

Oil Crops Outlook

United States Department of Agriculture
Economic Research Service

OCS-0800
August 14, 2000

Approved by the World Agricultural Outlook Board

Bumper U.S. Harvest Will Support Record 2000/01 Soybean Exports

Good precipitation and an absence of extreme heat in July have resulted in generally favorable conditions for U.S. soybeans. As of August 6, 65 percent of soybeans were rated in good to excellent condition. This ratio is the best since the U.S. record yields of 1994. Like that year, current pod development is quite advanced, with 69 percent now in that stage compared with the 5-year average of 47 percent. Moisture availability at this time is a key factor for filling out soybean pods. Provided no extended hot spell soon emerges, most regions should need little additional precipitation, as there are adequate soil moisture reserves to complete crop maturation.

Record soybean crops are anticipated in Iowa, Illinois, Kansas, Nebraska, Wisconsin, North Dakota, Pennsylvania, Minnesota, Indiana, Missouri, and Michigan, with record average yields in the latter four States. On the other hand, much of the Southeast still suffers from a moisture deficit, and the dryness has extended into the Delta region. In spite of crop stress in these locations, a national average soybean yield of 40.7 bushels per acre is expected this year, exceeded only by the 1994 yield of 41.4 bushels. These southern regions collectively comprise just 9 percent of the total soybean acreage planted this year. Therefore, U.S. soybean production in 2000 is forecast to rise to 2,989 million bushels, surpassing the 1998 record of 2,741 million.

Smaller expected beginning stocks, totaling 280 million bushels, will offset some of the yield gains. Stocks have declined because of seasonally strong import demand from China that has raised the 1999/2000 U.S. soybean export forecast to 975 million bushels. For similar reasons, projected South American carryover stocks are also tightening. Adverse weather will maintain brisk imports by China and push U.S. soybean shipments toward a record 1,010 million bushels in 2000/01.

Slightly higher margins are projected to raise 2000/01 domestic soybean crush to 1,625 million bushels. U.S. soybean meal exports are forecast to rise to 7.4 million short tons. European Union (EU) soybean meal imports are likely to modestly strengthen because of a sharp decline in rapeseed production. U.S. soybean oil exports should also expand to 1,800 million pounds from 1,200 million in 1999/2000.

The fine condition of the U.S. soybean crop has caused the average cash price in central Illinois to fall from \$4.92 per bushel in June to \$4.56 in July. Prices may continue declining if favorable weather this month allows an optimal completion of pod filling. Based on the current soybean supply and use forecasts, USDA foresees a 2000/01 average U.S. farm price of \$3.90-\$4.80 per bushel.

The southern drought will have a larger impact on national production of peanuts than it will for soybeans. The brunt of the damage is in Alabama, where 77 percent of peanuts were rated poor to very poor. Georgia and Florida also suffered early dryness, but beneficial rains in late July prevented further crop deterioration. Expanded peanut acreage and good yields in the Southwest (where 60-65 percent of the peanut acreage is irrigated) will partly offset lower production in the Southeast. U.S. yields are forecast down to 2,587 pounds per acre compared with 2,667 pounds last year. Peanut production is expected to decline 1 percent this year to 3,792 million pounds.

An increase in the abandonment of dryland cotton acreage, also due to adverse growing conditions in the South, lowered this year's estimated cottonseed production to 7.2 million short tons. Although the reduced cottonseed output would still be 0.9 million tons greater than last year, fewer supplies would tighten up 2000/01 season ending stocks and moderate gains in crush and feed demand.

Dry Weather Cuts China's Soybean Crop Potential; Raises Import Outlook

In July, precipitation was 50-75 percent of average in much of northeastern and northern China, which include major soybean producing provinces of Jilin, Liaoning, Inner Mongolia, and Shandong. Near-normal precipitation in late July stabilized conditions in Heilongjiang, China's largest soybean producing province, but April-June rainfall had been below average. Together, these five provinces account for approximately 55 percent of China's soybean area and nearly all of the expansion in this year's plantings.

At this time, the drought's likely damage to yield potential cuts the U.S. Department of Agriculture's (USDA) forecast of China's 2000 soybean production from 15.8 million metric tons to 15.0 million. The estimate would still exceed last year's soybean output of 14.3 million tons, based on a 14-percent increase in planted area. Similarly, the country's peanut and sunflowerseed harvests were forecast lower to 12.5 million and 1.3 million tons, respectively.

USDA raised its forecast of China's 1999/2000 soybean imports to 9.0 million tons this month. The torrent of imports has recently softened domestic soybean prices, yet they remain above prices of a year ago due to the heavy demand. The domestic crop is larger than in 1999 and a larger estimated carryover of soybean stocks is anticipated to slow 2000/01 soybean imports. However, low international prices will support robust crushing and a scaled back domestic harvest should keep China's soybean imports at a relatively strong 7.25 million tons. Soybean meal imports are seen moderating to 1.0 million tons.

As a consequence of China's imports, the volume and composition of exports from the United States and South America will be greatly influenced. Brazilian soybean exports for 2000/01 are forecast up 0.5 million tons from a month ago to 9.4 million. The strength of foreign soybean demand will curtail supplies available for domestic crushing, which is expected to rise just 2 percent to 21.6 million tons. Although more normal weather and yields are anticipated to boost Brazilian soybean production next year, supplies will be squeezed for crushers, which are mostly located in southern Brazil. Following Brazil's 1999 devaluation, it became more profitable for producers in the center-west states of Brazil to export abroad than to supply southern crushers. The imposition of interstate sales taxes reduces the values that these processors can pay for soybeans outside their own state. Projected

Brazilian soybean meal exports are trimmed to 10.3 million tons, although still above the 1999/2000 forecast of 9.9 million.

Soybean processors in Argentina will face constraints similar to those in 1999/2000. Swelling U.S. supplies and relatively soft international demand for soybean meal and oil will continue to limit Argentine crushing. Yet, Argentine exports of soybeans should stay at a comparatively high level of 4.2 million tons.

Adverse Weather Shrinks European Oilseed Harvests

Excessive rain during July has caused harvest losses for rapeseed in northern France and western Germany. These complications followed drier than normal spring weather. The 2000 EU rapeseed crop was estimated down from last month's 9.9 million tons to 9.4 million. Greater soybean meal imports should offset the smaller domestic rapeseed crops, as rapeseed imports from outside the EU are not likely. Consequently, world trade in rapeseed (which is heavily EU oriented) is forecast down 13 percent from 1999/2000 to 9.7 million tons. For 2000/01, EU soybean meal imports are projected up 0.8 million tons from last month's forecast to 19.7 million. Imports of soybeans, at 16.4 million tons, are projected slightly higher than the July forecast but still less than the 16.8 million forecast for 1999/2000.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Wednesday, September 13, 2000. The report may be accessed at the ERS website at <http://www.ers.usda.gov> or via <http://usda.mannlib.cornell.edu/>.

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 1/	348	3	2,643	2,994	1,570	975	170	2,715	280
2000/01 2/	280	5	2,989	3,273	1,625	1,010	173	2,808	465

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 1/	330	60	37,335	37,725	30,400	7,000	37,400	325
2000/01 2/	325	65	38,535	38,925	31,250	7,400	38,650	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 1/	1,520	90	17,765	19,375	16,300	1,200	17,500	1,875
2000/01 2/	1,875	90	18,445	20,410	16,650	1,800	18,450	1,960

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 1/	393	130	6,354	6,877	3,125	190	3,377	6,652	225
2000/01 2/	225	46	7,209	7,480	3,200	180	3,600	6,980	500

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 1/	24	0	1,430	1,454	1,320	105	1,425	29
2000/01 2/	29	0	1,440	1,469	1,305	120	1,425	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 1/	76	4.0	985	1,065	850	130	980	85
2000/01 2/	85	5.3	1,025	1,115	885	135	1,020	95

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 1/	1,392	169	3,829	5,390	2,246	715	419	710	4,090	1,300
2000/01 2/	1,300	169	3,792	5,261	2,305	715	415	725	4,161	1,100

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 1/	4.65	90.00	7.05	25.60	3.80
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	11.50	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	5.19	NA	7.79	NA	3.75
June	4.92	NA	8.17	NA	3.64
July 1/	4.48	NA	8.56	NA	3.45

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/	15.70	21.70	16.90	33.70	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	16.75	22.97	16.93	36.25	16.63
June	15.65	21.54	15.59	36.00	14.57
July 1/	14.70	21.03	14.68	35.63	13.55

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	118.00	67.50	145.00	94.50
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	189.34	123.25	70.20	115.00	101.00
June	177.45	130.63	87.50	119.60	106.25
July 1/	163.38	131.25	87.50	118.00	115.15

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