

Oil Crops Outlook

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Economic Research Service

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Heat Wave Shrinks a Promising Potential for Soybeans

Within the boundaries of the traditional midwestern soybean-producing region, weather conditions were generally very good this year. Relatively mild summer temperatures and regular precipitation generated yields that neared or equaled records in Ohio, Michigan, Indiana, Minnesota, and Illinois. Drier conditions would be welcomed in some of these States, as currently wet soils are hindering the start of harvesting.

However, on the western and southern edges of the soybean belt, soybeans have struggled through one of the hottest and driest Augusts of the last century. Soybean yield potential in Kansas, Nebraska, and the lower Mississippi River Valley deteriorated the most. Soil moisture was already considered short in most of these areas at the end of July, and rainfall ranged 25-75 percent of normal in August. Despite indications of high pod counts, stress on soybean plants at this stage can cause pods to abort or fill with undersized beans. Plants in some fields were reportedly killed prematurely by the extreme heat and did not fully mature. Next month, the National Agricultural Statistics Service will conduct a special survey to update harvested acreage estimates in these States affected by drought.

Soybean crop conditions, which were rated 65 percent good to excellent as of August 13, fell to 52 percent by September 10. Thus, the national average soybean yield dropped from last month's estimate of 40.7 bushels per acre to 39.5 bushels. Although the U.S. soybean harvest is still a record and well above last year, the September estimate of 2000 production is down 89 million bushels from August to 2,900 million bushels. One benefit from the current low moisture is that fall harvest progress, which will become very active within the next 2 weeks, should be accelerated.

After steadily declining for months, domestic soybean crushing accelerated in July. Firming prices and stronger exports of soybean oil and soybean meal were largely responsible for the improvement in crushing margins. The estimate of 1999/2000 crush was raised to 1,580 million bushels this month, while the 2000/01 forecast edged up 5 million bushels to 1,630 million.

The strong finish for U.S. soybean exports helped 1999/2000 trade reach an estimated 980 million bushels. The top foreign destination for the year was China, with shipments of 191 million bushels. Although higher soybean prices and a stronger U.S. exchange rate should subsequently cool foreign demand, 2000/01 exports are forecast at 1,000 million bushels, which would surpass last season's record. Foreign purchases have picked up in recent weeks, as prospects of a smaller U.S. harvest have raised soybean prices. Current U.S. export sales of the new crop (about 17 percent of the forecast season total) are 25 percent ahead of the pace of a year ago. Initial sales to Mexico and Indonesia have been particularly brisk.

Smaller carryin stocks, a lower soybean crop, and steady consumption growth are predicted to sharply cut 2000/01 ending stocks from the previous forecast. Ending stocks would still climb year to year from 265 million bushels to 365 million, but the increase is much less than first anticipated. The smaller soybean and corn harvests and strong wheat demand should ease the difficulty of finding adequate storage space this fall.

The tightening of old crop supplies and declining overall condition of the new crop boosted central Illinois cash soybean prices from a low of \$4.30 per bushel in early August. Prices rallied to nearly \$4.80 per bushel in early September and are now the highest since mid-June. This month's forecast of the 2000/01 average farm price is up 40 cents to \$4.35-\$5.15 per bushel.

U.S. soybean oil exports revived somewhat in June. The U.S. Department of Agriculture revised its estimate of 1999/2000 exports from 1,200 million pounds to 1,375 million. U.S. shipments to Peru, South Korea, Mexico, and Kenya were greatest during the month.

Exports of soybean meal in 1999/2000 have also about matched the 1998/99 pace. Although the 2000/01 forecast was unchanged this month, exports for the current season are estimated at 7.1 million short tons, up from 7.0 million in August. A relatively weak crushing pace in Brazil supported U.S. soybean meal exports last summer.

Domestic disappearance of soybean meal was projected to grow from 30.6 million short tons in 1999/2000 to 31.4 million, a 2.6-percent increase. Soybean meal prices are forecast at \$155-\$180 per short ton, little changed from the \$167 in 1999/2000. Yet, livestock producer returns are expected to be slightly higher. While hog production should recover somewhat next year, most of the growth in soybean meal consumption is associated with an anticipated 4-percent expansion in poultry output. In addition, consumption of other oilseed meals (mainly sunflower meal) is projected down 4 percent for 2000/01. Domestic feeding of wheat, which can partly substitute for protein meal needs, has also been trending lower. Low corn prices will enhance the use of soybean meal in U.S. livestock rations.

Drought Cuts U.S. Cottonseed and Peanut Production

Soybeans were not the only oilseed to feel the effects of late summer heat and drought. Dryland cotton fields in Texas and the Delta also sharply deteriorated in August because of adverse weather. The percentage of U.S. cotton acreage rated very poor to poor increased to 34 percent last week. Cottonseed production for crop year 2000 is estimated at 6,878 million pounds, down 331 million pounds from the August forecast.

A smaller cottonseed supply moderates the expected gains in demand. The growth in cottonseed feeding should slow to 3.5 million tons, which is 3 percent above 1999/2000 feed use. Lackluster cottonseed oil demand should limit the expansion in domestic crushing in 2000/01 to 3.15 million tons, which is 2 percent higher than the previous marketing year. Cottonseed exports are forecast at 180,000 tons, slightly below last year. U.S. exports of cottonseed have been mostly limited to Mexico. Prices for cottonseed may rise minimally from last year's average of \$90 per ton.

Like last year, Southern peanut farmers have again been impacted by dry weather. As of September 10, 32 percent of peanuts were rated in very poor to poor condition. The worsening conditions from a month ago were largely in

Texas and Oklahoma, as Southeastern farms had been stressed earlier. Only Virginia and North Carolina peanuts have escaped relatively unharmed from drought. The U.S. peanut harvest is forecast down 1 percent from last month's forecast to 3,753 million pounds.

The tightening of supplies is expected to shave total peanut demand from 4,161 million pounds in 1999/2000 to 4,116 million in 2000/01. Domestic food use of peanuts is forecast to increase from 2,232 million pounds to 2,295 million. Peanut farm prices this season are expected to modestly rise from the 1999/2000 average of 25.6 cents per pound.

Lower Forecasts of U.S. and Indian Harvests Tighten Global Soybean Supplies

World production of soybeans in 2000/01 is estimated lower to 166.6 million metric tons, although it would still be 7 percent larger than in 1999/2000. Aside from the smaller U.S. crop, Indian soybean production was also forecast down this month to 5.5 million tons from the previous 5.7 million. The reduction was based on a lower area estimate, which at 5.7 million hectares is only slightly above the 1999 area. A weak start to the monsoon delayed seeding by farmers and curtailed the area sown. The monsoon rains markedly strengthened in July and (despite less rain during August) average yields are still anticipated. The reduction in crop size is seen slightly reducing India's 2000/01 soybean crush. Therefore, growth in domestic consumption of soybean meal would moderate with no change in the forecast of Indian exports at 2.5 million tons.

World sunflowerseed production is also seen lower this month, declining to 24.4 million tons compared with 26.3 million in 1999. Smaller harvests are forecast for Turkey, Romania, and Bulgaria. Each country has suffered through extremely dry conditions this year, and sunflowerseed yields are expected to drop near record lows. Turkey is anticipated to cover part of its deficit by increasing imports from Russia. Both Romania and Bulgaria are seen reducing sunflowerseed exports and limiting domestic consumption of sunflowerseed products.

The summary of the *Oil Crops Yearbook* will be released Monday, October 23, 2000. The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Monday, November 13, 2000. The report may be accessed at the ERS website at <http://www.ers.usda.gov> or via <http://usda.mannlib.cornell.edu/>.

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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 1/	348	3	2,643	2,994	1,580	980	170	2,715	265
2000/01 2/	265	3	2,900	3,167	1,630	1,000	172	2,800	365

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	50	37,595	37,975	30,600	7,100	37,700	275
2000/01 2/	275	65	38,735	39,075	31,400	7,400	38,800	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	80	17,855	19,455	16,200	1,375	17,575	1,880
2000/01 2/	1,880	90	18,500	20,470	16,650	1,800	18,450	2,020

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	195	6,354	6,942	3,079	190	3,399	6,668	274
2000/01 2/	274	53	6,878	7,205	3,150	180	3,500	6,830	375

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	1,420	1,449	1,320	100	1,420	29

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	19.0	985	1,080	875	130	1,005	75
2000/01 2/	75	10.3	1,010	1,095	885	130	1,015	80

1/ Estimated. 2/ Forecast.

Table 7--Peanuts: U.S. supply and disappearance

Year begin. Oct. 1	Supply				Disappearance					End. stocks
	Beg. stocks	Im- ports	Produc- tion	Total	Dom. Food	Crush	Seed& resid.	Ex- ports	Total	
----- 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	2,232	713	496	720	4,161	1,229
2000/01 2/	1,229	169	3,753	5,151	2,295	710	391	720	4,116	1,035

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	7.45	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	4.53	NA	8.08	NA	3.25
August 1/	4.38	78.00	7.73	NA	3.18

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	21.75	16.70	36.00	18.00
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	14.70	21.03	14.68	35.63	13.55
August 1/	14.34	20.17	14.61	35.00	13.03

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/	167.00	125.00	76.00	108.00	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	163.38	131.25	87.50	118.00	115.15
August 1/	157.48	131.00	78.20	118.00	102.20

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