

Oil Crops Outlook

United States Department of Agriculture
Economic Research Service

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Chinese Purchases Spark U.S. Soybean Exports, But Crushers Feel Squeezed

USDA raised its 1999/2000 soybean export forecast to 910 million bushels from the February forecast of 890 million. If realized, this would be the largest U.S. export volume since the 1981/82 record of 929 million bushels. As of March 6, year-to-date U.S. soybean export inspections were 629 million bushels, compared with 552 million a year earlier.

In February, Chinese importers bought at least 1 million tons (or 37 million bushels) of U.S. soybeans. Compared with the same date in 1998/99, current U.S. export commitments to China are 49 million bushels greater. U.S. shipments to Taiwan, South Korea, Indonesia, Thailand, and the Philippines have also rebounded. And, with respect to the debate over the trade impact of genetically engineered soybeans, U.S. 1999/2000 export shipments to the EU are 25 million bushels larger than a year ago. The lateness of the South American harvest and slower marketings by South American producers in hopes of higher prices next summer are also helping extend the vigor of U.S. exports this season.

However, the anticipated narrowing of carryover stocks of soybeans to 325 million bushels will have a minimal impact on the current season average price forecast (but there may be a greater response in futures prices for the 2000/01 crop). The reason is that probably at least 70 percent of the 1999 soybean crop is already sold. With a normal South American crop reasonably secure, it would now take either a reduction in U.S. soybean plantings this spring or yield-threatening weather next summer to substantially raise prices. Neither of these events is assumed. Although midwestern soil moisture conditions have been below normal so far this year, it will be 2 months before soybean planting even begins in most States. China may make a few more U.S. purchases before South American supplies are available, but the U.S. share is probably almost fulfilled for this season. So, it is unlikely that soybean farm prices would be able rise enough on the unsold portion of the crop to exceed the latest 1999/2000 forecast range of \$4.50-\$4.90 per bushel.

The strength of U.S. soybean exports also reflects a weakness in the exports of soybean meal and soybean oil. Sluggish foreign import demand, especially for oil, has stifled these product prices and caused poor domestic crushing margins. The September 1999-January 2000 soybean crush was 19 million bushels larger than a year earlier, but most of that gain occurred in the first 2 months. Several soybean crushing mills have recently announced an indefinite

cessation of operations. Consequently, soybean meal prices have firmed somewhat, rising to a February average of \$171 per short ton. This month's increase in the 1999/2000 average price forecast to \$150-\$170 per ton reflects this crush outlook.

Yet, soybean oil prices have continued to sink even further. The February average price fell to 15.1 cents per pound, the lowest since December 1986. With the crushing slowdown, the slide in soybean oil prices may soon bottom out. USDA reduced its 1999/2000 average price forecast in March to 14.5-16.5 cents per pound. Despite the bargain prices, strong export competition and weaker import demand are expected to reduce U.S. soybean oil exports to 1,550 million pounds. To date, 1999/2000 commercial export shipments of soybean oil are down 674 million pounds from a year ago.

In most countries, crushing margins for high oil-content oilseeds have been even less profitable than for soybeans. As of March 8, season cumulative Canadian rapeseed crushing has declined 13 percent from a year earlier. U.S. imports of rapeseed oil from Canada are now expected little higher than 1998/99 imports of 1,068 million pounds. In addition, while cottonseed oil has a larger than normal premium relative to soybean oil, the outlook for domestic cottonseed crushing should also moderate. The 1999/2000 forecasts of U.S. cottonseed oil output and disappearance were reduced 30 million and 60 million pounds, respectively, this month. Soybean oil supplies are more than ample to fill the void of these competing oils, so 1999/2000 domestic disappearance of soybean oil was forecast 100 million pounds higher this month to 16,000 million.

Record Argentine Soybean Output Predicted

Based on indications of a record large soybean area of 8.2 million hectares, USDA projected a record 20.0-million-metric-ton Argentine crop, up from the February forecast of 19.5 million. Although about one-third of the Argentine soybean acreage is double cropped, it does not appear that this will have a big impairment on yields this year. Ample February rains have generated very good moisture conditions in most of the principal producing areas.

Despite the growth in domestic oilseed supplies, Argentine oilseed crushers, like most of their foreign counterparts, are finding it difficult to expand output because of weak product prices. Argentine soybean crushing is expected to rise modestly in the October-September season, but the new-crop local marketing year (April 2000-May 2001) volume is seen declining. More Argentine trade will come in the form of unprocessed soybeans, which are forecast to rise to 3.7 million tons, second only to the 1990/91 record. Soybean oil exports are anticipated to increase only modestly to 3.1 million tons in 1999/2000.

Given earlier drought fears, most of the Brazilian soybean crop appears to have avoided major yield problems. The soybean crop is ready for harvest in the center-west Brazilian states, but frequent rains have delayed collection. Fields in the more southern states are well into the pod filling stage, and

timely February rains were very beneficial for their development. Because of the rains and delayed maturity, farmers have harvested just 6 percent of the Brazilian soybean crop as of March 3. The March forecast of 1999/2000 production remains unchanged from 30.5 million tons.

No changes were made to expected Brazilian domestic use and exports. Although several vessels are now waiting at port of Paranagua for the first deliveries of soybeans that usually arrive this time of year, a negligible volume has been exported so far. The delays can only aggravate port congestion when the remainder of the harvest arrives.

Chinese Oilseed Demand Accelerating

Global soybean imports are projected up almost 7 percent in 1999/2000, to 42.3 million tons. Nearly half of the world's expansion in soybean trade this year is due to China. The latest soybean import projection for China was raised from 4.8 million to 5.0 million tons, which would be 30 percent above its 1998/99 imports. Likewise, global rapeseed imports are nearly one fourth higher in 1999/2000, with Chinese imports accounting for 1 million out of the 2-million-ton expansion in world trade. Based on recent large sales by Australian exporters, Chinese rapeseed imports were forecast higher this month to 3.2 million tons.

The contraction in world trade for soybean meal and soybean oil is also partially related to Chinese trade. Global soybean meal imports are forecast down 2 percent while 1999/2000 soybean oil imports would decline 5 percent. The large recent purchases of soybeans and the impending domestic rapeseed harvest will further curb China's import requirements of these products. Chinese 1999/2000 soybean meal imports are expected to fall to 0.5 million tons (with likely none coming from the United States).

Even with the increase in domestically produced soybean meal, Chinese 1999/2000 consumption is expected down 5 percent. Rapeseed meal and fish meal account for nearly all of this year's modest gains in Chinese total protein meal consumption. Prices for protein meal are rising in China, which suggests that domestic oilseed surpluses have been trimmed and feed demand is strengthening. Combined with chronically high Chinese vegetable oil prices relative to world prices, there is a substantial incentive to import oilseeds versus either meal or oil. The shortages prompted China's soybean buying spree in February and signals an expansion in next season's consumption, as well.

Similarly, China's soybean oil imports are seen dropping to no more than 725,000 tons this year. For 1999/2000, Chinese consumption of soybean oil is anticipated down 9 percent to 2.8 million tons. Yet, total vegetable oil consumption is forecast 5 percent higher because of offsetting increases of 20 percent and 12 percent for rapeseed oil and palm oil, respectively.

Reports from India confirmed the severity of last year's drought on domestic oilseed production. The 1999 soybean harvest was pegged at 5.2 million tons,

down 0.3 million from the previous estimate. According to Indian industry members, the shortage of supplies has curtailed crushing to only one-third of capacity. Consequently, projected 1999/2000 crush was reduced and expected soybean meal exports were cut to 2.1 million tons.

In February, India's government raised the import tariff on crude palm oil from 16.5 to 38.5 percent (with an exemption for hydrogenated oil producers), following the hike on refined oils adopted earlier this year. Many importers anticipated the higher duties and booked their purchases early. Indian imports (October-January) of palm oil and soybean oil have increased 87 and 30 percent, respectively, from a year ago. The robust import pace, particularly for palm oil, should slow in coming months as new sales are subjected to the higher duty.

Yet, the problems of the Indian oilseed sector respecting adverse weather, poor efficiency, and low farm returns make it difficult to ensure adequate domestic oil output. Given a strong consumption response to the low world prices, large Indian oil imports have been unavoidable. The smaller domestic output raised the forecast of Indian soybean oil imports slightly to 788,000 tons.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Wednesday, April 12, 2000. The report may be accessed at <http://usda.mannlib.cornell.edu/> or via the ERS website at <http://www.ers.usda.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	910	159	2,669	325

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	16,000	1,550	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	3,100	150	3,241	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	1,395	1,464	1,270	115	1,385	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	79	48.2	832	958	772	111	882	76
1999/00 2/	76	9.0	980	1,065	790	200	990	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	2,240	700	366	750	4,056	1,375

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	129.00	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	4.62	101.00	7.28	14.60	3.75
February 1/	4.75	108.00	7.42	NA	3.50

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
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	15.56	21.98	17.67	33.00	20.81
February 1/	15.09	22.65	16.98	32.50	20.06

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	163.41	126.88	73.75	104.00	91.75
February 1/	170.51	131.88	69.00	104.75	90.75

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