



# Oil Crops Outlook

United States Department of Agriculture  
Economic Research Service

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## **Favorable U.S. Weather Moves Soybean Prices Lower**

In late April and early May, firm soils accelerated planting of spring crops across much of the United States. As of June 4, 90 percent of intended soybean acreage had been planted, well ahead of the 5-year average of 67 percent. Soybean emergence is also well underway and a majority of fields are rated in good to excellent condition. Beneficial rains in the latter half of May and early June have generally improved soil moisture, although a deficit remains in southern Iowa, northern Missouri, eastern Nebraska, and the Southeast. Anticipating average soybean yields and record planted acreage, U.S. soybean production is still expected to reach a record 2,955 million bushels.

The boom in U.S. soybean exports this year has been prolonged by brisk sales to China. New USDA forecasts of U.S. soybean shipments are placed at 955 million bushels for 1999/2000. Larger U.S. supplies, stronger world imports, and moderate growth in foreign exports should prevail in 2000/01, helping U.S. soybean exports rise to a projected record of 980 million bushels.

In spite of the brighter export outlook, cash and futures prices for soybeans, soybean meal, and soybean oil recently fell as climatic threats to the 2000 crop diminished. However, the slowing of soybean meal and oil output has established some price support. The central Illinois soybean meal price rose to \$195 per ton in mid-May before falling back to \$184 by month's end, which is still the highest in almost 2 years. U.S. prices of soybean meal are forecast slightly higher to \$167.50 per ton for 1999/2000 and \$145-\$175 for 2000/01.

Domestic crushers have begun an earlier and more pronounced seasonal slowdown than usual. Utilization of crushing capacity dropped to 71 percent in April, the lowest rate for the month in 10 years. Soybean crushing fell nearly 10 million bushels in April, so that the cumulative September 1999-April 2000 crush is the same as a year earlier. Processing should continue to lag for the remainder of the season, with the 1999/2000 crush forecast lowered 15 million bushels this month to 1,570 million, compared with 1,590 million in 1998/99. In 2000/01, steady improvement in soybean product demand is anticipated to modestly boost domestic soybean crushing to 1,610 million bushels.

China's recent reappearance in the world soybean meal market is expected to edge U.S. exports higher, although other exporters should acquire most of the immediate sales. The current season export forecast is raised to 6.9 million short tons while the 2000/01 projection is boosted to 7.15 million tons.

The current rally in hog market prices (up one-third so far this year) is indicative of strong pork demand and the heavy slaughter pace last winter. The contraction in herd size should continue, as hog producers are not likely to expand breeding for several months. Consequently, the smaller herd has

weakened domestic demand for soybean meal, which was forecast down to 30.4 million short tons for 1999/2000 and 31.2 million for 2000/01.

Without a substantial threat to this year's U.S. soybean crop, soybean oil prices should remain under pressure. Ample supplies of U.S. soybeans and foreign vegetable oils will keep competition keen. Price projections for 2000/01 are 15.0-18.0 cents per pound, little changed from the 1999/2000 average of 16.25 cents. Growth in domestic soybean oil consumption, although comparatively robust this season, is limited. Commercial export sales continue to lag and PL-480 concessional sales this year are unlikely to greatly exceed last year's volume. For 2000/01, U.S. soybean oil exports should benefit from slower growth in foreign oilseed and vegetable oil production.

### **Robust Chinese Imports Buoy World Soybean Trade**

China continues to import soybeans at a torrid pace. By some estimates, Chinese crushing capacity has expanded 25 percent from last year, or as much as 3 million metric tons annually. Chinese soybean imports were 0.8 million tons in April alone, and October 1999-April 2000 imports (3.6 million tons) were up 80 percent from a year earlier. USDA increased its 1999/2000 forecast of Chinese soybean imports from 5.9 million to 7.2 million tons.

Despite the surge in soybean imports, feed demand within China has been quite strong and internal prices for soybean meal have rallied. Domestic consumption of soybean meal is expected up 12 percent this season to 12.2 million tons. China has recently imported several cargoes of soybean meal from South American and Indian sources. Based on these purchases, USDA raised its 1999/2000 forecast of China's soybean meal imports from 0.4 million to 0.7 million tons. A State Bureau of Taxation decision to exempt oilseed meals from the 13-percent value added tax might have precipitated some of the trades. However, it is not yet certain whether the Chinese government will actually implement this plan.

The weakness in China's soybean oil imports continues, however. Considering its large domestic soybean oil output and its recent bumper rapeseed harvest, China needs comparatively few imports of soybean oil at this time. USDA reduced its 1999/2000 forecast for China's soybean oil imports by 50,000 tons to 625,000.

### **Thin Margins Also Plague Foreign Oilseed Processors**

In mid-May, the Argentine soybean harvest was stalled by heavy rainfall. The harvest pace has picked up again in recent weeks as dry weather returned, but progress still lags somewhat. The ill-timed rain may have diminished the quality of the soybean crop.

Poor margins this year will make it hard for Argentine oilseed processors, like their American counterparts, to operate to capacity, which expanded substantially in the mid-1990's. This month, USDA reduced its 1999/2000 forecast of the Argentine soybean crush to 17.0 million tons, compared with 17.5 million the previous year. The decline would be Argentina's first in 12 years. Consequently, output of soybean meal and oil will slip below last year and exports are forecast down to 13.35 million and 3.0 million tons, respectively. Alternatively, strong soybean sales to China are expected to swell Argentine exports in the next several months to a record 5.1 million tons.

Although many Brazilian soybean crushing plants are also operating below full capacity, their circumstances give them a small competitive edge. One reason is the relative strength of domestic meal and oil consumption. Brazil's 1999/2000 crush is expected to total 21.9 million tons, compared with 21.0 million last season. Cumulative soybean crush (October 1999-April 2000) is already up a modest 0.5 million tons from a year earlier.

In addition, Brazil's soybean meal exports, particularly to Europe, are expected to benefit from the country's depreciated exchange rate. The competition has sharply curtailed U.S. soybean meal exports to Europe in 1999/2000. Brazilian soybean meal exports were forecast higher this month to 10.55 million tons. Exports of soybean oil were also projected up slightly, to 1.4 million tons. Moderate growth in Brazilian 1999/2000 soybean exports, which are competing with domestic crushers as well as brisk U.S. and Argentine exports, is still anticipated.

Aside from China, crushing margins are also tight in major importing nations. With ample supplies of domestically produced rapeseed and rapeseed oil, the European Union currently favors imports of soybean meal over soybeans. EU soybean imports and crush are expected to slip 1 percent in 1999/2000, to 16.36 million and 15.58 million tons, respectively. EU soybean meal imports are forecast to decline somewhat less, dropping from 19.14 million tons in 1998/99 to 19.05 million in 1999/2000.

India's oilseed crushers face considerable economic difficulties. Indian soybean meal exporters have welcomed the recent purchases by China, which are seen lifting 1999/2000 exports from 2.08 million to 2.15 million tons. But domestic oilseed supplies were shrunk by last year's drought and it is not viable to import more oilseeds. Domestic oil producers are seeking government relief from the influx of vegetable oil imports that have eroded profits and idled crushing mills. Both Malaysia and Indonesia have countered previous hikes in Indian import duties by easing their own export duties on palm oil.

Indian vegetable oil importers are continuing to favor palm oil over other oils. Indian imports of soybean oil and sunflowerseed oil are forecast to decline modestly in 1999/2000 to 750,000 and 400,000 tons, respectively. Meanwhile, Indian palm oil imports are ballooning to an expected 3.1 million tons, 25 percent larger than 1998/99 imports. Some stock accumulation is inevitably occurring, but lower domestic oilseed output and rapidly rising food consumption definitely factor into the surge in vegetable oil imports.

Many other countries are also importing record volumes of palm oil and some are buying more soybean oil, too. Throughout the Middle East, Africa, and Latin America, bargain prices are encouraging vegetable oil consumption in these price sensitive markets.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Thursday, July 13, 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 -----									
1998/99	200	3	2,741	2,944	1,590	801	205	2,596	348
1999/00 2/	348	3	2,643	2,994	1,570	955	169	2,694	300
2000/01 2/	300	3	2,955	3,258	1,610	980	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	37,245	37,625	30,400	6,900	37,300	325
2000/01 2/	325	65	38,235	38,625	31,200	7,150	38,350	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 -----								
1998/99	1,382	82	18,081	19,546	15,655	2,372	18,027	1,520
1999/00 2/	1,520	90	17,725	19,335	16,150	1,400	17,550	1,785
2000/01 2/	1,785	90	18,275	20,150	16,550	1,800	18,350	1,800

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 -----									
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	2,950	160	3,512	6,622	225
2000/01 2/	225	10	7,440	7,675	3,300	150	3,700	7,150	525

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 -----								
1998/99	88	0	1,232	1,320	1,175	121	1,295	24
1999/00 2/	24	0	1,365	1,389	1,220	135	1,355	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			End. stocks
	Beg. stocks	Im- ports	Produc- tion	Total	Domestic	Ex- ports	Total	
----- Million pounds -----								
1998/99	79	48.2	832	958	772	111	882	76
1999/00 2/	76	4.0	960	1,040	825	140	965	75
2000/01 2/	75	5.3	1,055	1,135	855	180	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	2,250	770	385	675	4,080	1,310
2000/01 2/	1,310	169	3,755	5,234	2,295	685	364	700	4,044	1,190

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	5.00	NA	7.98	NA	3.65
May 1/	5.15	NA	8.65	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	17.52	24.57	18.07	33.00	18.32
May 1/	16.75	22.97	16.93	36.25	16.63

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	177.53	125.00	78.35	115.00	111.00
May 1/	189.34	123.25	70.20	115.00	101.00

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