


# Oil Crops Outlook

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## **More Oilseed Price Declines Anticipated from Record 1999/2000 Supplies**

This month, USDA forecast a record 1999/2000 global oilseed production of 298.0 million metric tons, up 2 percent from 1998/99. Weaker prices will slow growth in 1999/2000 foreign oilseed production, which is projected up 0.6 percent to 208.4 million tons. Rapeseed accounts for much of the increase in foreign supplies. Most of the expected increase in world oilseed production is attributed to a rise in U.S. output, from 84.9 million tons to 89.7 million. Although two-thirds of the U.S. gain is associated with soybeans, larger acreages for cottonseed, sunflowerseed, and canola are also contributing.

Midwestern farmers normally strive to plant corn before the middle of May. Corn yields tend to decline for later plantings, as pollination gets delayed into a warmer and drier midsummer period, and the shorter maturity period reduces kernel filling. Above normal rainfall since early April had stalled planting progress throughout much of the Corn Belt. Yet, by May 9, 55 percent of U.S. corn had been planted, up from 21 percent just 1 week earlier, and compared to the average 52 percent for this date. Most of the major producing States still have surplus to adequate topsoil moisture, with corn planting progress still behind in Missouri, Kansas, and Nebraska.

If the wet pattern returns this month, 1999 soybean plantings could exceed the March intentions of 73.1 million acres. Further shifting into soybeans would be conditional on sufficient soil drying before mid-June, which would allow farmers to plant them until their practical cutoff date. As of May 9, just 12 percent of soybeans had been planted, a figure very close to the 5-year average of 11 percent. Assuming a trend yield of 40.0 bushels per acre on a harvested area of 72.0 million acres, 1999 soybean production would total 2,880 million bushels.

While the steep soybean pricedrop expected this year will limit U.S. farm returns, 1999/2000 domestic demand and exports should benefit. Cutbacks in foreign oilseed production next year will also aid U.S. soybean and product trade. Weak crush margins that have depressed crushings to an estimated 1,560 million bushels in 1998/99 should somewhat improve next season, prompting a record crush of 1,635 million bushels. USDA also projects record 1999/2000 U.S. soybean exports of 930 million bushels, up from the 1998/99 forecast of 770 million. Policy changes will shift the composition of China's imports next year toward more soybeans versus soybean meal and soybean oil.

Despite the robust increases in domestic crush and exports, total soybean supplies in 1999/2000 are expected to increase by 352 million bushels. Stocks carried over from 1998/99 would be a very large 430 million bushels, which in itself is enough to blunt potential price rallies this summer from the weather. Ending stocks for 1999/2000 would accumulate to 595 million bushels,

surpassing the 1985/86 record. This volume of U.S. stocks would comprise about 57 percent of the world total, compared with the current season forecast of 45 percent.

The soybean surplus will considerably depress 1999/2000 prices. Under similar circumstances in the past, the soybean loan rate would provide an effective floor for U.S. farm prices. The loan rate in 1985/86 was \$5.02 per bushel and the season average price was \$5.05, with the highest stocks-to-use ratio ever. But this situation no longer applies now that the soybean marketing loan allows the market to clear at a price below the loan rate, thus preventing the accumulation of Commodity Credit Corporation (CCC) stocks. Next year's U.S. soybean farm price is expected to average \$3.95-\$4.75 per bushel, down from \$5.05 this season. Nominal prices this fall could be the lowest since 1972. At this price range, farmers would be able to redeem loans at their posted county price. They would then receive the county loan rate (based on the \$5.26 national average), with loan deficiency payment rates likely nearing \$1.00 per bushel. Farm income support in the form of loan deficiency payments could reach \$2-\$3 billion in 1999/2000 on soybeans alone.

This season's plunge in soybean meal prices will likely bottom out in 1999/2000. However, bargain prices will hover near the 1998/99 average of \$135 per short ton, with the 1999/2000 average predicted at \$120-\$140. Firming meal prices and lower soybean prices will help normalize returns for U.S. crushers. World soybean meal imports should improve and U.S. exporters will be better positioned to take advantage. In particular, Brazil's crushing industry will suffer the most from the fallout of the Brazilian devaluation and ample Argentine processing capacity. U.S. soybean meal exports are forecast to rise from 6.8 million short tons in 1998/99 to 8.2 million. Although U.S. poultry producers will continue to benefit from cheap feed, hog producers are scaling back production. Growth in domestic soybean meal disappearance will moderate, increasing from the revised 1998/99 forecast of 30.0 million tons to 30.7 million next year.

A slightly lower oil extraction rate will moderate the increase in 1999/2000 soybean oil production, but output should still reach a record 18.4 billion pounds based on the high crush rate. New signs of accelerating Asian palm oil output and world rapeseed increases will temper global soybean oil trade. U.S. 1999/2000 exports are anticipated to reach 2,300 million pounds, down slightly from the revised 1998/99 forecast of 2,450 million. The relative strengthening of returns from soybean meal versus soybean oil means that carryout oil stocks will likely accumulate. Soybean crush driven more by the meal market will push 1999/2000 yearend oil stocks to 1,795 million pounds, up from 1,295 million this season.

USDA projects the 1999/2000 U.S. average soybean oil price at 18.0-21.0 cents per pound, compared to 21.0 cents in 1998/99. In the last 2 months, central Illinois soybean oil prices have greatly fluctuated between 18 cents and 19.75 cents per pound. Wet weather has been responsible for price movements in both directions. Price rallies have been linked to the Argentine harvest delays, while spring planting delays have boosted estimates of U.S. soybean acreage and potential oil supplies.

#### **Argentine Harvest Problems Lift World Vegetable Oil Prices**

Like last year, Argentina's soybean harvest has been hampered by very wet weather that began in March and has continued. By May 7, just 45 percent of

Argentine soybeans had been harvested. The delays compound the difficulties of second crop soybeans, which were hurt by a hot and dry period in mid-February. Additional damage from a hard frost in mid-April affected northern production areas. USDA reduced its forecast of 1999 Argentine soybean output to 18.5 million metric tons from 18.7 million last month. The problems recently boosted soybean oil prices, but a very brisk Argentine crush is still expected to lift 1998/99 soybean oil exports to 2.65 million tons. Argentine soybean meal exports, now forecast at 12.4 million tons, would gain at the expense of U.S. trade.

The heavy rains and frost that threatened Argentine soybean producers also afflicted other oilseed crops. Heavy damage to cotton fields cut Argentine cottonseed output by 22 percent this month to 430,000 tons. Flooded sunflower fields were abandoned and yields and seed quality were damaged by excess rain before harvest. Further damage is limited as the Argentine sunflowerseed harvest is nearly finished now. Although the Argentine sunflowerseed production estimate was reduced this month from 6.7 million tons to 6.5 million, it still represents a record crop. Demand for Argentine sunflowerseed will be very robust, particularly in Europe. Argentine 1998/99 exports, expected to total 835,000 tons, should almost double last year's volume.

As it did in Argentina, adverse late season weather also trimmed estimates of Paraguay's soybean production to 3.1 million tons. Better-than-average yields would still lead to a record crop, however. Bolivia's 1999 soybean crop was cut from 1.25 million tons to 1.1 million based on lower harvested area, although there are also reports excessive rain contributed to the reduction. Brazil's soybean harvest is virtually complete, with most of the remaining fields in the extreme south. Brazilian farm marketings are well above average, and current soybean export registrations are about double their record setting pace from a year ago. Soybean exports for 1998/99 were raised 150,000 tons to 9.65 million, offsetting downward revisions for Paraguayan and Bolivian exports.

World prices for coconut oil have also risen, with the Rotterdam price exceeding \$900 per ton, compared to the April 1998 average of \$618. Philippine copra production has fallen substantially because drought in early 1998 reduced the size of the coconuts. Precipitation has been above average since last October, but copra output is still depressed because of the lag in the harvest cycle. The country's two largest coconut oil producers (accounting for over half of the national output) have temporarily closed because of the supply shortage. Consequently, Philippine coconut oil exports have plunged and are expected down 46 percent for 1998/99. Similar supply tightness in Indonesia, the second-largest producing nation, cannot help the situation. The major importers (European Union and United States) are likely to shift to increasing supplies of palm kernel oil, coconut oil's chief substitute for lauric acid. U.S. 1998/99 imports of coconut oil were forecast down this month to 895 million pounds, compared to 1,440 million in 1997/98.

Rapeseed is India's second-largest oilseed, after peanuts. Harvested in February, rapeseed is the major domestic oil source prior to the peanut and soybean harvests in September. Most Indian rapeseed is produced in the northern and northeastern states. While yields this year have been normal in the leading rapeseed state of Rajasthan, less favorable weather in Uttar Pradesh, the second ranked state, has held down yields. India's 1999 rapeseed crop was forecast 0.3 million tons lower to 5.8 million, although it would

still be better than the 4.9-million-ton 1998 crop. Rapeseed crush would be reduced an equivalent amount, thus cutting rapeseed oil production. However, Indian imports of rapeseed oil appear less robust than earlier forecast, so soybean oil imports were predicted higher to 400,000 tons. Indian palm oil demand should also pick up soon as prices begin to ease.

The recent rally in vegetable oil prices may not be long-lived, however. Malaysian palm oil production surged 17 percent in March from a year earlier, and preliminary reports of April output are just as high. This heralds an upswing in the production cycle after drought in the last 2 years. Malaysian palm oil prices have dropped, although they are still at a premium to soybean oil. USDA raised its forecast of 1998/99 Malaysian output from 8.75 million tons to 8.9 million and exports from 7.4 million to 7.5 million.

Similarly, increasing tree maturity and more favorable weather in Indonesia prompted raising the 1998/99 palm oil production forecast from 5.5 million tons to 5.8 million. A more stable currency and political environment will also aid palm oil exports. Indonesian 1998/99 exports were forecast up to 2.7 million tons, 15 percent higher than the previous season. Traders anticipate a reduction in the 40-percent export tax on crude palm oil following the June 7 general election. Indonesia's Government has a commitment with the International Monetary Fund to reduce the tax to 10 percent by yearend.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Monday, June 14, 1999. The report may be accessed at <http://usda.mannlib.cornell.edu/> or via the ERS website at <http://www.econ.ag.gov>.

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**Table 1--Soybeans: U.S. supply and disappearance**

Year begin. Sept. 1	Supply				Disappearance				
	Beg. stocks	Im- ports	Produc- tion	Total	Crush	Ex- ports	Seed, feed, residual	Total	End. stocks
----- Million bushels -----									
1997/98	132	5	2,689	2,826	1,597	870	158	2,626	200
1998/99 2/	200	6	2,757	2,963	1,560	770	203	2,533	430
1999/00 2/	430	5	2,880	3,315	1,635	930	155	2,720	595

1/ Estimated. 2/ Forecast.

**Table 2--Soybean meal: U.S. supply and disappearance**

Year begin. Oct. 1	Supply				Disappearance			
	Beg. stocks	Im- ports	Produc- tion	Total	Domestic	Ex- ports	Total	End. stocks
-----1,000 short tons-----								
1997/98	210	56	38,171	38,437	28,889	9,330	38,219	218
1998/99 2/	218	50	36,807	37,075	30,000	6,800	36,800	275
1999/00 2/	275	50	38,825	39,150	30,700	8,200	38,900	250

1/ Estimated. 2/ Forecast.

**Table 3--Soybean oil: U.S. supply and disappearance**

Year begin. Oct. 1	Supply				Disappearance			
	Beg. stocks	Im- ports	Produc- tion	Total	Domestic	Ex- ports	Total	End. stocks
----- Million pounds-----								
1997/98	1,520	60	18,143	19,724	15,264	3,077	18,341	1,382
1998/99 2/	1,382	58	17,605	19,045	15,300	2,450	17,750	1,295
1999/00 2/	1,295	55	18,395	19,745	15,650	2,300	17,950	1,795

1/ Estimated. 2/ Forecast.

**Table 4--Cottonseed: U.S. supply and disappearance**

Year begin. Aug. 1	Supply				Disappearance				
	Beg. stocks	Im- ports	Produc- tion	Total	Crush	Ex- ports	Other	Total	End. stocks
----- 1,000 Short tons-----									
1997/98	523	96	6,935	7,553	3,885	149	2,957	6,990	563
1998/99 2/	563	155	5,497	6,215	2,800	65	3,100	5,965	250
1999/00 2/	250	15	6,955	7,220	3,350	130	3,165	6,645	575

1/ Estimated. 2/ Forecast.

**Table 5--Cottonseed meal: U.S. supply and disappearance**

Year begin. Oct. 1	Supply				Disappearance			
	Beg. stocks	Im- ports	Produc- tion	Total	Domestic	Ex- ports	Total	End. stocks
-----1,000 Short tons-----								
1997/98	26	0	1,767	1,793	1,596	109	1,705	88
1998/99 2/	88	0	1,260	1,348	1,280	45	1,325	23
1999/00 2/	23	0	1,510	1,533	1,425	70	1,495	38

1/ Estimated. 2/ Forecast.

**Table 6--Cottonseed oil: U.S. supply and disappearance**

Year begin. Oct. 1	Supply				Disappearance			
	Beg. stocks	Im- ports	Produc- tion	Total	Domestic	Ex- ports	Total	End. stocks
----- Million pounds-----								
1997/98	66	0.1	1,223	1,289	1,003	208	1,211	79
1998/99 2/	79	66.4	895	1,040	925	50	975	65
1999/00 2/	65	10.3	1,070	1,145	965	110	1,075	70

1/ Estimated. 2/ Forecast.

**Table 7--Peanuts: U.S. supply and disappearance**

Year begin. Oct. 1	Supply				Disappearance					
	Beg. stocks	Im- ports	Produc- tion	Total	Dom. Food	Crush	Seed& resid.	Ex- ports	Total	End. stocks
----- Million pounds-----										
1997/98	795	141	3,539	4,475	2,099	544	303	681	3,627	848
1998/99 2/	848	152	3,931	4,932	2,140	717	325	650	3,832	1,100
1999/00 2/										

1/ Estimated. 2/ Forecast.

Table 8--Oilseeds prices received by farmers, U.S.

Marketing year	Soy-beans	Cotton-seed	Sun-flowers	Peanuts	Flaxseed
	\$/bu.	\$/ton	\$/cwt	Cents/lb	\$/bu.
1991/92	5.58	71.00	8.69	28.30	3.52
1992/93	5.56	97.50	9.74	30.00	4.12
1993/94	6.40	113.00	12.90	30.40	4.25
1994/95	5.48	101.00	10.70	28.90	4.63
1995/96	6.72	106.00	11.50	29.30	5.19
1996/97	7.35	126.00	11.70	28.10	6.37
1997/98	6.47	121.00	11.60	28.30	5.81
1997/98					
September	6.72	115.00	11.20	29.70	5.73
October	6.49	119.00	10.60	27.90	5.78
November	6.86	124.00	11.10	25.00	5.71
December	6.72	122.00	11.10	26.90	5.72
January	6.69	121.00	11.10	30.70	5.82
February	6.57	107.00	11.80	NA	6.27
March	6.40	NA	12.10	NA	6.26
April	6.26	NA	12.70	NA	6.23
May	6.26	NA	13.80	NA	6.33
June	6.16	NA	14.40	NA	6.17
July	6.14	NA	15.80	NA	6.17
August	5.43	113.00	14.40	NA	5.45
1998/99					
September	5.25	113.00	11.40	26.80	5.09
October	5.18	120.00	10.70	26.30	4.86
November	5.40	133.00	10.50	21.50	4.97
December	5.37	138.00	10.80	24.00	5.01
January	5.32	139.00	11.40	25.50	5.06
February	4.80	141.00	12.20	NA	5.05
March	4.61	NA	10.70	NA	4.95
April <sup>1</sup>	4.59	NA	10.90	NA	4.95

<sup>1</sup> Preliminary. NA = Not available.

Table 9--Vegetable oil prices

Marketing year	Soybean oil <sup>2</sup>	Cotton-seed oil <sup>3</sup>	Sun-flower oil <sup>4</sup>	Peanut oil <sup>5</sup>	Corn oil <sup>6</sup>
Cents/lb.					
1991/92	19.10	22.83	21.63	27.30	25.82
1992/93	21.40	30.07	25.37	27.40	20.90
1993/94	27.00	30.30	31.08	43.20	26.38
1994/95	27.51	29.23	28.10	44.30	26.47
1995/96	24.70	26.53	25.40	40.30	25.24
1996/97	22.50	25.58	22.64	43.70	24.05
1997/98	25.80	28.85	27.00	49.00	28.94
1997/98					
October	24.31	28.47	24.51	49.63	25.20
November	25.73	29.11	26.41	51.00	26.25
December	25.08	26.78	26.36	51.25	26.28
January	25.09	27.69	25.75	51.60	26.04
February	26.51	29.37	25.91	51.00	27.31
March	27.09	30.46	26.51	51.00	28.50
April	28.10	32.47	28.50	50.00	30.93
May	28.28	33.13	31.06	47.20	33.20
June	25.83	30.22	28.40	45.50	32.82
July	24.88	29.40	NA	44.00	31.52
August	23.99	30.11	NA	43.75	29.93
September	25.13	33.26	NA	43.88	29.25
1998/99					
October	25.21	33.99	NA	45.40	29.46
November	25.20	34.16	NA	45.00	29.65
December	23.99	33.40	26.70	44.25	29.88
January	22.88	31.72	23.41	44.00	29.15
February	19.96	28.21	19.86	39.75	26.58
March	18.54	26.27	19.12	34.75	23.01
April <sup>1</sup>	18.78	24.39	19.58	35.20	23.08

<sup>1</sup> Preliminary <sup>2</sup> Decatur <sup>3</sup> PBSY Greenwood MS

<sup>4</sup> Minneapolis <sup>5</sup> Southeast mills <sup>6</sup> Chicago



Table 10--Oilseed meal prices

Marketing year	Soy-bean meal <sup>2</sup>	Cotton seed meal <sup>3</sup>	Sun-flower meal <sup>4</sup>	Peanut meal <sup>5</sup>	Linseed meal <sup>4</sup>
\$/Short ton					
1991/92	189.20	140.50	76.80	154.50	125.25
1992/93	193.75	161.78	89.00	172.90	133.60
1993/94	192.86	164.30	94.00	194.91	139.55
1994/95	162.55	112.02	62.70	128.94	95.85
1995/96	235.90	190.74	123.75	202.70	159.00
1996/97	262.00	192.00	110.60	232.00	158.75
1997/98	185.30	144.05	84.20	209.60	110.00
1997/98					
October	229.30	189.10	96.90	210.00	140.60
November	245.30	189.10	88.10	210.00	161.25
December	222.50	190.50	100.00	210.00	150.50
January	202.85	153.10	90.00	210.00	130.00
February	192.75	139.10	75.87	210.00	121.25
March	174.20	128.70	72.60	210.00	116.25
April	162.50	116.25	64.90	210.00	102.50
May	160.00	105.00	66.90	210.00	96.25
June	168.55	126.00	88.35	210.00	100.00
July	183.40	145.65	97.50	210.00	117.50
August	146.25	130.30	85.00	207.50	101.00
September	135.80	115.60	NA	205.00	90.00
1998/99					
October	135.70	106.50	50.00	161.00	83.75
November	144.45	107.90	50.00	100.00	92.50
December	146.40	119.75	80.90	103.75	102.50
January	138.80	110.60	77.50	105.00	95.00
February	132.30	101.25	73.75	102.50	87.25
March	133.00	106.90	70.00	91.25	83.00
April <sup>1</sup>	134.50	110.95	70.00	94.50	82.50

<sup>1</sup> Preliminary <sup>2</sup> Hi-pro Decatur <sup>3</sup> 41% Memphis <sup>4</sup> Minneapolis <sup>5</sup> 50% SE mills