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Oil Crops Outlook: October 2022

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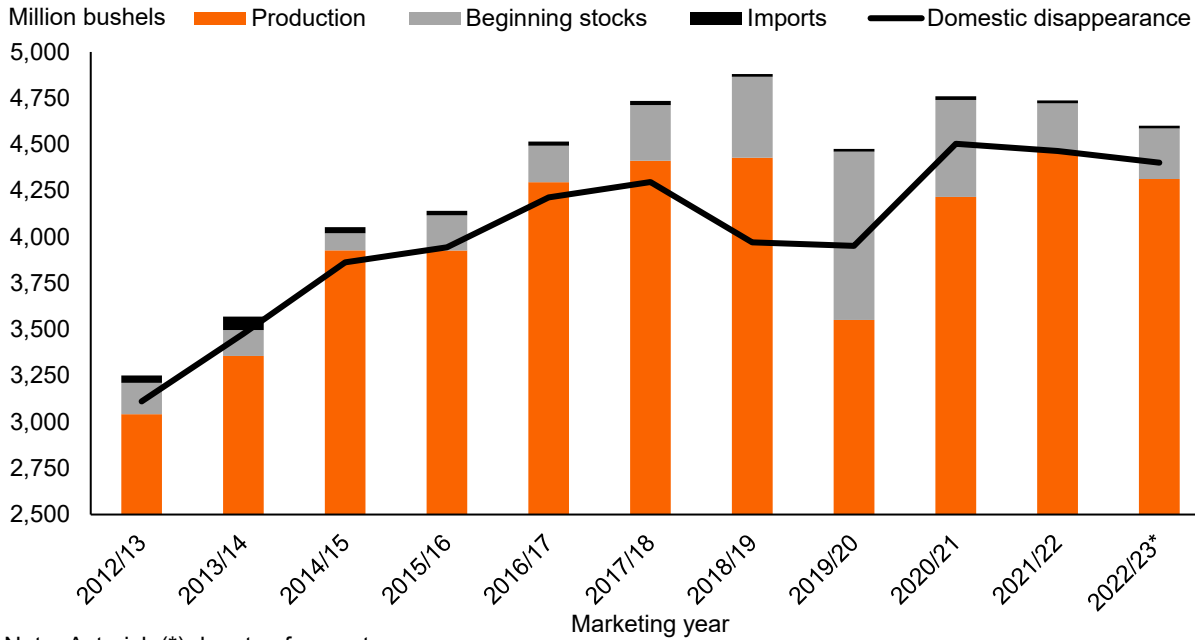
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2022/23 U.S. Soybean Production Reduced on Lower Yields

This month, USDA, National Agricultural Statistics Service (NASS) lowered the 2022/23 national average soybean yield from the previous forecast of 50.5 to 49.8 bushels per acre in its *Crop Production* report, lowering the 2022/23 U.S. soybean production forecast. This is partially offset by the increased beginning stocks reported by USDA, NASS in the September *Grain Stocks* report, lowering total soybean supply. Despite the reduction in supply, soybean crush is increased this month with high product demand and favorable crush margins. Soybean exports are reduced on lower supplies and increased global competition, particularly with South America.

Figure 1

Historical 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*, October 2022.

Domestic Outlook

Soybean Yields Increased for 2021/22 and Lowered for 2022/23

USDA, National Agricultural Statistics Service (NASS) revised the 2021/22 soybean acreage and production estimates in their September 30 *Grain Stocks* report. Raised by just over 30 million bushels from the previous estimate to 4.5 billion bushels, the revised soybean production estimate is the product of a slightly higher soybean yield estimate of 51.7 bushels per acre and a slightly lower harvested area estimate of 86.3 million acres. Higher acreage and yields in Illinois, Iowa, Nebraska, and Kansas contribute to the increased production. As of September 1, soybean inventory totaled 274 million bushels, 14 percent higher than anticipated last month and 17 million bushels higher than the stocks on September 1, 2021.

This month, USDA, NASS lowered the 2022/23 national average soybean yield from the previous forecast of 50.5 to 49.8 bushels per acre in its *Crop Production* report. Slight reductions in Indiana, Iowa, Kansas, and Nebraska soybean yields contribute to the decrease. This is represented in the 2022/23 U.S. soybean production forecast, which is 65 million bushels lower than last month at 4.3 billion bushels. Harvest of the 2022/23 U.S. soybean crop is underway, with 44 percent of the crop harvested as of October 9, 2022, up from the prior 5-year average of 38 percent. Crop conditions are similar to this time last month with 57 percent rated as good-to-excellent, just 2 percentage points below conditions this time last year. In conjunction with the increased beginning stocks, the net result of these changes contributes to a decrease in 2022/23 soybean supply to 4.6 billion bushels. Increased global soybean competition, particularly with South America, places downward pressure on the season average price forecast to \$14.00 per bushel.

Major South American soybean producing countries are expected to capture a larger share of the 2022/23 global soybean export market. As a result, the U.S. soybean export forecast is lowered by 40 million bushels from last month's forecast to just over 2 billion bushels. Consequently, processors are expected to increase crush volumes in 2022/23, now forecast to reach 2.24 billion bushels, and meet strong by-product demand. The 0.25-million-short-ton boost in soybean meal production, that now sits at 52.6 million short tons, is expected to satisfy the projected 1.7 percent annual growth rate in 2022/23 domestic soybean meal disappearance—aligning with 2021/22 revisions. The 120-million-pound projected increase in

soybean oil production is mostly offset by lower beginning stocks, ultimately raising ending stocks by 20 million pounds this month.

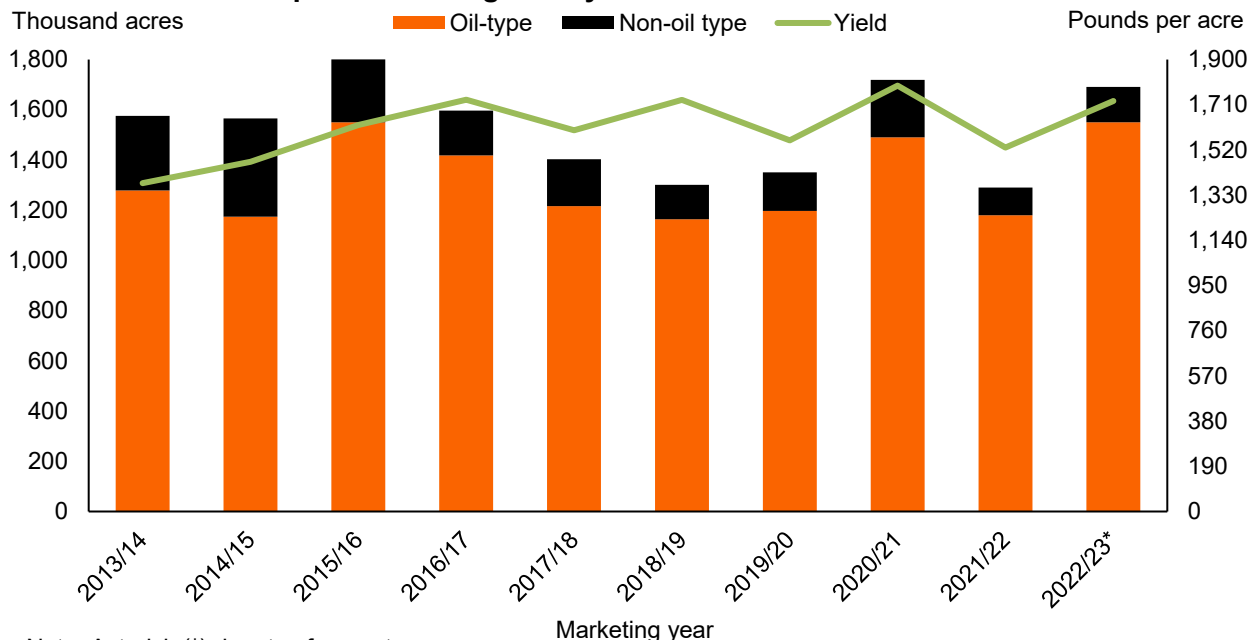
Projected Recovery in Sunflower and Canola Production

USDA, NASS reports 2022/23 sunflowerseed production to be 2.91 billion pounds, 53 percent higher than 2021/22 production. The recovery in U.S. sunflowerseed production is pivotal given the poor performance of last year's crop.

Contrary to last year, North Dakota and South Dakota have experienced favorable weather conditions in recent months. Because these States have historically accounted for nearly 75 percent of domestic sunflowerseed production, weather conditions in this region significantly impact total supply. Such conditions have contributed to a larger portion of the 2022/23 sunflowerseed crop rated as good-to-excellent relative to 2021/22. As of October 9, 61 percent of the 2022/23 North Dakota sunflowerseed crop is rated as good-to-excellent, 39 percentage points higher than this time last year. Sown sunflowerseed acreage increased close to levels recorded in 2020/21 at nearly 1.7 million acres. Average U.S. sunflowerseed yields are forecasted to reach 1,782 pounds per acre in 2022/23, 253 pounds per acre higher than in 2021/22. According to the USDA, NASS October 9, 2022, *Crop Progress* report, 9 percent of sunflowerseed crops have been harvested.

Figure 2

U.S. sunflowerseed planted acreage and yield



Note: Asterisk (*) denotes forecast.

Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service, *Crop Production*, October 2022.

In the most recent USDA, NASS *Grain Stocks* report, September 1 sunflowerseed stocks are reported at 295 million pounds—down 25 percent from the prior year—with oil type sunflowerseed stocks accounting for 76 percent. Despite a lower carryin relative to last year, higher yields boost overall supply up 889 million pounds from last year to 3.6 billion pounds. As a result, sunflowerseed exports are expected to increase in 2022/23 to levels seen prior to the 2021 drought at 120 million pounds. Ending stocks are forecast to reach 369 million pounds.

Results from the first survey-based canola production forecast for the 2022/23 marketing year are also included in the most recent USDA, NASS *Crop Production* report. This report forecasts a 60,000-acre increase in sown area, totaling 2.2 million acres, and a 524-pound-per-acre increase in yield to 1,826 pounds per acre compared with last year. Following the 2021 drought that plagued canola (and sunflowerseed) crops, a record crop is forecast in 2022/23—just shy of 4 billion pounds. Significant increases in Minnesota, North Dakota, and Washington canola yields contribute to the higher projected output.

Much like the United States, Canada’s 2021/22 canola crop was hampered by last year’s drought and is expected to recover this year. Consequently, global supply of canola is projected to increase, improving trade prospects. This is seen in U.S. import volumes, which are more than double from June–September 2022 compared with this time last year. Combining an

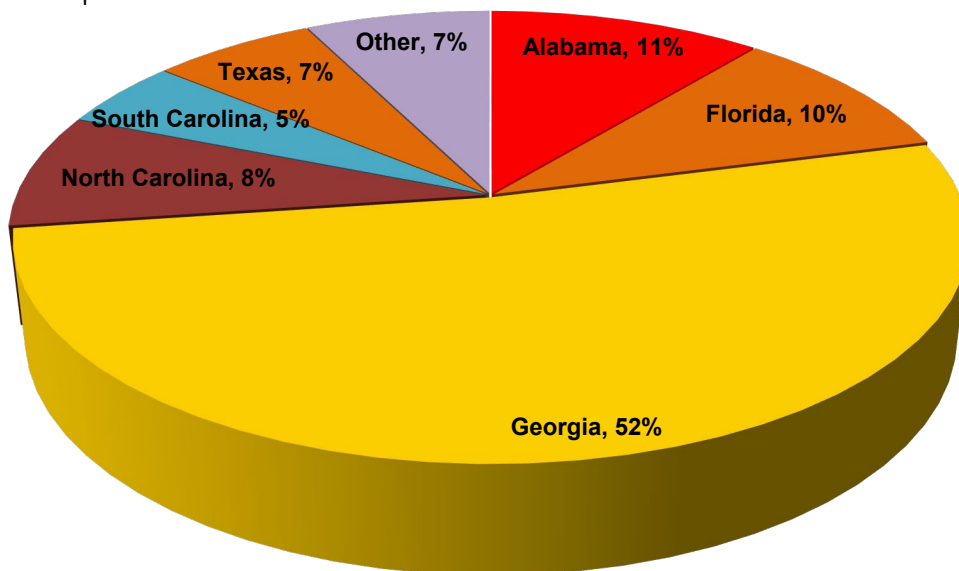
expected 42-percent annual growth rate in U.S. canola imports to over 1.5 billion pounds with higher production, total U.S. canola supply for 2022/23 is expected to eclipse 5.7 billion pounds. With a higher supply of canola, the United States is expected to ramp up canola crush and export volumes to 4.7 and 0.4 billion pounds, respectively.

Lower Yields Reduce Peanut Production

As outlined in the *Crop Production* report, the 2022/23 peanut yield forecast was lowered to 4,090 pounds per acre from 4,145. Lower peanut yields in Georgia, North Carolina, Oklahoma and Texas are partially offset by higher yields in Alabama and South Carolina. On an unchanged harvested acreage forecast of 1.4 million acres, the production forecast decreased to 5.8 billion pounds. Georgia is the top peanut producing State in the United States, followed by Alabama and Florida. Combined, these states account for 74 percent of peanut production.

Figure 3
2022/23 U.S. peanut production by States

Total = 5.77 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*, October 2022.

On October 9, 2022, 63 percent of United States peanut acreage was rated in good-to-excellent condition, 2 percentage points below last week, with 43 percent of the crop harvested.

According to USDA, NASS, Hurricane Ian made a second landfall on Friday, September 30 near Georgetown, South Carolina. The resulting rainfall caused flooding in parts of South

Carolina and North Carolina. Although the USDA, NASS survey work extended beyond the initial landfall, the full impact of the storm may not be reflected until future reports.

International Outlook

Larger Beginning Stocks, Better Outlook for Brazilian Production May Bring Recovery in Global Soybean Stocks

Towards the end of the 2021/22 marketing year, a lower use of soybeans in Argentina and higher crop in Brazil boosted this month's estimate of global beginning stocks for 2022/23 to 92.4 million metric tons. Combined with global production gains that are only partly offset with higher use, 2022/23 ending stocks are raised by 1.6 million metric tons to 100.5 million.

Soybean production in Brazil is revised up 3 million metric tons on higher area and is expected to reach 152 million metric tons. Area is expected to increase by 3 percent, supported by record high soybean prices in major growing regions. Planting is just getting underway, with less than 5 percent reported as being planted through September 30. Planting in Paraná, Mato Grosso, Mato Grosso do Sul, and Goiás is ahead of the 5-year average. Global soybean production is projected to reach a record 391 million metric tons, up by 35 million from last year.

Global soybean exports are predicted at 169 million metric tons for 2022/23, up 1 million metric ton from last month. Argentina's soybean export forecast is raised this month by 2.3 million metric tons on a temporary government policy. On September 4, 2022, Argentina's Government announced a special exchange rate for the country's soybean producers in a bid to incentivize exports through September. Soybean exporters benefited from advantageous exchange rates of 200 pesos per dollar, more lucrative than the official rate of 139 pesos per dollar, not including taxes. It is reported farmers sold 12–14 million metric tons of soybeans during this time. In addition to this, Brazil's soybean export forecast is revised up this month by 0.5 million tons on higher supply. In contrast, Paraguay's soybean export forecast is reduced this month by 0.75 million metric tons as domestic crush is expected to recover from this year's low.

As a result of higher global soybean supply, the 2022/23 global soybean crush forecast is raised this month by 2.4 million metric tons to 329.4 million. Soybean crush in China is raised by 1 million metric tons to 96 million, as domestic meal demand is expected to recover from a lower level in 2021/22. Soybean crush in Brazil is also revised up for both 2021/22 and 2022/23 by 0.75 and 1 million metric tons, respectively, driven by good meal demand. Similarly, crush in Paraguay is raised by 0.45 million metric tons to 3.7 million for 2022/23.

Soybean meal consumption estimates for 2022/23 are revised up in China, Brazil, Egypt, Bangladesh, and some other small countries, leading to a 1.26-million-metric-ton increase of

total global soybean meal demand. The domestic soybean meal consumption in the European Union (EU) is tempered this month by 0.15 million metric tons on higher supply of rapeseed meal. Likewise, domestic consumption of soybean meal is reduced for Pakistan and Mexico.

Similarly, global soybean oil consumption is projected to increase further and is expected to reach 60.48 million metric tons, which is 0.29 million tons higher than last month's forecast. This month, the upwards revision in domestic soybean oil consumption was made in Brazil, China, and Iran. At the same time, the consumption of soybean oil is reduced in India by 0.17 million metric tons, as India is expecting to import more palm oil. Palm oil prices are currently at a big discount to soybean oil, and India palm oil imports are raised by 0.23 million metric tons to 8.53 million.

World Rapeseed Crush To Rebound Due to Higher Supply

Global rapeseed production for 2022/23 is forecast at 83.80 million metric tons, up from 83.14 million last month. Larger crops in the EU and United States this month offset a slight decrease for Canada.

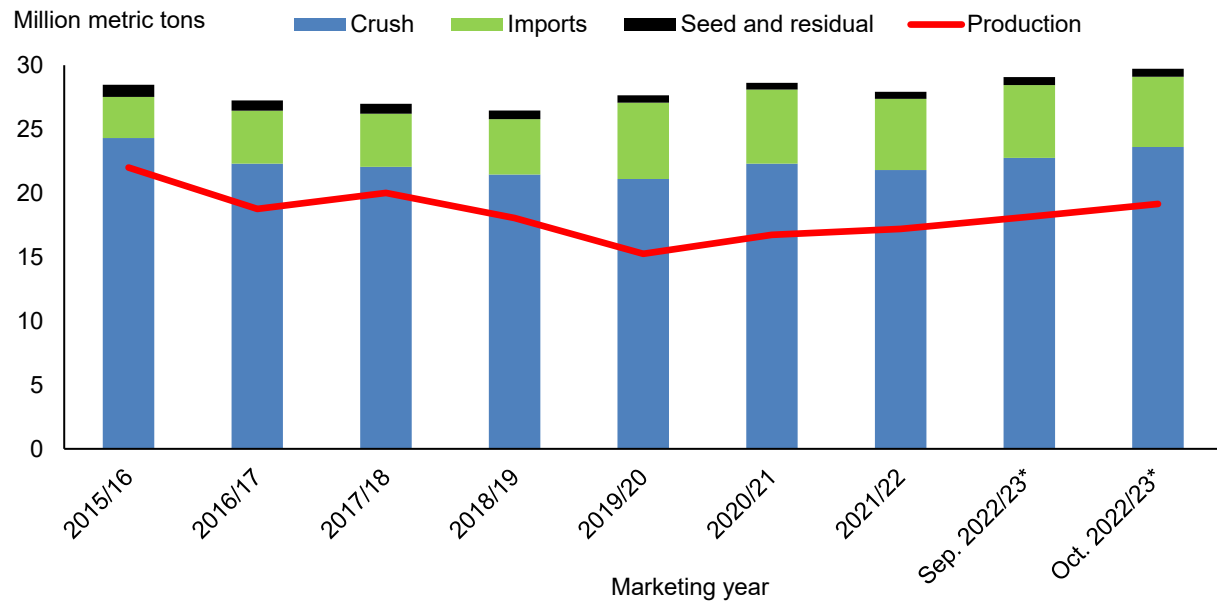
For Canada, the 2022/23 rapeseed production forecast is reduced this month by 0.5 million metric tons to 19.5 million on lower yields. In the major producing province of Saskatchewan, harvest progress reached 66 percent by the end of September. As a result of lower supply, the export forecast is reduced by 0.5 million metric tons this month to 8 million. China, one of the major importers of rapeseed, is expected to import 2.3 million metric tons which is down 0.5 million tons from last month, resulting in lower rapeseed crush. This is more than offset by higher soybean crush.

The EU rapeseed production forecast for 2022/23 is revised up 1 million metric tons this month to 19.2 million. Higher harvested area and yields are the main factors behind this month's revision. France, Germany, and Poland are the main countries where rapeseed production is higher than expected.

A higher EU rapeseed supply leads to an expected increase in 2022/23 crush this month by 0.83 million metric tons to 23.6 million. As a result, global rapeseed crush is projected to rebound from last year to 77.1 million metric tons, 0.4 million higher this month.

Figure 4

European Union rapeseed 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*, October 2022.

Driven by an upward revision in the global rapeseed crush, global rapeseed oil production for 2022/23 is up by 0.2 million metric tons to 31.5 million, nearly 8.5 percent higher than the previous year. With higher rapeseed oil production, global rapeseed oil consumption is expected to increase in 2022/23 to 30.7 million tons, more than 4 percent above the 2021/22 level. Season ending rapeseed oil stocks are almost unchanged this month at 3.4 million metric tons.

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