



Oil Crops Outlook

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Smaller Soybean Crop, Stronger Foreign Competition Trims U.S. Export Potential

USDA reduced its November estimate of the 2000 soybean crop to 2,777 million bushels, down 46 million from the October estimate. In spite of less than ideal weather, the harvest is still the largest ever, exceeding the 1998/99 record by 36 million bushels. However, the expansion of acreage harvested was mainly responsible, as drought west of the Mississippi River curtailed the national average yield to 38.0 bushels per acre. Except for Michigan, progress of the 2000 soybean harvest was ahead of the usual pace in most areas. As of November 5, 95 percent of soybeans had been harvested.

U.S. soybean exports this fall have not been quite as heavy as they were a year ago. Although China's soybean imports are forecast higher than last month, less demand by the European Union (EU) is also likely. Low EU grain prices and continuing weakness of the euro relative to the dollar should curtail soybean imports. Current U.S. export sales are running ahead of last year's, but a repeat of the harvest delays that slowed South American exports (and boosted U.S. shipments) earlier this year is not anticipated. U.S. 2000/01 soybean exports are forecast down to 950 million bushels, compared with 973 million in 1999/2000.

Much of the outlook for domestic soybean crushing depends on the demand for soybean meal. U.S. crushing margins have increased compared with a year ago. This is largely because several crushing mills were recently closed, which caused a 6-percent reduction in operating capacity. Thus, crushing volumes have eased and soybean meal prices have remained steady. However, the average price for soybean oil in October fell to 13.5 cents per pound, the lowest since early 1973. The continuing slide in soybean oil prices reduced its share of soybean crush value to 28 percent in September. The value share of soybean oil was as low as this 3 years ago, but reflected more on the very high price for soybean meal at the time. USDA lowered its forecast of 2000/01 domestic soybean crush from 1,615 million bushels last month to 1,600 million. So, in spite of a smaller soybean harvest, softer prospective demand only trims the 2000/01 ending stocks forecast to 350 million bushels from 365 million last month.

Farm marketing has been relatively light so far, and the cash basis has strengthened somewhat versus soybean futures. One factor in the relatively slow sales is the brisk receipt of loan deficiency payments (LDPs). As of November 8, USDA had disbursed \$945 million of LDPs on 1,018 million bushels from the 2000 soybean crop. Farmers have also placed 179 million bushels to date under the marketing assistance loan program. These receipts have provided farmers with enough cash flow so they may store soybeans that could benefit from any future price rally. A price increase could happen if adverse weather threatens the condition of the coming South American soybean crop.

Corn prices have risen this fall, which would normally have a supportive effect on soybean prices. Despite these factors, the average soybean farm price slumped to \$4.36 per bushel in October, which is typically the month when marketing is greatest. Whenever prices are below the loan rate (as they are now), the historically positive price correlation between soybeans and corn has been diminished by the availability of soybean LDPs and marketing loans. Larger world soybean supplies are seen moderating the 2000/01 U.S. farm price to \$4.40-\$5.00 per bushel, which would be little changed from last season's average of \$4.65.

Prospects for weaker soybean meal demand by the EU and expanded supplies from Argentina and Brazil are expected to limit U.S. meal exports. The 2000/01 season is still very young, but current export commitments are down 27 percent from a year ago. USDA forecasts U.S. soybean meal exports to slip to 7.1 million short tons in 2000/01 versus 7.26 million in 1999/2000. Slow growth in domestic disappearance of soybean meal is forecast, rising from 30.5 million tons in 1999/2000 to 31.0 million this season.

The November forecast of U.S. soybean oil exports for 2000/01 is also reduced from last month to 1,650 million pounds. Although the forecast represents a recovery from the estimated 1,375 million pounds exported in 1999/2000, larger expected crushing by Brazil, Argentina, and China should limit U.S. trade. Domestic soybean oil disappearance should continue to see steady growth, although at a slightly lower volume (16,450 million pounds) than forecast in October. Thus, it is likely that season ending stocks of soybean oil could exceed the very large beginning stocks of 2,001 million pounds. USDA forecasts the 2000/01 average soybean oil price at 14.0-17.0 cents per pound, implying only a minor deviation from the 1999/2000 average of 15.6 cents.

Higher Soybean Area and Yield Boost South American Crop Potential

USDA slightly raised its 2000/01 forecast of world soybean production this month to 166.4 million metric tons, which is a 5.5-percent increase over last year. World trade is still seen declining modestly, with export shares of Argentina and Brazil expanding at the expense of the United States.

In Brazil, a shortage of corn supplies has strengthened prices relative to soybeans, encouraging substantial interest this season in domestic corn production. The main locations where growing corn is feasible, including Rio Grande do Sul and Parana, are in south Brazil. Cotton area is also likely to increase in Parana and Mato Grosso. But a continuing expansion of soybean area in the western and northern states will offset the contraction in the south. Soybean harvested area in 2000/01 is forecast at 13.4 million hectares, virtually the same as 1999/2000. Approximately 35 percent of Brazil's intended soybean area had been sown by November 10, and a majority should be completed by the end of the month.

The dry weather that cut southern Brazil soybean yields earlier this year is expected to return to a more normal pattern. Recent rains have created very favorable soil moisture conditions for planting in most areas. A shift of soybean area toward the higher-yielding states in the west and north is likely to enhance the national average yield. In addition, the rally in soybean prices from January through May considerably improved the financing of Brazilian farms from a year ago. Consequently, application of production inputs is reported much greater this year. Based on higher yields, the forecast of Brazil's 2000/01 soybean harvest was raised this month to a record

34.5 million tons. Yields for Brazil's 1999/2000 soybean crop were also indicated higher than previously thought, lifting output to 32.5 million tons.

Despite a reduction in Brazil's southern soybean area, the anticipated recovery in yields will aid the crushing industry, as nearly 60 percent of processing capacity is concentrated in the three southernmost states. Brazil's 2000/01 soybean crush is forecast at 21.8 million tons, up from 21.0 million in 1999/2000. As a result, Brazil's soybean exports are not anticipated to exceed the 1999/2000 volume of 11.4 million tons, but are seen up 0.6 million from last month's forecast to 10.5 million. Gains in domestic consumption of soybean meal should hold Brazilian exports to around 10.0 million tons.

In Argentina, price incentives for the crops competing with soybeans are not nearly as attractive as they are in Brazil. Abundant rains in October soaked soils and significantly delayed grain and sunflower planting. As of October 27, Argentine farmers had planted 19 percent of sunflowers, compared with 45 percent a year earlier. With very weak prices, farmers are likely to give up area intended for sunflowers and increase soybean planting even more. Argentine soybean area is forecast up 9 percent in 2000/01 to 9.5 million hectares. At trend yields, this area is expected to increase soybean production to 23.0 million tons from 20.7 million in 1999/2000. The additional supplies are seen boosting the 2000/01 Argentine soybean crush to 18.0 million tons from 17.3 million last season. Consequently, Argentine soybean meal exports are projected higher to 14.15 million tons.

Falling EU Demand Offsets Strong Soybean Use by China

While USDA forecasts 2000/01 world soybean imports slightly higher this month to 45.2 million tons, this would be down from 47.8 million in 1999/2000. This month's increase in soybean trade is more than offset by lower world imports of soybean meal and soybean oil, however.

China's soybean imports surged in 1999/2000 to 10.1 million tons. Although a larger domestic crop this year will still curb imports by China, strong demand for soybean meal and soybean oil will carry over into 2000/01. The forecast of China's 2000/01 soybean imports was raised 250,000 tons in November to 7.5 million. On the other hand, greater soybean imports will dampen China's imports of soybean oil and soybean meal.

In contrast to China, EU soybean crushing is likely to stagnate. The outlook for EU consumption of soybean meal is weakening as prices for grains and grain byproducts (in local currency terms) decline relative to soybean meal. A slight reduction in feed demand for soybean meal (to 26.6 million tons) is forecast. Therefore, EU soybean imports are forecast to change negligibly from the 1999/2000 volume of 15.7 million tons, while 2000/01 soybean meal imports are seen slipping to 19.5 million tons.

Despite Good Yields, Reduced Area Cuts World 2000/01 Sunflowerseed Harvest

Global sunflowerseed production is projected at 23.8 million tons this season, down from 26.4 million in 1999/2000. Lower area in the EU and Argentina and drought in Eastern Europe are largely responsible. Larger sunflowerseed oil exports by Ukrainian and Russian processors in the last year have eroded traditional Argentine markets. Argentine sunflower area was projected down to 2.6 million hectares this month. A lower area sown would reduce expected crop size to 4.6 million tons, down sharply from 6.1 million in 1999/2000. In addition, drought slashed sunflower yields in Romania, Turkey, Hungary,

Bulgaria, and Yugoslavia. The Romanian 2000 harvest was estimated down to 0.7 million tons from 1.1 million in 1999.

However, good sunflowerseed crops in Spain and the former Soviet Union are offsetting reductions elsewhere. Spanish output has recovered from last year's severe drought. And despite a 20-percent reduction in Russian sunflowerseed area, yields for the nearly completed harvest have been very good. This year's Russian harvest is estimated at 3.8 million tons, compared with 4.15 million in 1999. Similarly, good yields have also pushed forecast Ukraine sunflowerseed output up to 3.2 million tons from last year's harvest of 2.7 million. Both countries are expected to expand exports to Eastern Europe, but weak demand in Western Europe and brisk domestic crushing should moderate foreign trade prospects.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Wednesday, December 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			Total	Disappearance				End. stocks
	Beg. stocks	Im- ports	Produc- tion		Crush	Ex- ports	Seed, feed, residual	Total	
----- Million bushels -----									
1998/99	200	3	2,741	2,944	1,590	805	201	2,595	348
1999/00	348	4	2,654	3,006	1,579	973	166	2,719	288
2000/01 2/	288	3	2,777	3,068	1,600	950	167	2,717	350

1/ Estimated. 2/ Forecast.

Table 2--Soybean meal: U.S. supply and disappearance

Year begin. Oct. 1	Supply			Total	Disappearance				End. stocks
	Beg. stocks	Im- ports	Produc- tion		Domestic	Ex- ports	Total		
-----1,000 short tons-----									
1998/99	218	99	37,792	38,109	30,657	7,122	37,779	330	
1999/00 1/	330	50	37,632	38,012	30,459	7,260	37,719	293	
2000/01 2/	293	65	38,017	38,375	31,000	7,100	38,100	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	2,371	18,027	1,520
1999/00 1/	1,520	85	17,826	19,431	16,054	1,375	17,429	2,001
2000/01 2/	2,001	84	18,160	20,245	16,450	1,650	18,100	2,145

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	309	6,354	7,056	3,079	198	3,505	6,782	274
2000/01 2/	274	208	6,558	7,040	3,100	140	3,550	6,790	250

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	1,174	121	1,295	24
1999/00 1/	24	0	1,396	1,420	1,296	103	1,399	21
2000/01 2/	21	0	1,395	1,416	1,277	110	1,387	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	10.0	943	1,029	845	135	980	49
2000/01 2/	49	8.3	990	1,047	852	130	982	65

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	178	3,829	5,400	2,233	713	493	727	4,166	1,233
2000/01 2/	1,233	179	3,513	4,925	2,270	650	415	590	3,925	1,000

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	89.00	7.45	25.60	3.80
1999/2000					
September	4.57	73.00	8.41	27.00	4.00
October	4.47	79.00	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	100.00	7.28	14.60	3.75
February	4.79	115.00	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	4.45	78.00	8.01	NA	3.05
1999/2000					
September	4.57	93.00	6.34	27.70	3.10
October 1/	4.36	104.00	6.80	26.50	3.09

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/	15.60	21.52	16.68	35.39	17.81
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	16.85	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	14.34	20.17	14.64	35.00	13.03
September 1/	14.24	18.52	14.93	34.90	11.85
2000/01					
October 1/	13.51	18.16	14.40	34.63	10.52

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/	167.62	127.43	75.00	108.15	103.42
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	170.49	130.50	70.20	104.75	92.60
March	175.50	129.38	77.50	110.00	108.75
April	177.45	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	131.88	87.50	118.00	115.13
August	157.48	130.50	79.00	118.00	106.50
September	174.60	153.12	80.00	118.00	95.67
2000/01					
October 1/	171.52	149.00	83.00	118.00	110.00

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

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