



Oil Crops Outlook: June 2023

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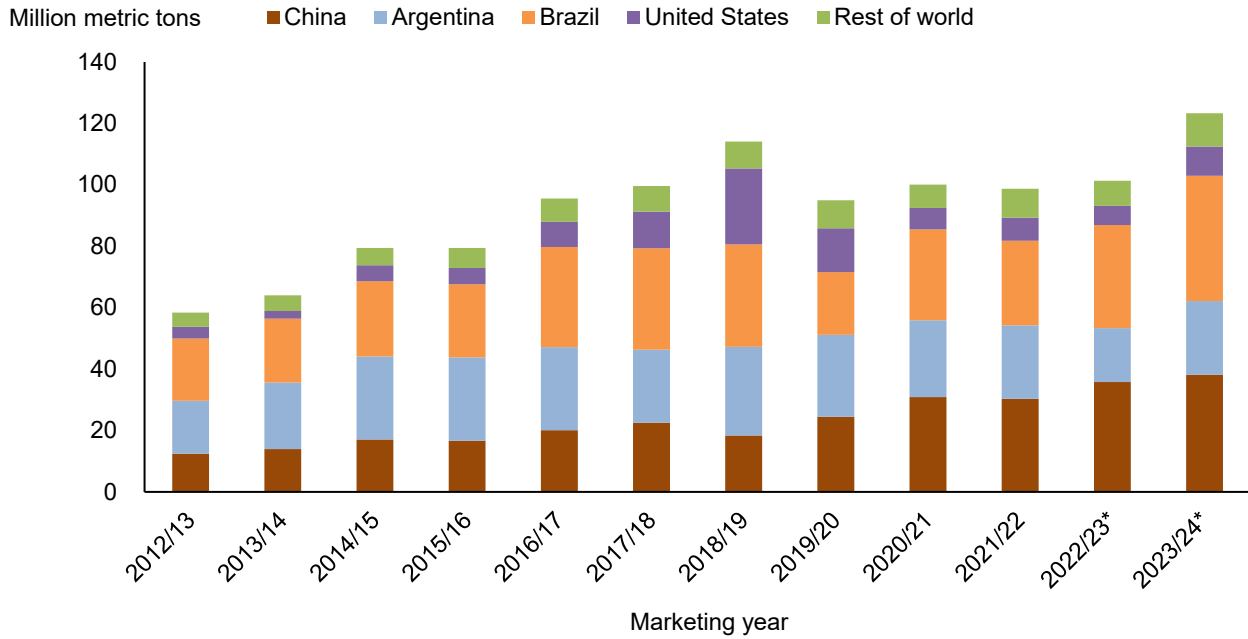
2023/24 U.S. Soybean Ending Stocks Projected Higher

A higher carryover raised the 2023/24 U.S. soybean ending stocks forecast by 15 million bushels to 350 million bushels. The increase in expected carryover stocks is due to a reduced 2022/23 soybean export forecast from 2.015 billion bushels to 2.0 billion bushels on strong foreign competition. Despite an unchanged soybean crush volume this month, the higher extraction rates increased U.S. soybean meal supply. With higher supply and lower domestic demand, soybean meal exports for the 2022/23 marketing year (MY) are increased this month by 0.2 million short tons to 14.0 million short tons.

The 2023/24 global soybean ending stocks are estimated higher this month at 123.3 million metric tons on increased carryover from 2022/23 and reduced crush in Argentina (figure 1). Higher beginning stocks reflect a revision for Argentina's and Brazil's 2022/23 soybean production and crush. A larger harvested area raised Brazil's 2022/23 soybean production estimate this month from 155.0 million metric tons to 156.0 million metric tons. Supported by a larger harvest, Brazil's soybean crush for MY 2022/23 is raised to 53.5 million metric tons. In contrast, Argentina's lower soybean crop of 25.0 million metric tons may reduce Argentina's soybean crush by another 1.5 million metric tons to a 19-year low of 30.0 million metric tons. Reduced supply of soybean meal from Argentina is partially offset by higher soybean meal exports from Brazil, the United States, and India, along with higher global supply of rapeseed meal.

Figure 1

Global soybean ending stocks



Note: Asterisk (*) denotes forecast.

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

Domestic Outlook

Outlook for 2023/24 U.S. Soybean Crop

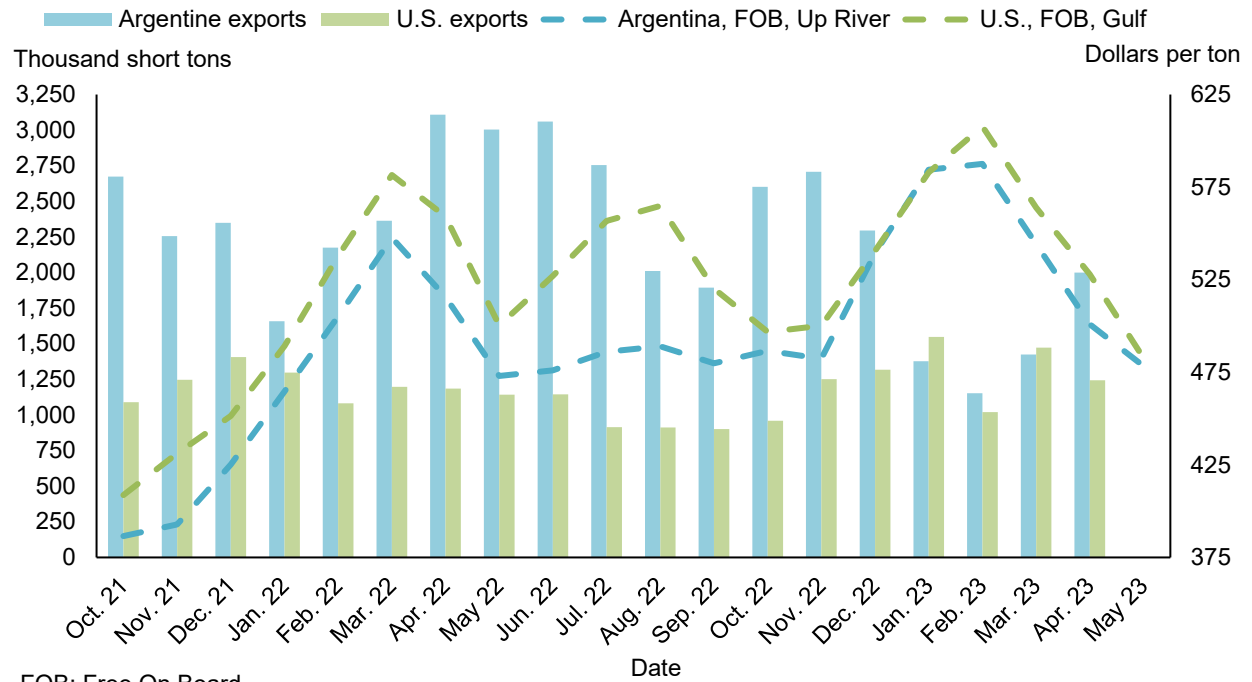
Planting progress for the 2023/24 U.S. soybean crop is off to a fast start. To provide perspective, an estimated 91 percent of this year's crop was planted as of June 4, which is 15 percentage points higher than the 5-year average, and 74 percent emerged. Although favorable weather conditions have proven beneficial thus far, the coming months will be pivotal for crop development. The latest crop conditions estimate indicates 61 percent of the crop is rated as good-to-excellent and 31 percent is rated as fair.

Although the production estimate remains unchanged from last month at 4.5 billion bushels, total soybean supply for 2023/24 is forecast up by 15 million bushels to 4.8 billion bushels on higher beginning stocks. U.S. soybean shipments were lower-than-expected for May as competition with South America continues to strengthen. Consequently, this month's 15-million-bushel reduction to the 2022/23 U.S. soybean export forecast, now at 2 billion bushels, is reflected in 2023/24 beginning stocks. In conjunction with no changes to use, the 2023/24 ending stocks forecast is raised from 335 million bushels to 350 million bushels. The season average price received by U.S. farmers remains unchanged from last month at \$12.10 per bushel.

During the second half of the October–September marketing year, the premium for U.S. soybean and soybean product prices typically increases relative to South American competitors. This is due to the differences in harvest periods and the available supplies. However, this year's drought in Argentina has resulted in a deviation from the norm that looks to benefit the U.S. soybean meal export program. In fact, the average U.S. soybean meal free on board (FOB) price was only \$4.00 per metric ton higher in May than Argentina's FOB prices. For context, the May price differential was close to \$30.00 per metric ton the past few years (figure 2), favoring Argentina, one of the main U.S. competitors in the global market. With healthy soybean meal exports in April (when U.S. soybean meal FOB prices averaged \$27.00 per metric ton above Argentina's prices) and stronger than anticipated commitments, the 2022/23 soybean meal forecast is raised by 0.2 million short tons to 14.0 million short tons. A slight bump in the soybean meal extraction rate and weakening domestic disappearance are offsetting, leaving ending stocks unchanged at 0.35 million short tons. The 2022/23 season average soybean meal price forecast is lowered to \$445.00 per short ton from \$455.00 per short ton in response to falling prices.

Figure 2

U.S. and Argentine soybean meal exports and prices



FOB: Free On Board

Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, Global Agricultural Trade System; Trade Data Monitor; and International Grains Council.

International Outlook

Global Rapeseed Production and Crush to Expand in 2023/24

Global rapeseed production in 2023/24 is expected at 87.2 million metric tons, up 0.2 million metric tons this month based on higher crop estimates for the European Union (EU) and Ukraine, although the rapeseed crop forecast Australia has been reduced. Increased crush volume in 2022/23 results in marginally lower 2023/24 beginning stocks, which are still 2.0 million metric tons higher than prior year stock levels. Global rapeseed trade is forecast at 17.7 million metric tons for 2023/24, down 0.5 million metric tons from last month and down 2.0 million metric tons year-over-year on lower exports from Australia and higher production in major importing countries. The EU's rapeseed imports are reduced this month by 0.5 million metric tons to 5.1 million metric tons on higher domestic supply. Global rapeseed crush for MY 2023/24 is forecast at 81.1 million metric tons, marginally higher than last month's forecast and 0.3 million metric tons higher than the revised 2022/23 rapeseed crush forecast. Notably, 2022/23 global rapeseed crush is raised this month by 0.9 million metric tons to 80.8 million metric tons on higher crush in China, the EU, and India. With a record global rapeseed crush in 2022/23, the increase in global rapeseed meal production is likely to help offset the soybean meal supply losses from Argentina. The global 2023/24 rapeseed ending stocks forecast remains unchanged this month at 6.9 million metric tons, 0.7 million metric tons higher than last marketing year.

The EU's rapeseed production is projected at 21.0 million metric tons, 0.5 million metric tons higher than last month's forecast on higher yields. Rapeseed yields are raised this month 2 percent to 3.46 tons per hectare. The good growing conditions in the EU this season, especially in France and Romania, have contributed to a higher yield projection. The EU's higher rapeseed output for 2023/24 is expected to reduce 2023/24 imports to 5.1 million metric tons, down from 6.9 million metric tons in 2022/23. Furthermore, higher supply is expected to support the EU's rapeseed crush at 24.6 million metric tons for MY 2023/24, up marginally from last month and up 0.4 million metric tons from 2022/23. With the EU's forecasted increase in rapeseed crush, the production of rapeseed meal and rapeseed oil is projected to increase to nearly 14.0 million metric tons and 10.3 million metric tons, respectively. In the new marketing year, the EU is expected to continue to rely more on the domestic supply of rapeseed meal and oil and less on imported sources.

Record-High Soybean Production in Brazil Helps Balance Poor Soybean Harvest in Argentina

Global soybean production for MY 2023/24 is projected at 410.7 million metric tons, marginally higher than last month on a slightly higher crop in the EU. In contrast, the global soybean production forecast for 2022/23 is reduced by 0.8 million metric tons to 369.6 million metric tons on a lower crop estimate for Argentina, which is partially offset by increased production in Brazil. Consequently, global soybean crush for MY's 2022/23 and 2023/24 is reduced. For MY 2023/24, the global soybean trade forecast is unchanged this month and ending stocks are projected to increase to 123.3 million metric tons, up 0.8 million metric tons from last month and 22.0 million metric tons above the MY 2022/23 estimate of 101.3 million metric tons.

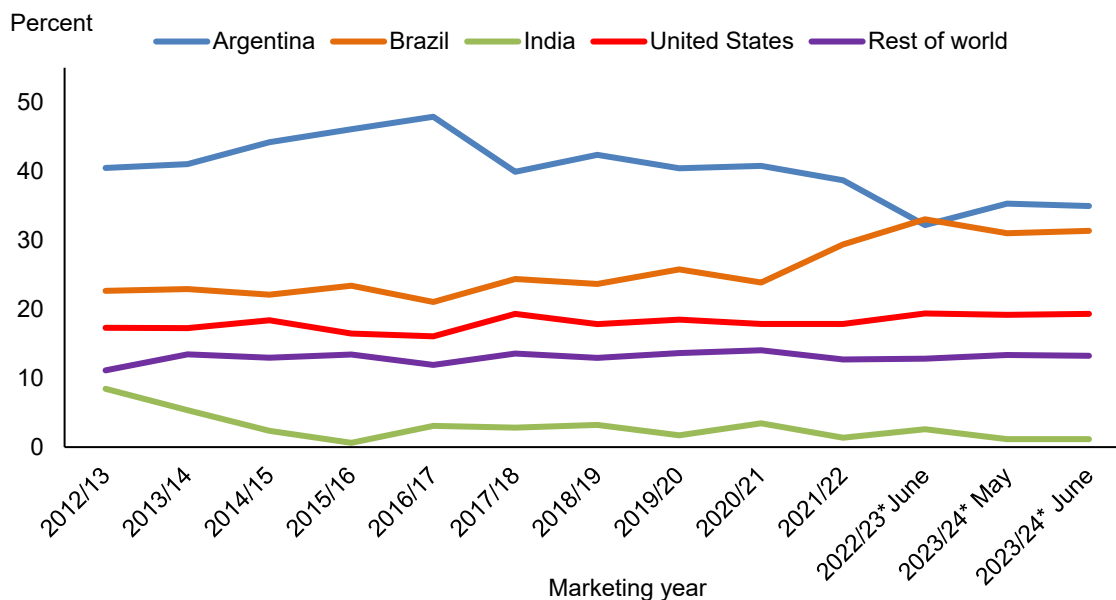
Argentina's soybean producers are approaching the end of a very difficult crop season. As of May 24, 2023, more than 80 percent of soybean area was harvested and the yields were below expectations. The 2022/23 soybean production is lowered 2.0 million metric tons this month to 25.0 million metric tons. The reduced crop is partially compensated by a higher forecast for soybean imports, which were increased by 0.4 million metric tons to 8.7 million metric tons. In addition, Argentina's soybean exports are raised this month by 0.5 million metric tons to 3.8 million metric tons due to strong shipments in May. Reduced soybean supplies may lower Argentina's soybean crush for MY 2022/23 by another 1.5 million metric tons to a 19-year low of 30.0 million metric tons. Ending stocks are expected to drop by October 2023 to a historically low level of 17.6 million metric tons. Low soybean stocks are likely to impact Argentina's soybean crush in MY 2023/24 that is lowered this month by 0.5 million metric tons to 36 million metric tons. As a result of lower soybean crush, soybean meal and soybean oil production, as well as the export forecast is reduced for MY 2023/24.

Despite a reduction in the 2023/24 soybean meal export forecast that stands at 24.3 million metric tons this month, Argentina is expected to regain a portion of the market share lost in 2022/23. In fact, Argentina is expected to contribute nearly 35 percent to global soybean meal trade in 2023/24 compared with only 32 percent in 2022/23 but below the 5-year average of 40 percent (figure 3).

Argentina's soybean meal export forecast for MY 2022/23 is further reduced to 21.1 million metric tons from 22.2 million metric tons last month. This reduction is partially offset by higher soybean exports from Brazil, India, and the United States. Brazil's share in the global soybean meal trade is estimated to increase in MY 2022/23 from 29 percent in the previous year to 33

percent and it is expected to remain above 31 percent in 2023/24 MY. Similarly, the United States' soybean meal export share is projected to exceed 19 percent in both marketing years.

Figure 3
Global soybean meal market share evolution



Note: Asterisk (*) denotes forecast.

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

Argentina's soybean oil exports for MY 2023/24 are projected at 4.5 million metric tons, 0.1 million metric tons lower than last month's forecast but 0.8 million metric tons higher than MY 2022/23. In addition, Argentina's soybean oil exports for MY 2022/23 are reduced this month by 0.2 million metric tons to 3.75 million metric tons and they are partially offset by higher exports from Brazil. Additionally, soybean oil imports from the EU are reduced this month due to sufficient domestic supply of rapeseed oil.

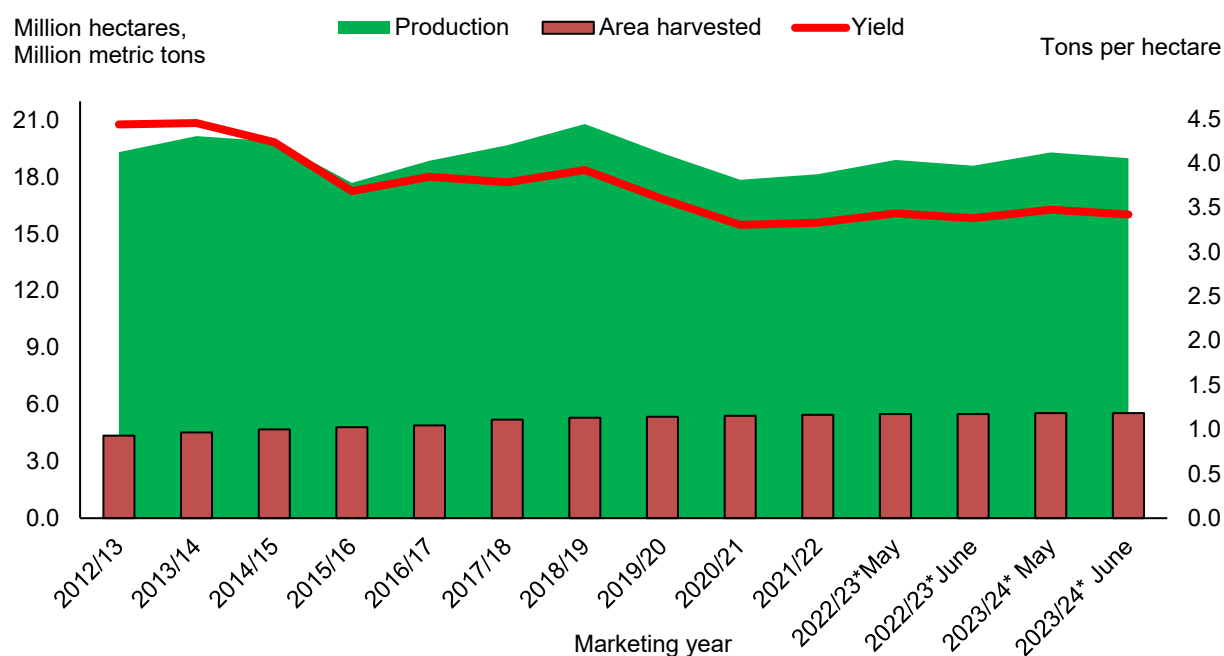
For Brazil, the 2023/24 soybean production and demand estimates are unchanged this month. The beginning stocks and ending stocks are higher on revised soybean production for MY 2022/23. The 2022/23 soybean production estimate is raised this month by 1.0 million metric tons to 156.0 million metric tons on higher harvested area. The harvested acreage is raised this month by 0.2 million hectares to 43.9 million hectares on the reports from Brazil's local State agencies. Backed by a larger harvest, Brazil's soybean imports for MY 2022/23 are forecast down 0.25 million metric tons this month to 0.25 million metric tons. Furthermore, Brazil's soybean crush is raised this month by 0.25 million metric tons to a record of 53.5 million metric tons as Brazil's soy products export programs benefit from Argentina's lower supply. The

soybean stocks at the end of September 2023 are estimated at 33.5 million metric tons, 0.5 million metric tons higher than last month's forecast and 6.0 million metric tons higher year-over-year. With a larger September soybean stocks carryover, Brazil is likely to have a soybean export program competing with the United States for market share in fall 2023.

Lower Outlook for Malaysian Palm Oil Production

USDA's forecast for Malaysia's palm oil production for MYs 2022/23 and 2023/24 is reduced this month by 0.4 million metric tons and 0.3 million metric tons, respectively, to 18.6 million metric tons and 19.0 million metric tons on lowered yield (figure 4). Palm oil yield is estimated at 3.38 tons per hectare for 2022/23 and it is down 2 percent from last month. Similarly, the palm oil yield forecast for 2023/24 is revised down almost 2 percent at 3.42 tons per hectare.

Figure 4
Malaysia's palm oil production



Note: Asterisk (*) denotes forecast.

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

Higher-than-normal levels of precipitation since December have affected harvest operations and logistics in March and April for Peninsular Malaysia. Reported by the Malaysian Palm Oil Board (MPOB), palm production for March and April 2023 totaled 2.5 million metric tons, down 14 percent from last year, its lowest level since 2012. In April, Malaysia's major palm producing States Johor, Pahang, and Perak—which account for a combined total of more than 40 percent of Malaysia's production—experienced a nearly 30-percent decline in year-over-year palm

production. According to MPOB, aggregate monthly crude palm oil output from October 2022 to April 2023 is 5 percent below the 5-year average.

As a result of the projected decrease in production, Malaysia's palm oil exports for MYs 2022/23 and 2023/24 are forecast to decline by 0.3 million metric tons and 0.2 million metric tons, respectively, to 16.0 million metric tons and 16.7 million metric tons. Furthermore, Malaysia's domestic palm consumption and stocks are expected to decline. Ending palm oil stocks for MY 2023/24 are projected at 2.3 million metric tons, down 0.15 million metric tons from last month and at a similar level to the ending stocks for MY 2022/23.

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