



Oil Crops Outlook

United States Department of Agriculture
Economic Research Service

Approved by the World Agricultural Outlook Board

OCS-0500
May 15, 2000

Record U.S. Soybean Acreage, Normal Yields Expected To Swell 2000/01 Supplies

In most States this spring, warm, firm soils have favored a rapid pace for planting corn and soybeans. As of May 7, farmers had completed 34 percent of intended soybean plantings, compared with national 5-year average of 8 percent. Inadequate soil moisture in many areas west of the Mississippi River has helped rally soybean prices to the highest level since January 1999. Last week's widespread and heavy rains have temporarily eased the situation and should be adequate at this early stage for crop germination. As long as a normal pattern of regular precipitation develops this summer, average soybean yields can be achieved, in spite of a deficit in subsoil moisture.

Provided that the abnormal summer droughts of the last 2 years are not repeated, the national average trend yield for soybeans is estimated at 40.0 bushels per acre. The 2000 yield forecast represents a rebound from the disappointing 36.5 bushels in 1999. Aside from the extended growing season allowed by this spring's accelerated plantings, geographic shifts in soybean acreage would also favor improved yields. There is a net increase of 700,000 acres this year in States with 10-year average soybean yields that are higher than the national average. States with below-average yields had a net expansion of just 375,000 acres. Based on an expected record harvested area of 73.9 million acres, a 40-bushel yield would produce a bumper U.S. soybean harvest. The prospective 2,955-million-bushel crop would exceed the 1998 record by more than 200 million bushels.

Slower growth in foreign oilseed production and low U.S. soybean prices should help expand U.S. exports of soybeans and soybean products in 2000/01. U.S. soybean exports are projected to reach a record 970 million bushels in 2000/01, up from the revised 1999/2000 forecast of 940 million. Yet despite ample available supplies, growth in U.S. foreign trade will be limited by larger Chinese production. U.S. soybean exports to China so far this year (September 1999-April 2000) have totaled 125 million bushels, compared with 65 million last year.

The 1999/2000 domestic soybean crush forecast was reduced to 1,585 million bushels this month. Monthly crushing volumes have been below last season's for the last 4 months and the crop year total is expected to finish 5 million bushels less than in 1998/99. Abundant protein meal and vegetable oil supplies will keep processing margins for soybeans tight next season as well. For 2000/01, domestic crushers are projected to process 1,620 million bushels of soybeans.

Domestic demand for both soybean products (meal and oil) is anticipated to grow modestly in 2000/01, although it will generally exceed gains in export demand. Low feed costs and rebounding prices in the hog sector should begin to promote herd expansion again next year. Domestic disappearance of soybean meal is projected up 2 percent to 31.6 million short tons, compared with an estimated 1-percent increase in 1999/2000. Low prices are also expected to

raise domestic disappearance of soybean oil nearly 3 percent to 16,700 million pounds.

Soybean meal and soybean oil exports are anticipated to rise only moderately in 2000/01, from 6.8 million to 7.0 million tons and 1,400 million to 1,800 million pounds, respectively. Many foreign importers will continue to emphasize oilseed imports at the expense of the processed oilseed products. In addition, the strength of the U.S. dollar compared with the currencies of major export competitors and import buyers continues to curtail U.S. foreign trade. In particular, Brazilian exports should have an advantage in many European and Middle Eastern markets.

With relatively large beginning stocks (300 million bushels) and a record harvest, total U.S. soybean supplies are expected to surge 9 percent for the 2000 crop year. Domestic and export demand is forecast to lag the production gains, so that 2000/01 ending stocks would accumulate to 495 million bushels. Only the 1985/86 inventory of 536 million bushels would exceed next season's projected carryout.

Such a large surplus would prevent any strengthening of soybean prices. The 2000/01 national average farm price is forecast at \$4.00-\$5.00 per bushel, compared with \$4.65 in 1999/2000. Farm prices would remain well below the \$5.26 soybean loan rate for the third consecutive year. Next season's loan deficiency payments for soybeans would then exceed the \$2.3 billion paid out to farmers so far in 1999/2000. Similarly, the U.S. average soybean meal price is forecast between \$145 and \$170 per short ton, versus the 1999/2000 average of \$165. As the crushing pace has eased, current soybean meal prices have strengthened to about \$195 per ton in mid-May from the \$177.50 April average. In addition, season average soybean oil prices may rise negligibly next season, to 15.0-18.0 cents per pound, from the 1999/2000 average of 16.25 cents.

World oilseed output is projected up 4 percent in 2000/01 to 310 million metric tons. U.S. oilseeds would contribute about three-fourths of the global increase, which is predominantly soybeans. The forecast also reflects anticipated increases in Chinese soybean and rapeseed production. Oilseed plantings in South America may slip following a record U.S. harvest, but a more normal Brazilian yield may slightly raise output. Recovery from drought-reduced 1999 crops may raise Indian oilseed production back to a more normal level in 2000. Better Indian yields should boost world peanut production, while global cottonseed output is not seen changing much from 1999/2000. On the other hand, low prices and declining subsidies are expected to reduce European oilseed crops in 2000/01. Canadian and Australian farmers are also seen substantially expanding grain plantings at the expense of rapeseed.

South American Soybean Harvest Nearing Completion

Brazilian harvest conditions over the last several weeks have been very favorable. As of the first week of May, 93 percent of Brazil's soybean harvest had been completed, which is only slightly below average. Nearly all of the northern states have finished harvesting with most of the remaining fields in the southern states of Rio Grande do Sul and Minas Gerais. Higher acreage and good soybean yields in the northern regions have partially offset poor development in the drier southern regions. USDA raised the 1999/2000 Brazilian soybean production estimate to 31.0 million metric tons, down only slightly from last year's 31.3 million.

Because of the larger available supplies, Brazilian soybean exports for 1999/2000 are forecast up to 9.3 million tons. Domestic crushing would expand to 21.7 million tons from 21.0 million in 1998/99. Cumulative crush (October 1999-March 2000) in Brazil is already up more than 0.5 million tons from a year earlier. Driving the trend is the quite brisk pace of domestic soybean meal consumption. From 2 years ago, domestic meal consumption is forecast up 14 percent in 1999/2000 to nearly 7.0 million tons. Brazilian meal exports are expected to stabilize near the 1998/99 volume of 10.2 million tons. Likewise, Brazil's soybean oil exports are anticipated to be comparatively weak, although domestic consumption is forecast up 5 percent from last year to 2.9 million tons.

The relative strength of Brazilian soybean crushing represents a minor role reversal. In the past, Argentine processors have normally been more competitive in world markets than their Brazilian counterparts. But those advantages were diminished following Brazil's currency devaluation in early 1999. Argentina does not have a large domestic market to cushion the sudden swings in global imports of protein meal and vegetable oil, so soybean crushing (October 1999-February 2000) is down almost 0.5 million tons from a year earlier. Therefore, even a fairly strong post-harvest expansion may push up Argentina's 1999/2000 crush only 0.3 million tons to 17.8 million. Consequently, the smaller crush forecast would trim Argentine soybean meal exports to 14.0 million tons in 1999/2000. On the other hand, greater supply availability and strong Chinese soybean imports are expected to boost Argentine soybean export demand to 4.1 million tons.

China and India Emerge as the Premier Import Markets for Oilseeds and Oils

China has been an active purchaser of U.S. soybeans this year. Brisk imports are likely to continue, although the U.S. share of the market should wane now that China is buying newly available South American supplies. Based on heavy year to date sales, USDA sharply raised its 1999/2000 forecast of Chinese soybean imports 0.6 million tons this month to 5.9 million. China would import over 50 percent more soybeans than in 1998/99, which pushes the country past the Netherlands and Japan as the world's single largest importing nation.

Virtually all of China's soybean imports are destined for crushing. The 10-percent gain in 1999/2000 domestic meal production is expected to fully offset the 1-million-ton decline in Chinese soybean meal imports. Domestic consumption of soybean meal is about the same as last year, as rapeseed meal accounts for most of China's increase in total protein meal demand. Corresponding increases in vegetable oil production are expected to drop China's soybean oil imports to 675,000 tons in 1999/2000. These imports were as much as 1.65 million tons only 2 years earlier.

Persistent drought and poor irrigation supplies in northwestern India damaged the country's 1999/2000 rapeseed harvest, just as they did the previously harvested peanut and soybean crops. USDA revised its Indian rapeseed crop estimate from 5.7 million to 5.3 million tons this month. The resulting shortfall in domestic vegetable oil production has created a great opportunity for Indian vegetable oil importers, particularly importers of palm oil. No country now imports more total vegetable oils than India.

USDA forecast India's 1999/2000 palm oil imports up another 0.4 million tons to 3.1 million. Indian palm olein imports (October-March) are nearly 0.6 million tons larger than last year. Importers likely purchased a substantial portion of the palm olein prior to the January tariff increases for later

shipment. Indian palm olein imports declined in February but increased in March on fears that the government may raise the tariff much higher. However, India's higher tariff differential for palm olein has indeed altered the composition of imports. Cumulative crude palm oil imports through March were 137,000 tons, compared with nothing the previous year. Imports of soybean oil are slightly ahead of last year's pace and projected up to 850,000 tons.

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

Information Contacts:

Mark Ash--Soybeans, minor oilseeds, oils	(202) 694-5289	mash@ers.usda.gov
Robert Skinner--Cottonseed, peanuts	(202) 694-5313	skinner@ers.usda.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 -----									
1998/99	200	3	2,741	2,944	1,590	801	205	2,596	348
1999/00 2/	348	3	2,643	2,994	1,585	940	169	2,694	300
2000/01 2/	300	3	2,955	3,258	1,620	970	173	2,763	495

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 -----									
1998/99	218	100	37,792	38,110	30,662	7,117	37,780	330	
1999/00 2/	330	50	37,620	38,000	30,900	6,800	37,700	300	
2000/01 2/	300	65	38,485	38,850	31,600	7,000	38,600	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 -----									
1998/99	1,382	82	18,081	19,546	15,655	2,372	18,027	1,520	
1999/00 2/	1,520	95	17,935	19,550	16,250	1,400	17,650	1,900	
2000/01 2/	1,900	90	18,390	20,380	16,700	1,800	18,500	1,880	

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 -----									
1998/99	563	207	5,365	6,135	2,719	68	2,955	5,742	393
1999/00 2/	393	100	6,354	6,847	2,900	160	3,512	6,572	275
2000/01 2/	275	10	7,440	7,725	3,300	150	3,700	7,150	575

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 -----								
1998/99	88	0	1,232	1,320	1,175	121	1,295	24
1999/00 2/	24	0	1,345	1,369	1,200	135	1,335	34
2000/01 2/	34	0	1,485	1,519	1,330	145	1,475	44

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 -----								
1998/99	79	48.2	832	958	772	111	882	76
1999/00 2/	76	6.0	945	1,027	825	127	952	75
2000/01 2/	75	5.3	1,055	1,135	870	165	1,035	100

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-----										
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
2000/01 2/	1,340	169	3,755	5,264	2,285	681	363	700	4,029	1,235

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
1999/00	4.70	90.00	7.45	25.60	4.00
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	4.91	NA	8.52	NA	3.70
April 1/	4.99	NA	8.35	NA	3.70

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	19.90	27.32	20.10	39.74	25.30
1999/00 1/	16.25	22.25	18.00	34.30	21.00
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	16.21	23.70	17.31	31.60	19.28
April 1/	17.52	24.57	18.07	33.00	18.32

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	117.54
1998/99	138.50	109.55	65.20	104.94	84.49
1999/00 1/	165.00	130.00	77.50	145.00	100.00
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	175.50	129.38	77.50	110.00	108.75
April 1/	177.53	125.00	78.35	115.00	111.00

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