

Oil Crops Outlook



United States Department of Agriculture
Economic Research Service

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U.S. Farmers Set To Increase Soybean Planting Again

The USDA *Prospective Plantings* report indicated that intended U.S. soybean plantings would be 74.9 million acres this year, up 1.1 million from the 1999 record. Soybean planting would expand 1.7 million acres to record amounts in South Dakota, North Dakota, Minnesota, Nebraska, Wisconsin, and Indiana. Soybean planting intentions in Iowa (the largest soybean State) and Michigan are to stay unchanged from their 1999 highs. These predominantly western and northern States account for 14.8 million acres (87 percent) of the expansion in national soybean acreage since 1990. For the remaining States, a modest collective reduction of 600,000 acres is expected this year, most of which will switch to cotton production in the South.

For the expansion area, the crops that would decline in acreage and make greater soybean planting possible are wheat, sunflowers, and corn. Sunflower planting is anticipated to plunge about 14 percent to 3.05 million acres. Aside from the lowest sunflowerseed prices since 1986/87, Northern Plains producers are deterred by a potential hangover of last year's sunflower disease problems. Virtually all of the reduction would be in North Dakota and South Dakota. Acreage reductions would be divided almost equally between oil-type and non-oil-type varieties.

Like soybeans, canola (rapeseed) is another beneficiary of the cutback in sunflower acreage. U.S. canola plantings, of which 79 percent are in North Dakota, would soar 41 percent this year to a record 1.5 million acres. Although canola prices are expected to remain relatively low again this year (currently around 8 cents per pound), the marketing loan rate of 9.3 cents per pound will support farm returns.

Despite relatively low market prices, marketing loan rates for oilseeds are securing favorable expected returns compared with grains. The 1999 national average loan rate for soybeans was set at \$5.26 per bushel, the maximum allowed by law. Given falling prices for the last 3 years, the loan rate formula would have modestly reduced this year's soybean loan rate to \$5.13 per bushel, but the Secretary of Agriculture used discretionary authority to maintain loan rates at the higher 1999 level. If a normal harvest keeps the price below the loan rate, this action precludes a decline in soybean loan deficiency payments of up to \$400 million.

Record U.S. Soybean Exports Forecast

Despite the likelihood of record large soybean plantings, U.S. cash and futures prices have strengthened recently based on weather concerns. A serious threat to South American soybean production has not materialized, but problems with the next U.S. crop would have even greater consequences. Dryness dating back to last summer is affecting much of the major U.S. soybean production regions this spring. Long range weather forecasts for drought persistence help explain the current price rally. Last year's soybean crop had some soil moisture reserves to sustain it through the worst of the summer drought, but such security is absent this spring. Soybean planting will start in a few weeks.

Another factor lifting prices is the brisk pace of soybean exports. As of April 6, U.S. export inspections of soybeans were 749 million bushels, 128 million more than a year earlier. China alone accounts for more than 40 percent of that gain in trade. Delayed marketings from Brazil are also aiding U.S. exports for the current marketing year. USDA raised the 1999/2000 soybean export forecast to 930 million bushels, which would surpass the 1981/82 record of 929 million.

However, domestic soybean crushing fell in February to the lowest volume in 3 years. Poor margins have taken a toll, and the imminent arrival of new South American supplies only exacerbates the plight of U.S.-based processors. Domestic crushing to date is only a modest 17 million bushels ahead of the first-half pace of 1998/99. USDA reduced its forecast of 1999/2000 soybean crush 10 million bushels to 1,590 million, which would be the same as in 1998/99. Therefore, the current forecast implies a weakening crush volume through next fall.

Soybean stocks as of March 1 were 1,397 million bushels, 60 million less than a year earlier. Most of the reduction is because of stronger export demand and the smaller 1999 harvest. The expected net increase in demand lowers the 1999/2000 soybean ending stocks forecast to 305 million bushels.

The forecast reduction in 1999/2000 soybean oil production associated with lower crush is partly offset by data indicating a near record oil extraction rate. Despite the reduction in soybean oil production in February, oil stocks still exceeded 2,000 million pounds. Domestic disappearance has steadily grown, but weak soybean oil exports are keeping stocks near this high level. Sharp increases in foreign oilseed crushing and palm oil production are eroding export potential for U.S. soybean oil. USDA forecast 1999/2000 exports of soybean oil down 50 million pounds to 1,500 million.

Soybean oil prices jumped from the February average of 15.1 cents per pound to 16.2 cents in March. Prices neared 18 cents per pound in early April. The declining crush rate was partially responsible. Given the concerns for 2000/01 soybean supplies, the value of carryin stocks of soybeans and oil also supports the price. The season average soybean oil price was forecast up to 15.0-17.0 cents per pound.

Rising soybean meal prices are beginning to ration domestic consumption. The average meal price increased nearly \$5 per short ton in March to \$175.50, the highest level in 2 years. USDA raised its 1999/2000 price forecast for soybean meal to \$155-\$170 per ton. The April projection of 1999/2000 domestic soybean meal disappearance was reduced 100,000 tons to 31.0 million short tons. In addition, the March 1 inventory data from USDA's *Hogs and Pigs* report indicated that the hog herd was still contracting. Compared with March 1, 1999, there were 3 percent fewer total hogs and 5 percent fewer breeding animals. However, the rate of decline may be slowing now that slaughter hog prices are nearly 60 percent higher than a year ago. Higher soybean meal prices and larger South American meal supplies are forecast to trim U.S. exports to 6.9 million tons.

Brazilian Soybean Harvesting Picking Up, But Marketings Lag

The Brazil soybean production estimate was unchanged from last month's 30.5 million metric tons. Brazil usually exports several hundred thousand tons of soybeans during February-March, but such shipments were minimal this year. Soybean export registrations as of March 15 were about half the level of a year earlier. Last year's soybean exports were accelerated by good harvest conditions and strong internal prices precipitated by the January 1999 currency devaluation. This year, later plantings and frequent rains have put Brazilian harvest progress behind schedule. Recently, a drier weather pattern has allowed farmers in the north to catch up somewhat, with 47 percent harvested by April 7, compared with the 5-year average of 57 percent.

Yet, slow farm marketings are likely to cause further export delays. The rebounding economy has strengthened Brazil's current exchange rate to about 1.75 reals per dollar from nearly 2.0 reals a year ago. Consequently, internal soybean prices have substantially deteriorated. Higher costs of truck operation, from the surge in diesel fuel costs to increased highway tolls, have also eroded the profitability of transporting soybeans from farm to export locations. Despite rail and barge improvements, approximately three-fourths of Brazil's soybean exports still reach eastern ports by truck, with some traveling as far as 1,500 miles from the country's interior. Therefore, Brazilian soybean farmers have not rushed to sell this year, and they may wait to see how development of the next U.S. crop affects prices. Brazil's 1999/2000 soybean exports were forecast down from a month ago to 9.1 million tons, compared with 8.9 million in 1998/99.

The Brazilian soybean supplies that were available in February were channeled mostly into domestic crush. Lower domestic soybean prices and higher values for soybean meal (based on strong domestic feed demand) have made Brazil's soybean processors more competitive. USDA raised its 1999/2000 projection of Brazilian soybean crush to 21.4 million tons, which would be a slight rise from 21.0 million in 1998/99. Brazilian soybean meal and soybean oil exports were forecast marginally higher this month, but shipments of both products are still expected to be less than in 1998/99.

In Argentina, favorable conditions for double-cropped soybeans have boosted expected yields. The newly begun harvest was forecast up 1 million tons this month to a record 21 million. Brazil has an expanding domestic market for soybean products, but demand in Argentina is heavily export-oriented, so the lackluster growth in international demand for soybean products has curbed domestic processing. Yet, foreign consumption of soybeans is much stronger. Argentine soybean exports are projected to swell 24 percent in 1999/2000 to a record 4.0 million tons. Argentina is anticipated to carry over relatively large stocks of soybeans, meal, and oil into the 2000/01 marketing year.

Robust Growth in Chinese Soybean Consumption Sways World Market

Chinese consumption of protein meal and vegetable oil is beginning to accelerate from the slowdown of 1998/99. Although 1999/2000 consumption of soybean meal and soybean oil are still anticipated below last year, the reductions are smaller than forecast earlier. Crushing of the 1999 domestic soybean crop (revised up to 14.2 million tons this month) would produce less than 60 percent of China's total soybean meal consumption. Most of the remainder is processed from imported soybeans, with only a small volume of soybean meal imports. China's 1999/2000 soybean imports are seen at 5.3 million tons, up from last month's forecast of 5.0 million. Expansion in the country's crush to 12.6 million tons is driving the surge in soybean imports. For similar reasons, Chinese rapeseed imports are also anticipated higher, at 3.4 million tons.

Indian Imports Shape Flow of World Vegetable Oil Trade

The partial withdrawal of China from the world vegetable oil market has made India the focal point of exporters. Despite higher import barriers, India's poor 1999 oilseeds harvest has curtailed domestic vegetable oil supplies and supported large imports. The 1999 Indian peanut crop was estimated down this month to 5.7 million tons, the smallest since 1985. The reinvigorated economy has also aided total consumption, which is estimated to grow 4 percent in 1999/2000 to 9.6 million tons. Projections of Indian palm oil, soybean oil, and sunflowerseed oil imports were raised this month to 2.65 million, 0.85 million, and 0.325 million tons, respectively.

After India imposed higher duties on palm olein in January, Malaysian exports slowed from the October-December period. This year, the Indian government has favored crude palm oil imports by keeping the tariff on crude oil imported by domestic refiners at 16.5 percent while raising the applied tariff for processed oils to 27.5 percent. Consequently, Indonesia, which exports mostly crude palm oil, has gained an advantage in the Indian market over Malaysian olein exporters. For years, Malaysia has had a differential export tax between exports of refined and crude palm oil to help develop its own refining and oleochemical industries. The Malaysian government is considering extending exemptions of its export tax on crude palm oil. In light of swelling domestic surpluses, easing the export tax would now help producers export more crude palm oil to India.

Malaysian 1999/2000 palm oil production was forecast higher this month to 10.8 million tons, which would exceed 1998/99 output by more than 1 million. Year to date (October 1999-February 2000) Malaysian palm oil production is up 38 percent from a year earlier. The rebound began midway through last season, so growth in second-half output should not be as great as in the first half.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Monday, May 15, 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	1,590	930	169	2,694	305

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	37,845	38,225	31,000	6,900	37,900	325

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	95	18,045	19,660	16,250	1,500	17,750	1,910

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	563	207	5,365	6,135	2,719	68	2,955	5,742	393
1999/00 2/	393	100	6,422	6,916	3,000	160	3,481	6,641	275

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	88	0	1,232	1,320	1,175	121	1,295	24
1999/00 2/	24	0	1,350	1,374	1,215	125	1,340	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	950	1,035	785	175	960	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	3,829	5,390	2,240	760	375	675	4,050	1,340

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	4.79	108.00	8.77	NA	3.39
March 1/	4.87	NA	8.68	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	19.86	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	15.30	21.25	17.60	35.40	21.68
January	15.63	21.98	17.91	33.00	20.81
February	15.09	22.65	15.53	32.50	20.06
March 1/	16.22	23.70	17.31	31.60	19.28

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	170.85	130.50	70.20	104.75	92.60
March 1/	175.50	129.20	77.50	110.00	108.75

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