

# Oil Crops Outlook

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## **Weak Oil Prices Constrain Domestic Soybean Crushing**

The U.S. 1999/2000 average farm price for soybeans was forecast down to \$4.45-\$4.95 per bushel from \$4.60-\$5.10 last month. The U.S. average farm price dipped to \$4.35 per bushel in November, down more than \$1.00 from a year earlier.

In the Midwest, the current soybean farm price compared to futures prices (the price basis) has strengthened little from normal harvesttime lows. For early December, the Iowa average basis is about 40 cents per bushel under January futures, compared to the 5-year average of 35 cents. Given tight storage capacity, price spreads had generally favored storage of corn over soybeans this season. The depressed cash soybean prices suggest that farmers may be delivering their crops sooner than in previous years. Therefore, a greater weight on fall marketings would tend to reduce the season average farm price. This could occur if farmers have taken loan deficiency payments (LDPs) early and anticipate marginal price improvement on unsold or unhedged soybeans.

As of December 8, USDA reports indicated farmers had already taken \$1.5 billion worth of LDPs on 1,605 million bushels of soybeans, or 60 percent of the U.S. harvest. Similarly, with local prices substantially below county loan rates, LDPs to date for sunflowerseed, canola, and flaxseed total \$68 million, \$32 million, and \$7 million, respectively.

Soybean quality analyses indicate that the protein level is below average this year while the oil content is average, at least. Soybean meal prices increased slightly to \$154 per short ton in November and are \$10 higher than in November 1998. These factors mean that the proportionately greater value of soybean meal this year will encourage more soybean crushing to obtain the same quantity of protein. Soybean crushing for October, at 150.3 million bushels, was an all-time high, which will likely be the case for November as well. However, comparatively weak soybean oil demand will cause the additional oil produced to end up being stockpiled. Despite the low cost of soybeans and somewhat firmer meal prices, depressed oil prices are still perpetuating narrow crush margins. Several crushing plants have recently announced temporary shutdowns.

In the absence of much South American competition, current U.S. export shipments of soybeans have also been brisk, particularly to the European Union and Mexico. However, export demand for soybean products has lagged year-

earlier levels. USDA still projects a slight increase in 1999/2000 soybean meal exports, but as of December 2, export commitments were down 20 percent from a year earlier. Current export commitments for soybean oil were off 65 percent from a year ago. Very slow oil sales to China and India, the largest U.S. markets, are largely responsible.

Higher U.S. imports and consumption of rapeseed oil are anticipated to trim this season's growth in domestic disappearance of soybean oil to 15,800 million pounds, down 100 million from the November forecast. Assuming no change in forecast production, 1999/2000 year ending stocks of soybean oil would accumulate to 2,115 million pounds. The central Illinois cash price dropped again in November, averaging 15.6 cents per pound and down nearly 40 percent from a year earlier. The 1999/2000 average soybean oil price is projected 0.5 cents per pound lower this month to 15.0-17.5 cents.

#### **Ample World Rapeseed Oil Supplies Intensify Competition With Soybean Oil**

Global rapeseed imports are expected up 7 percent in 1999/2000 to 8.9 million metric tons. Bumper crops in Europe, Canada, and Australia have allowed this to occur, but the principal factor has been a fundamental shift in China's oilseed buying. For 20 years, China has been the world's leading rapeseed crusher, based on its large domestic production. Now, China has also surpassed Japan as the world's largest rapeseed importer. China's 1999/2000 rapeseed imports were forecast 400,000 tons higher this month to 2.8 million, compared to virtually nothing just 2 years earlier. The robust rapeseed crush has allowed China's government to further delay granting new import quotas for soybean oil and palm oil. USDA lowered the forecast of China's 1999/2000 imports of soybean oil (to 850,000 tons from 950,000 in 1998/99) and palm oil (to 1.3 million tons from 1.25 million in 1998/99).

Despite adverse Canadian rapeseed planting conditions, subsequent weather favored bumper yields, raising the 1999 harvest to a record 8.8 million tons. While Canada has already sold a large volume of rapeseed to China, large concurrent exports of grain have created difficulties in transporting rapeseed. The shortage of railcars for rapeseed has stifled deliveries from production areas to western ports and complicated overseas shipments. European rapeseed exporters, such as France, stand to gain from Canada's transportation problems. Although Canadian crush margins are not particularly attractive, the backup may divert more supplies into domestic crushing, which is forecast up this month to 3.5 million tons. The additional output of rapeseed oil and meal is then likely to be exported to the United States. U.S. imports of rapeseed oil are expected to rise 100 million pounds to 1.2 billion in 1999/2000. The competitive pressure from imports of Canadian rapeseed products is another factor limiting the expansion of U.S. soybean crushing.

The smaller 1999 Brazilian soybean harvest, accelerated marketings, and stronger than anticipated crush have drawn down existing stocks, aiding growth in U.S. soybean exports this fall. This situation should prevail another 3-4 months until Brazil's new crop is harvested. Brazilian soybean planting was

reported about 85 percent complete by December 10. Planting progress was somewhat behind the 5-year average because of persistent dry weather. The delays may have trimmed Brazil's corn area and may increase area planted to soybeans, which can still be seeded for another 2 weeks if sufficient rainfall justifies the risk. Dry soils are detrimental for germination, but the most critical factor for determining Brazilian soybean yields is whether the dryness eases in January and February. Recent rains have stabilized soil moisture conditions and subdued Chicago soybean futures prices.

The soybean crushing industry has been quite resilient in Brazil. USDA forecasts the 1999/2000 Brazilian crush at 21.1 million tons, up from the previous forecast of 20.8 million. Greater domestic use cuts the volume available for export, so Brazil's 1999/2000 soybean exports were scaled back to 9.2 million tons. Brazil's soybean meal exports are not deteriorating as much as previously anticipated, and estimates were raised for both 1998/99 and 1999/2000. Nonetheless, at 10.1 million tons, Brazil's soybean meal exports are still forecast to weaken this year compared to 1998/99's revised estimate of 10.4 million. Larger supplies are also seen supporting Brazil's 1999/2000 exports of soybean oil at 1.3 million tons.

For Bolivia, a lack of credit that rationed input use and continued dryness should limit soybean yields, dropping projected 1999/2000 production 0.1 million tons this month to 0.95 million. Similarly, Argentina is experiencing dry planting conditions this year. Argentine farmers have planted nearly half of the expected soybean area and may expand plantings further on land they were unable to seed to cotton and other crops. However, 1999/2000 yields remain vulnerable to a large percentage of lower-yielding second crop plantings and below normal moisture, leaving the projected Argentine production unchanged at 18.5 million tons.

Estimates of Argentine 1998/99 soybean exports were raised slightly to 3.2 million tons. Conversely, Argentine crush for 1998/99 (October-September) was scaled back this month to 17.5 million tons, which mostly offset the increase in the Brazilian soybean crush. With Argentine meal exports to China down by more than half in 1998/99, total Argentine soybean meal exports were trimmed also, to 13.4 million tons. Crush and meal export forecasts for 1999/2000 were unchanged at 17.6 million and 13.9 million tons, respectively.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Thursday, January 13, 2000. The report may be accessed at <http://usda.mannlib.cornell.edu/> or via the ERS website at <http://www.econ.ag.gov>.

**Information Contacts:**

Mark Ash--Soybeans, minor oilseeds, oils (202) 694-5289 mash@econ.ag.gov  
Robert Skinner--Cottonseed, peanuts (202) 694-5313 skinner@econ.ag.gov

**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	873	156	2,626	200
1998/99 1/	200	3	2,741	2,944	1,590	801	205	2,596	348
1999/00 2/	348	3	2,673	3,024	1,610	865	154	2,629	395

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	38,176	38,443	28,895	9,329	38,225	218	
1998/99 1/	218	100	37,792	38,110	30,580	7,200	37,780	330	
1999/00 2/	330	50	38,270	38,650	31,000	7,400	38,400	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	19,723	15,262	3,079	18,341	1,382	
1998/99 1/	1,382	82	18,081	19,546	15,655	2,372	18,027	1,520	
1999/00 2/	1,520	79	18,115	19,715	15,800	1,800	17,700	2,115	

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 1/	563	207	5,365	6,135	2,719	68	2,955	5,742	393
1999/00 2/	393	20	6,395	6,808	3,200	70	3,098	6,418	390

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	1,769	1,795	1,598	109	1,705	88
1998/99 1/	88	0	1,232	1,320	1,175	121	1,295	24
1999/00 2/	24	0	1,440	1,464	1,315	115	1,430	34

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	1,224	1,291	1,004	208	1,212	79
1998/99 1/	79	48.2	832	958	772	111	882	76
1999/00 2/	76	9.0	1,025	1,110	925	110	1,035	75

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 1/	848	155	3,963	4,967	2,153	460	401	562	3,575	1,392
1999/00 2/	1,392	169	3,827	5,388	2,141	700	351	800	3,993	1,395

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
1998/99	4.93	123.00	10.60	28.40	5.05
1998/99					
September	5.25	113.00	11.50	29.90	5.09
October	5.18	120.00	10.80	29.00	4.87
November	5.39	133.00	10.70	24.60	4.97
December	5.37	138.00	11.00	27.20	5.00
January	5.32	139.00	11.40	NA	5.05
February	4.80	141.00	12.00	NA	5.05
March	4.61	NA	10.80	NA	4.94
April	4.63	NA	9.62	NA	4.93
May	4.50	NA	9.80	NA	4.89
June	4.44	NA	9.54	NA	4.38
July	4.19	NA	9.09	NA	4.40
August	4.39	70.00	8.28	NA	3.86
1999/2000					
September	4.57	72.00	8.41	27.00	4.00
October	4.47	89.00	6.77	25.40	3.76
November 1/	4.35	94.00	7.11	24.20	3.65

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
1998/99					
October	25.20	33.99	NA	45.40	29.46
November	25.20	34.16	NA	45.00	29.65
December	24.00	33.40	26.70	44.25	29.88
January	22.90	31.72	23.40	44.00	29.15
February	20.00	28.21	19.90	39.75	26.58
March	19.50	26.27	19.10	34.75	23.01
April	18.80	24.39	19.10	35.20	23.08
May	17.85	24.25	19.90	35.00	22.96
June	16.50	25.19	18.80	37.75	22.95
July	15.30	24.70	17.10	39.00	22.43
August	16.50	21.39	18.75	38.75	22.41
September	16.80	20.22	18.75	38.00	22.08
1999/2000					
October	16.08	20.15	17.78	40.40	21.97
November 1/	15.63	19.69	17.91	41.00	21.96

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	144.00	84.20	209.60	110.00
1998/99					
October	135.70	106.50	50.00	161.00	83.75
November	144.50	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	82.50
May	133.20	108.75	70.00	93.75	80.60
June	139.10	114.50	57.00	100.00	80.00
July	132.70	115.00	62.50	100.00	75.00
August	141.70	100.65	60.00	105.00	71.25
September	150.65	111.92	61.25	102.50	80.00
1999/2000					
October	153.57	111.83	63.75	98.00	89.38
November 1/	154.71	112.00	65.00	103.00	114.00

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