

Oil Crops Outlook

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Sparse South American Rain Buoy Global Soybean Prices

Central Illinois cash soybean prices rose to \$5.00 per bushel in late January, their highest in almost a year. A major factor in the price rally has been dry weather in southern Brazil and Paraguay. However, subsequent rains stabilized conditions somewhat and soybean prices in mid-February have receded about 20 cents per bushel. Prices of soybean meal have also strengthened, and USDA currently forecasts the 1999/2000 average up to \$145-\$165 per short ton.

U.S. 1999/2000 soybean exports were projected 25 million bushels higher this month to 890 million, based on smaller prospective exports by foreign competitors and larger global imports. Lower farm prices and later planting in Brazil and Argentina are also likely to delay foreign marketings in 1999/2000. Current U.S. soybean export commitments to the EU are up modestly, while exports to China and Mexico are well ahead of last year's pace. Ending stocks of soybeans are expected to fall to 345 million bushels, just below the 1998/99 carryout of 348 million.

While soybean export demand has been robust, sluggish demand for both soybean meal and soybean oil has curtailed the expansion of domestic soybean crushing. The 1999/2000 crush forecast was reduced 5 million bushels this month to 1,600 million bushels. One sign of the relative strength of soybean exports to domestic crush demand is the wider spread between prices at the Gulf ports and Illinois processors.

Normally, smaller and later deliveries of Brazilian soybean meal exports would help U.S. exports of both soybeans and meal, but another large Argentine crop blunts gains in U.S. products trade. In addition, the huge reduction in Chinese imports and flat EU growth has squelched much expansion in world soybean meal trade this year. The U.S. 1999/2000 soybean meal export forecast was reduced this month to 7.0 million short tons.

Although U.S. soybean oil prices temporarily firmed in response to the dimmer outlook for South American supplies, domestic output is still very high. The smaller domestic soybean crush was offset by a higher expected oil extraction rate, so the 1999/2000 oil production forecast is up slightly this month to 18,080 million pounds. In addition, there is much price competition from other vegetable oils.

With a deteriorating outlook for soybean oil imports by China and India (the world's largest importers), the forecast of U.S. exports was trimmed to 1,650 million pounds. U.S. shipments to both countries are down nearly 90 percent from a year ago, and nearly 70 percent of 1998/99 exports had been shipped by this date. Higher expected domestic disappearance offset this reduction, rising 100 million pounds to a record 15,900 million. Thus, 1999/2000 carryout stocks of soybean oil are anticipated only slightly higher at 2,130 million pounds, or just 109 million pounds below the 1991/92 record. The season average soybean oil price is seen staying at a relatively low 15.0-17.0 cents per pound.

Dry Spell Trims Soybean Yield Potential in Southern Brazil, Paraguay

Brazil's 1999/2000 soybean harvest was lowered from last month's forecast of 31.0 million metric tons to 30.5 million. The greatest loss of yield potential is in Mato Grosso do Sul, where more than one-fourth of the soybeans are in the crucial pod forming stage. Drought has also parched soils in the southernmost states of Rio Grande do Sul and Parana. These regions were the last planted and still have a few weeks to recover, although significantly more rainfall is needed soon to avoid losses. Conversely, earlier dry conditions in the center-west states are much improved, and in Mato Grosso (Brazil's second largest producing state) are quite favorable.

Conditions in Paraguay's the soybean growing regions (which border the most affected areas in Brazil) have been too hot and dry. USDA forecasts 1999/2000 output down to 2.5 million tons, compared with the 1998/99 crop of 3.0 million. The decline in supplies cuts projected Paraguayan soybean exports 0.4 million tons to 2.0 million.

Soybean growing conditions in Argentina have been more normal, except for a relatively small pocket of dryness in the southern parts of Santa Fe and Entre Rios provinces, which are in the middle of the country's major production area. Provided that rains continue to fall normally, Argentina's 1999/2000 soybean production is forecast up 0.5 million tons to 19.5 million. Given this year's larger area of second crop soybeans, which typically have lower yields than first crop soybeans, the increase in the forecast yield would still be below the 1998/99 average.

World Oilseed Trade Strong, But Meal and Oil Trade Lag

Shorter Brazilian soybean supplies will trim crushing to 20.9 million tons and exports of soybean meal to 9.7 million tons. With the still weak exchange rate, the relatively high domestic price (in local currency) compared with the export value (in dollars) means that Brazilian meal consumers have outbid more of their foreign counterparts. For December 1999, internal prices for soybean meal were 52 percent above a year earlier, compared with 38 percent higher soybean prices. By contrast, prices in dollar terms were up only 2 percent and down 21 percent, respectively. Exchange rates have especially favored Brazil's exports of domestically produced poultry, which are now the world's

third largest. Domestic soybean meal consumption is expected up 6 percent to 6.9 million tons.

Greater soybean demand by world importers supports Brazilian 1999/2000 soybean exports, which were forecast up slightly to 9.3 million tons. In addition, Brazilian soybean exports benefit from low water levels on the Parana River in Argentina, which hinder maximum loading of grain vessels there. Therefore, more stops to top off the cargoes at Brazilian ocean ports are likely. With solid domestic demand for soybean meal supporting Brazil's crush demand, 1999/2000 ending stocks of soybeans are expected to tighten further to 4.8 million tons.

Argentine exporters will benefit from a larger soybean harvest and the smaller crops of their neighbors, yet they also face relatively stronger demand for soybeans than for soybean products. Argentine soybean oil exports are not anticipated to increase this season from the 3.1 million tons shipped in 1998/99. After several years of large gains, the weakness in the oil market curtails the expected growth in Argentine soybean crushing, which is forecast up just 2 percent to 17.8 million tons. Thus, more unprocessed soybeans are available for export, raising the 1999/2000 forecast to 3.5 million tons. This year's Argentine soybean meal exports are projected to moderate from the 34-percent increase in 1998/99 to just a 5-percent rise to 14.1 million tons.

India's drought-reduced harvest and low prices have deterred deliveries of soybeans. Most stocks are still held by farmers, although the government has made some purchases in an attempt to support local market prices. Poor margins have discouraged higher bids from crushers, thereby slowing current soybean processing. For October-December 1999, Indian soybean meal exports were down nearly 50 percent from a year earlier. Consequently, projected 1999/2000 soybean meal exports were reduced to 2.3 million tons. This volume would be below 1998/99 shipments of 2.8 million tons and the smallest in 5 years.

Exchange rates have also influenced the composition of western European imports. From January 1999 to January 2000, Rotterdam prices (in dollar terms) were down 6 percent for soybeans and up 19 percent for soybean meal. In terms of the euro, however, import costs to European buyers for both products rose 9 percent and 38 percent, respectively. Therefore, crushing of imported soybeans has become comparatively more attractive than importing soybean meal. Margins are not entirely favorable for soybean crushers, though, as EU vegetable oil prices have dropped by one-third. USDA reduced its February forecast of EU 1999/2000 soybean meal imports to 19.2 million tons, just slightly above last year's imports. Projected EU soybean imports edged higher to 16.3 million tons, which would be virtually the same as 1998/99 imports.

China's demand for soybean imports has been very strong, although the circumstances are quite different than those of western Europe. Vegetable oil prices within China are more than double world prices. This difference is maintained by strict import quotas on vegetable oils. The relative absence of

import barriers on oilseeds, however, provides a substantial advantage to domestic crushers in producing highly valued vegetable oil. Chinese 1999/2000 soybean imports were forecast up 0.5 million tons this month to a record 4.8 million. Conversely, imports of soybean meal and soybean oil are expected to fall to 620,000 tons (compared with 4.2 million in 1997/98) and 750,000 tons (versus 1.65 million), respectively.

Smaller world supplies of soybean oil are offset by the robust productivity growth of palm oil producers. World palm oil production is anticipated up about 9 percent in 1999/2000, to 21.0 million tons. Imports of palm oil were forecast higher this month for India, China, and the United States. Yet, despite an expected 13-percent increase in world palm oil consumption, very large world stocks carried over from 1998/99 are projected to increase to a record 3.2 million tons.

This month, expectations of higher yields further raised the 1999/2000 production forecast for Malaysian palm oil to 10.6 million tons, 9 percent larger than in 1998/99. Currently, monthly Malaysian palm oil output is declining to a seasonal low, yet it is still well above a year ago. Despite larger exports and domestic use, demand hasn't been strong enough to absorb the torrent of new supplies, so Malaysian stocks of palm oil are soaring. India's higher import duties on refined palm oil will particularly affect Malaysian exports. One-fourth of Malaysian palm oil exports go to India, of which a large percentage is palm olein. Malaysian palm oil prices have fallen 46 percent since January 1999.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Monday, March 13, 2000. 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	873	156	2,626	200
1998/99	200	3	2,741	2,944	1,590	801	205	2,596	348
1999/00 2/	348	3	2,643	2,994	1,600	890	159	2,649	345

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	218	100	37,792	38,110	30,662	7,117	37,780	330	
1999/00 2/	330	50	38,045	38,425	31,150	7,000	38,150	275	

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	1,382	82	18,081	19,546	15,655	2,372	18,027	1,520	
1999/00 2/	1,520	80	18,080	19,680	15,900	1,650	17,550	2,130	

1/ Estimated. 2/ Forecast.

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

Year begin. Aug. 1	Supply				Disappearance				End. stocks
	Beg. stocks	Im- ports	Produc- tion	Total	Crush	Ex- ports	Other	Total	
----- 1,000 Short tons-----									
1997/98	523	96	6,935	7,553	3,885	149	2,957	6,990	563
1998/99	563	207	5,365	6,135	2,719	68	2,955	5,742	393
1999/00 2/	393	100	6,422	6,916	3,200	150	3,141	6,491	425

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply				Disappearance			End. stocks
	Beg. stocks	Im- ports	Produc- tion	Total	Domestic	Ex- ports	Total	
-----1,000 Short tons-----								
1997/98	26	0	1,769	1,795	1,598	109	1,705	88
1998/99	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			End. stocks
	Beg. stocks	Im- ports	Produc- tion	Total	Domestic	Ex- ports	Total	
----- Million pounds-----								
1997/98	66	0.1	1,224	1,291	1,004	208	1,212	79
1998/99	79	48.2	832	958	772	111	882	76
1999/00 2/	76	9.0	1,010	1,095	850	170	1,020	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	848	155	3,963	4,967	2,153	460	401	562	3,575	1,392
1999/00 2/	1,392	169	3,870	5,431	2,205	700	326	800	4,031	1,400

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	120.00	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	136.00	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	4.45	94.00	6.85	23.90	3.66
December	4.44	99.00	7.08	21.60	3.61
January 1/	4.59	101.00	7.54	13.30	3.55

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	15.63	19.69	17.91	41.00	21.96
December	15.33	21.25	17.60	35.40	21.68
January 1/	15.56	21.98	17.67	33.00	20.81

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	154.70	112.00	65.00	103.00	119.50
December	154.00	124.20	68.10	103.00	105.00
January 1/	163.41	126.90	73.75	104.00	91.75

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