Oil Crops Outlook

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Surge in U.S. Soybean Plantings Swell Supplies and Expected Ending Stocks

USDA's June 30 *Acreage* report confirmed that U.S. farmers planted 74.2 million acres of soybeans this year, up from the last year's record 72.4 million. The comparatively dim outlook for corn and wheat returns boosted the current soybean acreage estimate 1.1 million acres higher than March intentions. Ten of the top 12 soybean producing States planted record acreage in 1999, absorbing more acres from corn and wheat. Only Arkansas and several other southern States planted fewer soybeans than last year, where more land was switched into cotton and rice. Fewer winter wheat plantings also reduced the amount of soybean double cropping, especially in Missouri, Kentucky, and Tennessee.

As in 1994 (the last time double cropped soybeans were this low), the U.S. average yield should benefit from a higher proportion of first crop soybeans. A greater concentration of acreage in the higher yielding north central States will also support the U.S. average yield. With the exception of Ohio, most regions now have very good soil moisture. As of July 11, 71 percent of soybean fields were rated from good to excellent condition, the best ratings since 1994. Yet, only 35 percent have even reached the blooming stage, and subsequent weather could affect yields, as it did in 1998. With an estimated yield of 40.0 bushels per acre and 73.3 million acres harvested, U.S. soybean production would total 2,935 million bushels, nearly 180 million bushels greater than the 1998 record.

The recent *Grain Stocks* report indicated June 1 stocks of soybeans were 850 million bushels, the largest ever inventory for this date and 257 million bushels greater than one year earlier. Even the most optimistic outlook for crush and exports in the final quarter would imply large year-ending stocks. Better than expected soybean crush and exports, (which were forecast up to 1,580 million and 785 million bushels, respectively) reduced this month's 1998/99 ending stocks forecast to 395 million bushels. In combination with large wheat and corn supplies, such a stockpile of soybeans would seriously strain existing U.S. storage capacity this fall and further pressure prices.

However large this inventory may seem, it could pale in comparison to the prospective 1999/2000 carryout of 590 million bushels. This forecast is based on substantial increases in domestic crush (to a record 1,655 million bushels) and exports (930 million bushels). Demand will be stimulated by low prices, which USDA forecasts falling to $3.90-$4.70 per bushel. Soybean prices haven't been this low since the $4.37 average of 1972/73. Unlike years prior to 1991, the soybean marketing loan provides no floor for how low cash prices can fall below the loan rate.

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While an imminent return to the very profitable crush margins of 2-3 years ago is not anticipated, cheaper soybean prices and firming soybean meal values should ease the difficulties of domestic processors. Foreign soybean meal consumption is forecast up 3.3 million metric tons in 1999/2000, while foreign production would increase only 1.1 million. U.S. soybean meal exports will benefit from this gap, as they are projected to rise from 6.8 million short tons this season to 8.3 million tons in 1999/2000. Current soybean oil prices have weakened and restrained monthly crushing rates, firming the June average soybean meal price somewhat to $139 per short ton. Provided the 1999 crop is not substantially larger than current expectations, 1999/2000 meal prices should quit falling and plateau around $125-$145 per ton.

The June *Hogs and Pigs* report verified that while a contraction of the hog herd is occurring, it has not been as acute a decline as anticipated. The numbers in smaller weight classes and the breeding herd have decreased but slaughter has not accelerated enough to reduce the stock of the nearest-to-market hogs. Thus, the slowdown in soybean meal consumption has been delayed, raising the 1998/99 estimate to 30.5 million short tons. Low prices have already promoted inclusion of soybean meal in livestock rations at liberal rates, so 1999/2000 domestic disappearance can rise only modestly to 31.1 million tons.

On the other hand, abundant world vegetable oil supplies and fewer Chinese imports will make exporting U.S. soybean oil a real challenge. Competition would depress the 1999/2000 national average price to 15.0-18.0 cents per pound, down from 20.0 cents this year and the lowest since 1986/87. Even at such bargain prices, 1999/2000 U.S. soybean oil exports are forecast to decline to 2.0 billion pounds from 2.3 billion this year. Despite steady growth in domestic soybean oil demand, record production is expected to swell ending stocks to an all-time high of 2,470 million pounds.

Wet Weather Dampens Minor Oilseed Planting

As with soybeans, the minor oilseeds marketing loan supported increases in 1999 acreage for each of these commodities. Such an expansion was evident in Colorado, Kansas, Nebraska, and Texas. However, persistent rains during May and June in North and South Dakota and Minnesota held down the acreage that farmers could plant, raising the amount of fallow acres. Weakening oilseed prices this spring also subdued the expansion. U.S. sunflowerseed producers increased plantings more modestly to 3.6 million acres, compared with nearly 4 million acres intended last March. The geographic shifts in turn decreased oil-type sunflowerseed relative to non-oil type production, which should moderate the U.S. average yield. Similarly, wet soils curtailed canola and flaxseed plantings at 1.1 million and 341,000 acres, respectively.

Expanded Plantings and Improved Yields Add To Global Oilseeds Surplus

USDA projects world soybean production to edge higher again in 1999/2000, to 159.0 million metric tons. The increase is based entirely on greater U.S. output, which should expand both the volume and the world market share of U.S. exports.

When planting commences later this year, South American soybean area is likely to contract. Relative prices will favor more corn planting there. The weakened financial situation of Brazilian farmers, inflated production costs,

and intense U.S. competition offsets the price enhancing effects of the January currency devaluation. Brazil's soybean harvested area is seen declining from 12.9 million hectares this year to 12.5 million, causing a modest drop in production from 31.0 million tons to 30.5 million. Consequently, Brazil's exports of soybeans and soybean meal would slip to 9.3 million and 10.2 million tons, respectively.

Likewise, Argentine farmers are anticipated to shift more area from first crop soybeans to wheat and corn. Argentine soybean crushing should remain stable in 1999/2000. Soybean meal exports would edge higher to 12.9 million tons but will leave fewer supplies available for whole soybean exports. Soybean exports would decline from 3.1 million to 2.2 million tons in 1999/2000. Paraguay's 1999/2000 soybean production is projected down to 2.85 million tons from 3.1 million this year, resulting in an equivalent reduction in exports.

Weaker prices have diminished the incentive for soybean sowing in China, reducing projected 1999 output to 13.0 million tons from 13.8 million in 1998. It is likely that this prospective decline in domestic supplies would boost China's 1999/2000 soybean imports to near 4.4 million tons from 3.6 million this season. However, a comparatively modest increase in Chinese soybean meal consumption will continue to limit imports of soybean meal to near 2.4 million tons.

Indian import controls and strong consumer oil demand makes the domestic market resistant to low oilseed prices worldwide. Progress of the Indian monsoon this summer has also been favorable for soybean planting and early development. India's 1999 soybean area is projected up slightly, raising production to 6.1 million tons from 6.0 million in 1998. Yet, growing domestic use of Indian soybean meal trims projected 1999/2000 exports from 3.1 million tons to 2.9 million.

A worldwide boom in rapeseed planting is projected to lift 1999 global production to 40.2 million tons, up from 36.6 million in 1998. The widespread nature of this expansion will limit world rapeseed trade, which is forecast down 11 percent to 7.4 million tons.

Rapeseed harvested area in the European Union is expected to reach a record high 3.5 million hectares. France and Germany will account for most of the expansion. However, part of the increase is from a doubling of industrial rapeseed planted on set aside land and the remainder would displace sunflower and soybean area. Therefore, the rapeseed expansion should not push total EU oilseeds area above the limit imposed by the Blair House Agreement. The EU rapeseed harvest is now getting underway and favorable weather is expected to produce a bumper crop of 10.5 million tons. EU soybean crushing margins would remain under pressure next year and still slightly favor imports of soybean meal over soybeans. Excellent rapeseed harvests are also expected in Poland and the Czech Republic. Newly added crush capacity will absorb Poland's output gains while the swelling Czech surplus is loosening government restrictions on rapeseed exports.

China's rapeseed production will bounce back from last year's disappointing yields to a forecast 1999 bumper harvest of 10.0 million tons. Greater domestic supplies will slash 1999/2000 rapeseed imports nearly in half, from 2.1 million tons to 1.2 million. A gradual upward trend in Indian rapeseed

yields is expected to slightly raise 1999 production to 6.0 million tons from 5.8 million last year.

As of late March, Canada's seeding intentions survey indicated that Canadian farmers intended to increase rapeseed planting 3 percent in 1999. Actual rapeseed plantings might have been even larger, but extreme wetness stalled seeding throughout much of the Canadian prairies this spring. Farmers in southern Saskatchewan could not finish before the mid-June cutoff date, and yields are less promising on the late planted acres. However, with so many other countries expanding their own rapeseed harvests, the outlook for Canadian exports is not as bright. Exports for 1999/2000 are expected down to 2.7 million tons from 3.6 million last season. The tightness experienced this year should ease as Canadian 1999/2000 carryout stocks are forecast sharply higher to 1.1 million tons.

The boom that made Australia the world's sixth-largest rapeseed producing country will continue in 1999. While prices for rapeseed have dropped, Australian grain prices are still much lower. Rapeseed planting for the 1999 crop was recently completed and is expected to rise to 1.5 million hectares, an increase from 1.17 million last year and about 4 times the area harvested in 1996. With normal yields, 1999/2000 production would reach 2.0 million tons. Australia's share has expanded to about one-fifth of world rapeseed trade, as it has benefitted from its proximity to major import markets (Japan and China). The country's counterseasonal, non-transgenic rapeseed supplies have also increased import demand from the EU. Australian rapeseed exports are forecast to rise from 1.2 million tons this year to 1.3 million in 1999/2000.

Unlike rapeseed, most of which was planted late last year, the growing world glut of oilseeds discourages spring seedings of sunflowerseed. Global 1999/2000 sunflowerseed production will increase just 0.4 percent to 25.8 million tons. World trade would decline to 4.2 million tons due to expanded crushing of domestic supplies.

Last year's sharp devaluation of the ruble has made sunflowerseed production in Russia very attractive for 1999. Despite some late frosts in early May that forced some replanting, Russian sunflowerseed area will surge 15 percent from last year's peak to 4.1 million hectares. However, there likely was little change in input use, and a lack of crop rotation has diminished soil productivity. Soil moisture conditions are better than one year ago, but dry weather is again threatening to cut yields. Russia's 1999/2000 sunflowerseed harvest is expected to reach a record 3.8 million tons, against 3.0 million in 1998/99. The accumulation of supplies should significantly aid domestic sunflowerseed crushers, although Russian seed exports should also benefit.

Because of declines in wheat and corn planting, Romania and Hungary will also experience sharp increases in sunflowerseed area and production. Conversely, Ukrainian 1999 sunflowerseed output will be be down from 1998/99 based on lower area and stagnant yields. An emerging drought that curtailed planting in Spain and a 34-percent reduction in the EU oilseed payment to Italian farmers culminate in an estimated 4 percent cut in 1999 EU sunflowerseed area. EU sunflowerseed production would drop from 3.4 million tons this year to 3.2 million in 1999.

The reduction in EU output and higher Ukrainian export duties should aid 1999/2000 Argentine exports of sunflowerseed and sunflowerseed products. Yet, weaker vegetable oil prices are projected to scale back Argentine sunflower plantings by 8 percent later this year.

Palm and Rapeseed Oil Lead Global Output Gains For 1999/2000

Production of all the world's major vegetable oils should increase in 1999/2000. The prospective increase in world soybean oil production next year is small when compared to likely gains in palm oil and rapeseed oil. Increasing reliance on imports of soybeans will also shrink Chinese soybean oil imports from 1.5 million to 1.3 million tons. World trade in soybean oil should decline about 5 percent to 7.1 million tons. These trends will build carryover stocks of soybean oil, primarily in the United States. Both rapeseed oil and sunflowerseed oil will have significant production gains in 1999/2000. But most output will be consumed internally by the producing countries, causing little change in world trade for these two oils.

World palm oil production is projected to rise from 19.3 million to 20.6 million tons in 1999/2000. The abundance will recapture markets for palm oil throughout Asia and the Middle East that were taken away during the last 2 years. Malaysian production is expected to grow from 9.7 million tons to 10.2 million. Higher yields would hike Indonesian palm oil output from 5.8 million to 6.4 million tons in 1999/2000. Ample domestic supplies and liberalized trade would lift Indonesian exports from 2.9 million to 3.3 million tons.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Friday, August 13, 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

	Supply				Disappearance				
Year begin. Sept. 1	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	2,961	1,580	785	201	2,566	395
1999/00 2/	395	4	2,935	3,334	1,655	930	159	2,744	590

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply: Beg. stocks	Im-ports	Produc-tion	Total	Disappearance: 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	45	37,312	37,575	30,500	6,800	37,300	275
1999/00 2/	275	50	39,350	39,675	31,100	8,300	39,400	275

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply: Beg. stocks	Im-ports	Produc-tion	Total	Disappearance: 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	63	17,750	19,195	15,350	2,300	17,650	1,545
1999/00 2/	1,545	55	18,620	20,220	15,750	2,000	17,750	2,470

1/ Estimated. 2/ Forecast.

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

Year begin. Aug. 1	Supply: Beg. stocks	Im-ports	Produc-tion	Total	Disappearance: 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	120	5,497	6,180	2,800	50	3,030	5,880	300
1999/00 2/	300	15	7,250	7,565	3,550	150	3,215	6,915	650

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply: Beg. stocks	Supply: Im-ports	Supply: Produc-tion	Supply: Total	Disappearance: Domestic	Disappearance: Ex-ports	Disappearance: 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	1,235	90	1,325	23
1999/00 2/	23	0	1,600	1,623	1,495	90	1,585	38

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply: Beg. stocks	Supply: Im-ports	Supply: Produc-tion	Supply: Total	Disappearance: Domestic	Disappearance: Ex-ports	Disappearance: Total	End. stocks
	Million pounds							
1997/98	66	0.1	1,223	1,289	1,003	208	1,211	79
1998/99 2/	79	51.0	895	1,025	855	105	960	65
1999/00 2/	65	10.3	1,135	1,210	1,000	130	1,130	80

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply: Beg. stocks	Supply: Im-ports	Supply: Produc-tion	Supply: Total	Disappearance: Dom. Food	Disappearance: Crush	Disappearance: Seed& resid.	Disappearance: Ex-ports	Disappearance: 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	3,963	4,964	2,135	530	324	625	3,614	1,350
1999/00 2/	1,250	165	3,695	5,110	2,170	730	334	800	4,035	1,175

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	4.63	NA	9.44	NA	4.94
May	4.51	NA	9.85	NA	4.87
June 1/	4.43	NA	9.79	NA	4.50

1/ Preliminary. NA = Not available.

Table 9--Vegetable oil prices

Marketing year	Soybean oil 2/	Cotton-seed oil 3/	Sun-flower oil 4/	Peanut oil 5/	Corn oil 6/
	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	19.11	34.75	23.01
April	18.78	24.39	19.60	35.20	23.08
May	17.85	24.25	19.90	35.00	22.96
June 1/	16.50	25.19	18.77	37.75	22.95

1/ Preliminary 2/ Decatur 3/ PBSY Greenwood MS
4/ Minneapolis 5/ Southeast mills 6/ Chicago

Table 10--Oilseed meal prices

Marketing year	Soy-bean meal 2/	Cotton seed meal 3/	Sun-flower meal 4/	Peanut meal 5/	Linseed meal 4/
			$/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	134.50	110.90	70.00	94.50	83.00
May	133.20	108.75	70.00	93.75	80.60
June 1/	139.10	114.50	57.00	100.00	80.00

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