 2023/24 is expected to grow by more than 7 percent from 2022/23 due to higher domestic food usage, crush, and exports. Season-ending peanut stocks are projected to increase to 2.35 billion pounds. The seasonal average peanut price for the 2023/24 marketing year is forecast at 26.25 cents per pound, down from last month's forecast of 26.5 cents per pound.

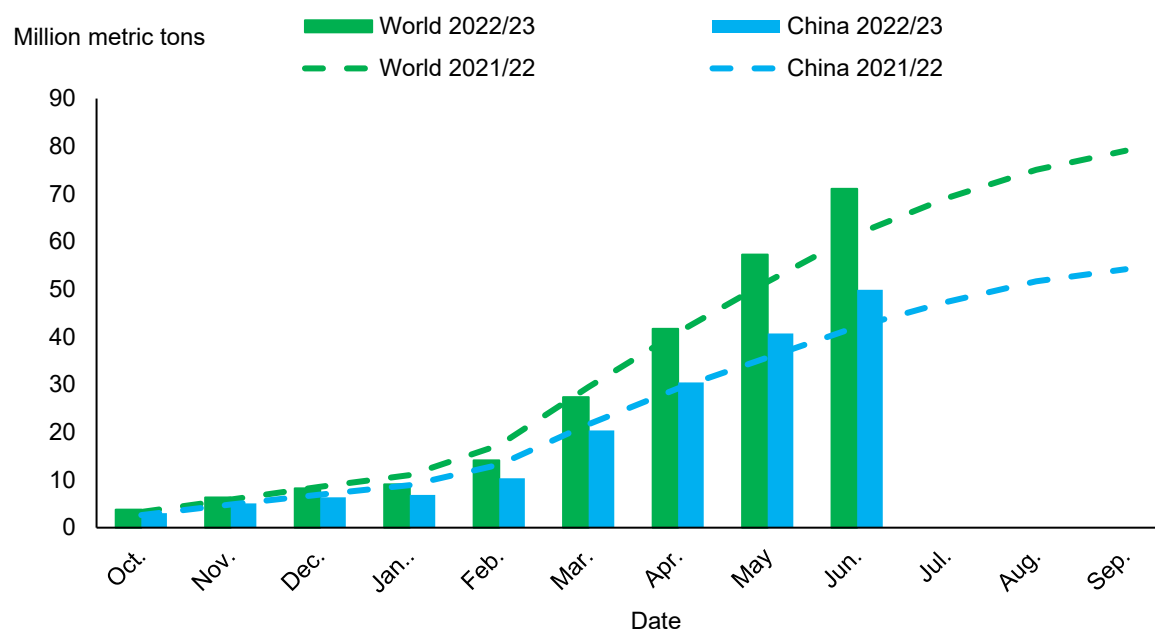
International Outlook

Global Soybean Stocks Decline on Lower U.S. Supply

Global soybean production for 2023/24 is reduced by 5.4 million metric tons this month to 405.3 million metric tons. The United States accounts for most of the decline. Canadian farmers planted slightly more acres than the prior marketing year and are expected to produce 6.7 million metric tons of soybean crops. The cut in the global production is offset partially by lower trade, crush, and lower global ending stocks. The global soybean export forecast is reduced this month by just over 3.1 million metric tons to 169.3 million metric tons on lower U.S. soybean exports. Notably, 2022/23 soybean exports are increased for Brazil by 1.0 million metric tons on the pace of trade to date. Between January 2023 and June 2023, **Brazil** exported 62.8 million metric tons, up 9.8 million metric tons from same period last year (figure 3). Shipments to **China** account for nearly 70 percent of the total Brazil's exports.

Figure 3

Brazil's soybean exports spurred by shipments to China



Source: USDA, Economic Research Service using Brazil's Ministry of Development, Industry, and Trade data.

As result of higher soybean shipments from **Brazil**, China's soybean imports for 2022/23 are revised up 1.0 million metric tons this month to 99.0 million metric tons. With soybean crush for

2022/23 unchanged, **China** is likely to have ample stocks end of MY 2022/23. With higher carry over from MY 2022/23 and soybean crush for MY 2023/24 unchanged, China's 2023/24 soybean imports are reduced this month by 1.0 million metric tons to 99.0 million metric tons. In addition, rising prices support a reduced forecast for 2023/24 soybean imports for **Bangladesh, Egypt, Pakistan, Mexico, Thailand, Turkey, and Vietnam**.

Global soybean crush for MY 2023/24 is forecast at 330.3 million metric tons, down 1.66 million metric tons this month on lower crush in several countries including **Bangladesh, Egypt, Pakistan, Turkey, and Thailand**. Despite this reduction, the 2023/24 global soybean crush forecast is a little more than 19.0 million metric tons higher than estimates for MY 2022/23 soybean crush with a recovery in supplies for **Argentina**. Notably, the 2022/23 global soybean crush is reduced this month by 1.0 million metric tons on lower crush in **Brazil, Bangladesh, Canada, Pakistan, and Thailand** on lower-than-expected soybean meal demand, which is principally used in animal feed, and increased consumption of alternative proteins.

The global soybean season-ending stocks for MY 2023/24 are forecast at 121.0 million metric tons, down 2.4 million metric tons from last month but 18.1 million metric tons higher than 2022/23.

Rapeseed Production in the European Union Declines On Lower Yields

The **European Union's** (EU) rapeseed production for MY 2023/24 is forecast at 20.2 million metric tons, down 0.80 million metric tons from last month on lower yield. Yield is estimated at 3.33 tons per hectare, down 4 percent from last month but up 1 percent from last year. Dry weather in **France, Germany, Poland, and Lithuania** that started in middle of May and persisted throughout June affected proper pod fill development. The harvested area is estimated at 6.1 million hectares, unchanged from last month but up 2 percent from last year.

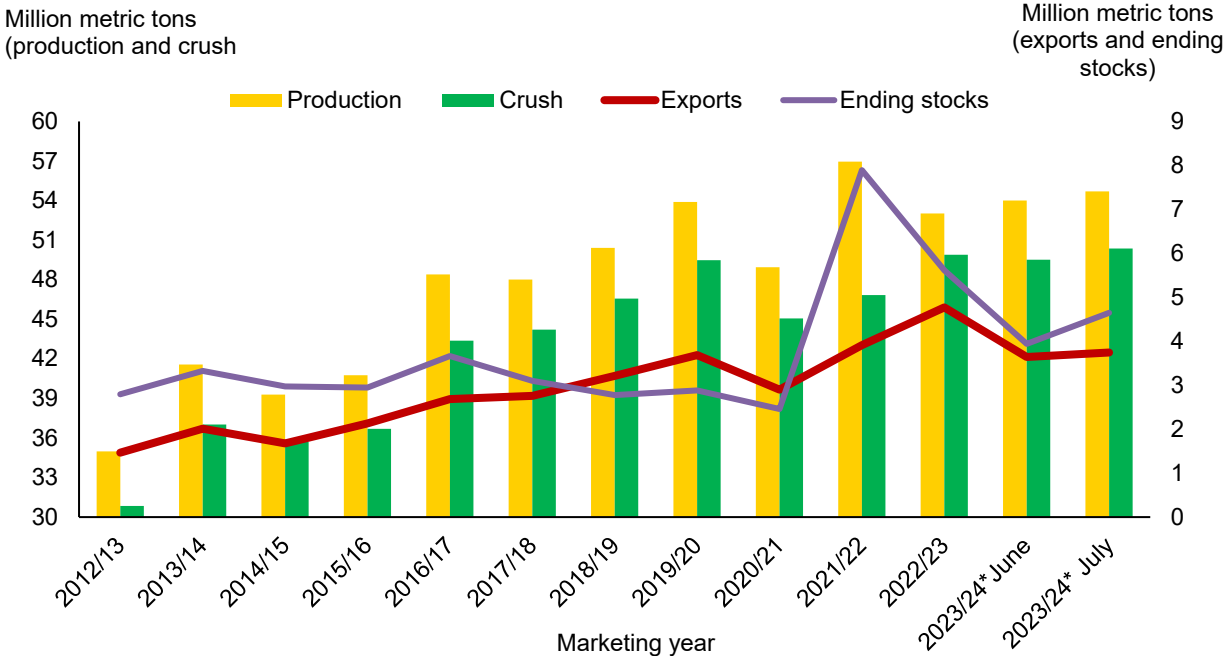
The EU's rapeseed supply for 2023/24 is forecast at 27.1 million metric tons, down 0.7 million metric tons from last month. As a result of lower supply, EU's rapeseed crush forecast is reduced this month to 24.4 million metric tons. Furthermore, ending stocks are expected to decline to 1.4 million metric tons, down 0.5 million metric tons from last month and 0.4 million metric tons lower than the previous 2022/23 season.

Global Sunflowerseed Supply on the Rise

The global sunflowerseed output for 2023/24 increased this month by 0.7 million metric tons to 54.7 million metric tons due to the higher production in **Ukraine** and **Argentina**, offsetting the **United States**' decreased production. In **Ukraine**, farmers planted more sunflowerseed than anticipated; USDA's harvested acreage forecast is revised up this month to 6 million hectares. On the basis of expanded sowings and normal growing conditions, the 2023/24 sunflowerseed production for **Ukraine** is increased by 0.6 million metric tons this month and is projected at 12.4 million metric tons. **Argentina's** sunflowerseed production forecast for MY 2023/24 is raised by 0.1 million metric tons this month to 4.0 million metric tons. In addition, 2022/23 sunflower production for **Argentina** increased by 0.4 million metric tons to 4.9 million metric tons, as reported by Argentina's Ministry of Agriculture.

With the expanded global sunflowerseed supply, the 2023/24 global sunflower crush has been revised up this month by 0.85 million metric tons with higher crush in **Ukraine** and **Argentina**. As a result, the global sunflowerseed crush is forecast to reach a record of 50.4 million metric tons, 0.5 million metric tons above this month's revised sunflowerseed crush for MY 2022/23 (figure 4).

Figure 4
Global sunflowerseed distribution



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

As a result of the higher sunflowerseed crush forecast, global sunflowerseed oil production is projected to reach 21.2 million metric tons, 0.4 million metric tons higher than last month. **China** is expected to benefit most from the additional supply of sunflowerseed oil. Hence, China's sunflowerseed oil imports and domestic consumption forecast is raised this month for both marketing years by 0.4 million metric tons (2022/23) and 0.2 million metric tons (2023/24), respectively.

Global sunflowerseed oil stocks are forecast at 2.8 million metric tons by the end of MY 2023/24, which are marginally lower than last year.

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