United States Department of Agriculture

Economic Research Service | Situation and Outlook Report

OCS-23h | August 15, 2023

Next release is September 14, 2023

Oil Crops Outlook: August 2023

Aaron M. Ates

Maria Bukowski

In this report:

Domestic Outlook
International Outlook

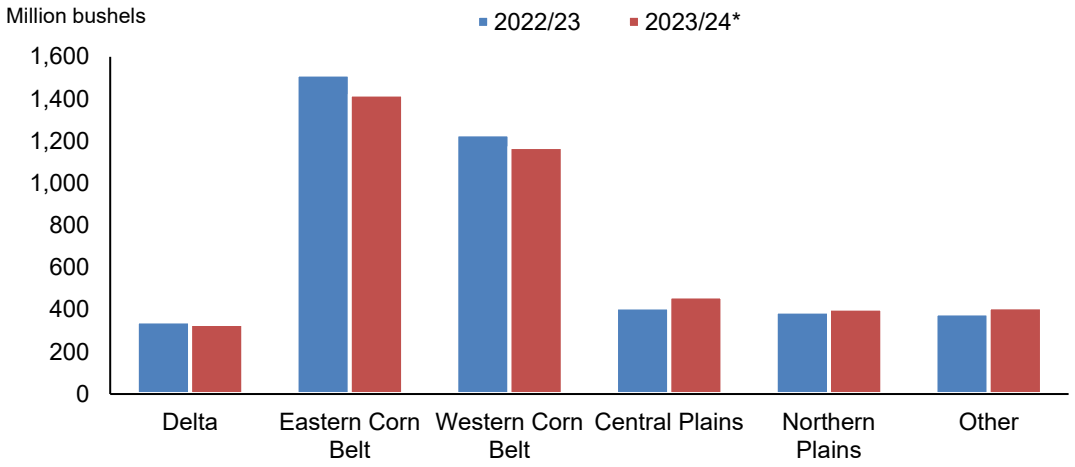
U.S. 2023/24 Soybean Production Forecast Declines on Lower Yield

USDA's National Agricultural Statistics Service (NASS) published its first survey-based forecast of the 2023/24 U.S. soybean yield this month. At 50.9 bushels per acre, the current soybean yield forecast is down 1.1 bushels per acre from last month's trend-based yield of 52.0 bushels per acre. The U.S. harvested acreage forecast is unchanged this month at 82.7 million acres. Consequently, the soybean production forecast for marketing year (MY) 2023/24 is reduced by 95.0 million bushels to 4.2 billion bushels. Soybean exports for 2023/24 are lowered by 25.0 million bushels to 1.8 billion bushels. U.S. soybean crush volume is forecast at 2.3 billion bushels, unchanged from the June forecast. Ending stocks for MY 2023/24 are estimated at 245 million bushels, down 55 million bushels from last month's forecast. The 2023/24 season-average soybean price forecast is increased from the previous forecast of $12.40 per bushel to $12.70 per bushel.

Approved by USDA's World Agricultural Outlook Board

Figure 1

Soybean production by region



Note: Delta: Arkansas, Louisiana, and Mississippi; Eastern Corn Belt: Illinois, Indiana, Ohio, Michigan, and Wisconsin; Western Corn Belt: Iowa, Minnesota, and Missouri; Central Plains: Kansas and Nebraska; Northern Plains: North Dakota and South Dakota; and "Other" includes remaining States. Asterisk (*) denotes August forecast. Marketing years begin September 1 and end August 31.
Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service Quickstats database.

Domestic Outlook

U.S. Soybean Production Lowered in August Report

The U.S. Department of Agriculture's (USDA) first yield survey of the 2023 soybean crop was conducted in early August. The results indicated a national average soybean yield of 50.9 bushels per acre, down 1.1 bushels per acre from last month but up 1.4 bushels per acre from the previous marketing year. With the soybean harvested area estimated at 82.7 million acres, the August forecast of the 2023/24 U.S. soybean crop stands at 4.2 billion bushels, 95 million bushels down from last month's forecast and 71 million bushels from last year's crop. Regionally, soybean production is forecast to decline year-over-year mainly in the Eastern Corn Belt, Western Corn Belt, and Delta regions. In contrast, soybean production is projected to increase in the Central Plains, Northern Plains, and other minor producing States (figure 1). As of August 1, USDA, NASS's *Crop Production* report indicated that among the major producing States of Illinois, Michigan, Minnesota, Missouri, North Dakota, and Wisconsin, soybean yields are forecast below last year's level. Record soybean yields are forecast for Arkansas, Indiana, Mississippi, North Carolina, Ohio, and South Carolina.

As of July 30, 52 percent of U.S. soybean acreage was rated in good-to-excellent condition, compared with 60 percent during the same period last year. Soybean acreage was rated in worse conditions this year than last year in 10 of the 18 major soybean-producing States, with Illinois, Missouri, and Wisconsin declining more than 20 percentage points compared with last year. By July 30, 50 percent of U.S. soybeans acreage was setting pods, 9 percentage points ahead of last year and 3 percent ahead of the 5-year average. Overall, soybeans are now at key growth stages and the weather in the next 4–6 weeks will determine development of pod size.

Soybean prices increased in July following high temperatures and below-normal rainfall in an area comprising most of Iowa, Michigan, Illinois, Southern Minnesota, Southern Wisconsin, and Missouri. All these locations have a large concentration of soybean acreage. Cash soybean prices for Central Illinois averaged $15.17 per bushel in July, up from $14.53 in June. The move in the cash and futures soybean prices in July along with tighter supply are responsible for this month's change to the MY 2023/24 season-average soybean price forecast that is increased to $12.70 per bushel from last month's forecast of $12.40 per bushel.

U.S. soybean exports are forecast at 1.8 billion bushels, down 25.0 million bushels from last month due to lower soybean supplies and reduced global soybean demand projections, mainly

for Bangladesh, Pakistan and Egypt. The soybean crush forecast for MY 2023/24 is unchanged this month at 2.3 billion bushels, which is supported by the greater demand for soybean oil and expansion in domestic soybean crush capacity. With lower soybean exports and unchanged soybean crush volumes, U.S. soybean ending stocks for MY 2023/24 are forecast at 245 million bushels, down 55 million bushels from last month.

A waning supply of canola oil and drought conditions in Canada and the United States have elevated prices for both old and new crop soybean oil. Cash soybean oil prices in Central Illinois have swelled to an average of 71.0 cents per pound in July, compared with 60.0 cents in June, while October 2023 futures prices exceeded 62.0 cents. For MY 2023/24, the U.S. average soybean oil price is forecast at 62.0 cents per pound, up 2.0 cents from last month but down from a revised 2022/23 price of 65.0 cents per pound. The elevated domestic soybean oil price is supported by strong domestic oil demand and is expected to limit U.S. competitiveness in the global market. As a result, the 2023/24 soybean oil export forecast is lowered by 50 million pounds this month to 400 million pounds.

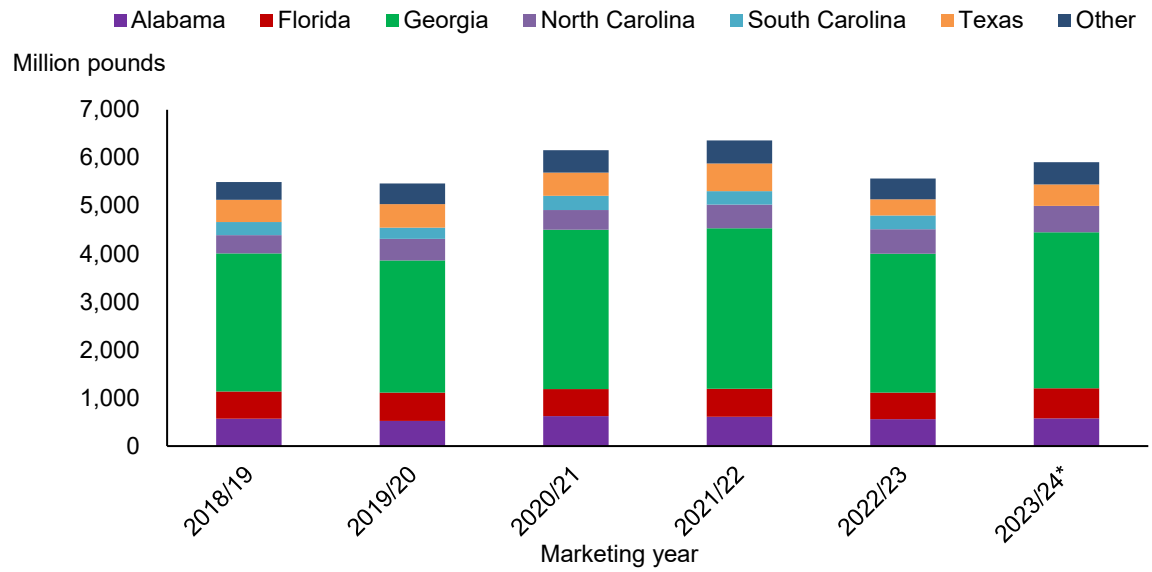
The continuation of strong domestic demand for soybean oil is supported by the use of soybean oil in biofuels production. In May, the use of soybean oil in biofuel production reached a record of 1.1 billion pounds as reported by the U.S. Department of Energy's Energy Information Agency (EIA). This accounts for 48 percent of monthly soybean oil domestic disappearance. In the October 2022–May 2023 period, the use of soybean oil in biofuels totaled 7.6 billion pounds compared with 6.7 billion pounds from the same period last year. The estimates for soybean oil used in biofuel production are revised up this month by 100.0 million pounds to 11.7 billion pounds. The 2023/24 forecast for soybean oil used in biofuel production is unchanged this month at 12.5 billion pounds. Soybean oil ending stocks for MY 2023/24 are forecast at 1.83 billion pounds, marginally lower than last month.

In contrast, domestic soybean meal demand is lower than expected as livestock's growth is slower than anticipated. The 2023/24 forecast for domestic soybean meal demand is revised down by 0.25 million short tons this month to 39.73 million short tons following reduced 2022/23 domestic demand. The 2022/23 domestic demand was reduced by 0.25 million short tons to 38.95 million short tons as higher soybean meal prices affect usage. In contrast, the soybean meal export forecast for 2023/24 is raised by 0.2 million short tons to 15.0 million short tons. If realized, U.S. soybean meal exports will reach a new record high. The average price of soybean meal is forecast at $380.00 per short ton, up $5.00 from last month but down $75.00 per short ton from 2022/23.

U.S. Peanut and Cottonseed Production Lowered for 2023/24

The 2023/24 U.S. peanut crop is forecast at 6.2 billion pounds, down 280 million pounds from last month's forecast but 12 percent higher than 2022/23 production. The harvested acreage for peanuts is estimated at 1.5 million acres, up 11 percent from last year on higher acreage in all major peanut producing States. The national average yields are estimated at 4,047 pounds per acre, down 183 pounds from last's month forecast but 1 percent higher than last year's yield. As of July 30, 75 percent of U.S. peanuts acreage was rated in good-to-excellent condition compared with 71 percent last year. Increased peanut production is estimated in all States except Oklahoma, where production is marginally lower than in 2022 (figure 2). Georgia's production increased by 357.0 million pounds to 3.2 billion pounds on higher harvested area and yields. The harvested acreage is estimated at 0.7 million acres, up 11 percent from last year. The peanut yields in Georgia are projected at 4,300 pounds per acre, up 1 percent from last year. The increase in Georgia's peanut production accounts for 55 percent of the estimated national increase.

Figure 2
U.S. peanut production



Note: "Other" includes Arkansas, Mississippi, New Mexico, Oklahoma, Texas, and Virginia.
Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service Quickstats database.

Domestic peanut crush and exports are anticipated to increase moderately. The U.S. peanut crush is forecast at 850 million pounds, down 25 million pounds from the previous forecast, but up 50 million pounds from the estimated crush for MY 2022/23. The peanut export forecast is cut by 100.0 million pounds to 1.3 billion pounds. Ending stocks for peanuts for MY 2023/24 are

forecast at 2.1 billion pounds, down 205.0 million pounds from last month's forecast. In conjunction with lower peanut crush, the peanut oil and peanut meal production and domestic consumption are reduced.

Similarly, 2023/24 cottonseed production is reduced by 1.04 million short tons to 4.25 million short tons due to lower harvested acreage and yield. The cotton harvested acreage estimates are reduced this month by 0.9 million acres to 8.6 million acres. The lower cottonseed production forecast is expected to impact cottonseed crush volumes and other cottonseed usages in 2023/24. The cottonseed crush is lowered by 0.2 million short tons to 1.4 million short tons this month. Other cottonseed usage is lowered by 0.7 million short tons to 2.7 million short tons. Furthermore, stocks are expected to decline to 0.37 million short tons. Lower cottonseed supply moves the 2023/24 season-average cottonseed price forecast up $33.00 per short ton to $300.00 per short ton this month.

The expected reduction in the 2023/24 cottonseed crush volume will impact cottonseed meal and oil production. Specifically, the cottonseed meal forecast is lowered from last month's estimate of 700,000 short tons to 620,000 short tons. Cottonseed oil production is reduced from 420 million pounds to 370 million pounds. Consequently, domestic meal and oil consumption is lowered this month.

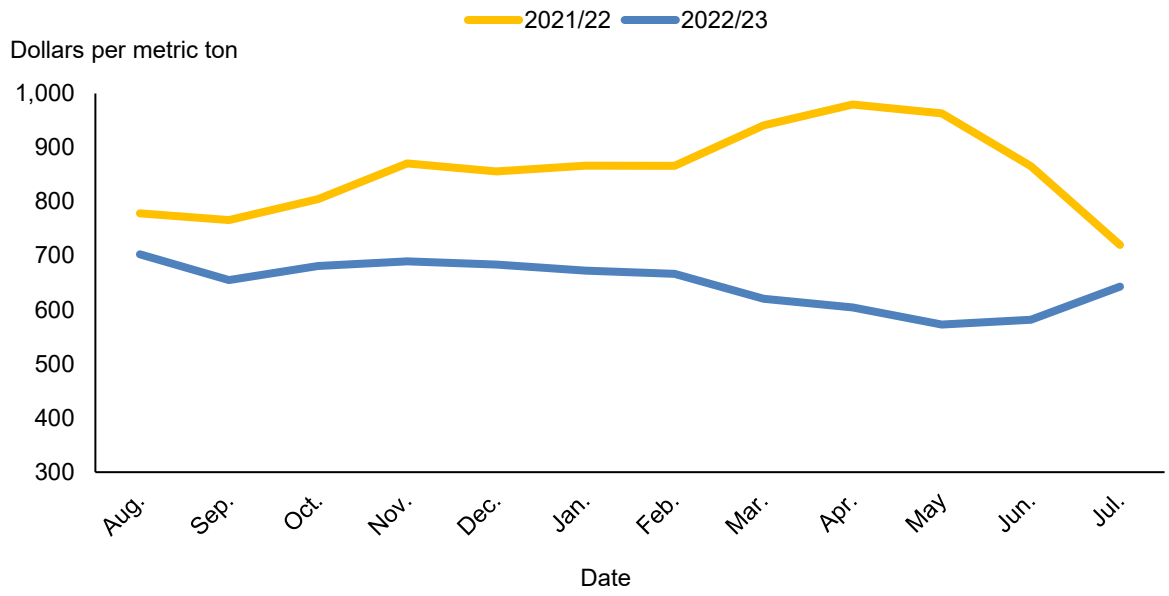
International Outlook

Dryness in Canada Impacts Canola Production

World rapeseed production for marketing year (MY) 2023/24 is projected at 86.1 million metric tons this month, 1.35 million metric tons lower than the previous forecast due to lower-than-expected output in **Canada**, **Russia**, and **Uruguay**. This reduction is partially offset by higher rapeseed production in **Belarus** and **Ukraine**. Available exportable supply will continue to tighten, and global stocks are forecast to drop by about 0.7 million metric tons from the revised 2022/23 ending stocks of 6.8 million metric tons. Consequently, global rapeseed imports are forecast at 16.3 million metric tons this month, 0.6 million metric tons lower than the previous forecast and 3.2 million metric tons lower than MY 2022/23. Projected 2023/24 rapeseed imports by each of the world's leading rapeseed importing countries, including **China**, **Mexico**, **United Arab Emirates** (**UAE**), the **United Kingdom** (**U.K.**), and **Bangladesh**, have been cut back.

Canada's canola production forecast for 2023/24 was reduced to 19.0 million metric tons from 20.3 million metric tons on lower yields in the major producing Provinces of Saskatchewan and Alberta. Summer drought and high temperatures are sharply reducing canola yields in western Canada. Rainfall improved in late July, but the rain was too late to undo damage to the mostly mature crop. The canola yields are forecast at 2.16 tons per hectare, down 6 percent from last month and down 2 percent from last year. Central and Southern Saskatchewan accounts for more than half of the country's canola area. Between April and July, precipitation for the regions was less than 60 percent of its usual level and the second-lowest level in recent history. As of July 24, 35 percent of Saskatchewan's canola was rated in good-to-excellent condition. Similarly, growing conditions in Alberta have been threatened by dry and hot weather. The effects of the drought are reflected in the canola seed price movement. Specifically, in the last 3 months, Vancouver's canola seed prices have rallied from $573.00 to $643.00 per ton (figure 3).

Figure 3
Rapeseed export prices, Vancouver, Canada



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

As a result of higher prices and tighter supplies, **Canada's** rapeseed export forecast for MY 2023/24 is reduced by 0.5 million metric tons to 8.4 million metric tons for 2023/24. Notably, 2022/23 canola exports were reduced by 1.1 million metric tons to 7.5 million metric tons on lower-than-expected shipments. Canola crush for 2023/24 is projected at 10.2 million metric tons, down 0.1 million metric tons from last month's forecast. **Canada's** ending stocks are expected to decline from 1.2 million metric tons in 2022/23 to 1.0 million metric tons.

Global Sunflowerseed Production and Crush Recover

The MY 2023/24 global sunflowerseed production forecast is raised this month by 1.1 million metric tons to 55.8 million metric tons. Higher production in **Ukraine** and **Russia** more than offset the lower sunflowerseed crops in the **European Union** (**EU**), **Kazakhstan**, **Turkey**, and **China**. Combined with the carryover stocks from 2022/23 (which are estimated at 5.6 million metric tons) and the imports forecast of 3.4 million metric tons, the global sunflowerseed supply for 2023/24 is estimated at 64.9 million metric tons, marginally higher than previous year. Furthermore, global sunflowerseed crush is forecast at a record of 51.0 million metric tons, up 0.7 million metric tons from last month and 1.6 million metric tons higher than last year's crush. Global sunflowerseed ending stocks are raised this month by 0.6 million metric tons to 5.2 million metric tons.

The sunflowerseed output in **Ukraine** is revised up by 1.1 million metric tons and is expected to reach 13.5 million metric tons on higher yields. The yields are forecast this month at 2.25 tons per hectare, nearly 9 percent higher than last month's forecast and 5 percent higher than the yield in 2022/23. This season's growing conditions are favorable in most of **Ukraine's** major producing oblasts. As a result of the higher sunflowerseed supply, the sunflowerseed crush and ending stocks are expected to increase in **Ukraine**. The 2023/24 sunflowerseed crush in **Ukraine** is raised this month by 0.6 million metric tons to 12.7 million metric tons. With higher supplies of sunflowerseed oil and sunflowerseed meal, the sunflowerseed oil and meal exports are raised this month by 0.20 million metric tons and 0.25 million metric tons, respectively.

Russia's sunflowerseed production forecast is raised this month by 1.0 million metric tons to 17.5 million metric tons on higher yield. The yield now stands at 1.84 tons per hectare, up 6 percent from last month's forecast and 3 percent higher than last year's yield estimate. Crop conditions remained relatively stable throughout July with most oblasts experiencing above average crop conditions. Widespread showers and cool temperatures sustained good-to-excellent conditions for the reproductive stage of sunflowerseed crops in the western oblasts of **Russia**. August is a critical month for sunflowerseed formulation, especially in **Russia's** northern oblasts.

With higher domestic supply, **Russia's** MY 2023/24 sunflowerseed crush forecast is raised this month by 0.6 million metric tons to a record of 16.0 million metric tons. Consequently, sunflowerseed oil production is increased by 0.2 million metric tons to 6.6 million metric tons this month. With higher sunflowerseed oil supply, both the sunflowerseed oil exports forecast and ending stocks are raised this month by 0.1 million metric tons and 0.3 million metric tons, respectively.

In contrast to **Ukraine** and **Russia**, unfavorable growing conditions are expected to reduce sunflowerseed output in the **EU** for MY 2023/24. The **EU's** sunflowerseed production is reduced this month by 0.7 million metric tons to 10.9 million metric tons on lower harvested acreage and yield. Lower harvested area and dry conditions couple with record setting heat led to lowered output for **Spain**, **France**, and **Romania**. The **EU's** sunflowerseed yield forecast is revised down this month by 2 percent and stands at 2.17 metric tons per hectare compared with last year's yield of 1.85 metric tons per hectare. With the lower supply, **EU's** sunflowerseed crush forecast is cut to 10.0 million metric tons this month from 10.4 million metric tons last month. Furthermore, the sunflowerseed ending stocks in the **EU** are reduced this month by 0.2 million metric tons to 0.4 million metric tons. The reduced supply of sunflower oil and sunflower meal is offset partially by higher imports.

Suggested Citation

Aaron M. Ates and Maria Bukowski, *Oil Crops Outlook: August 2023*, OCS-23h, U.S. Department of Agriculture, Economic Research Service, August 15, 2023.