Oil Crops Outlook

United States Department of Agriculture
Economic Research Service

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Stronger Foreign Consumption Outlook Rallies U.S. Soybean Meal Prices

Central Illinois prices for high-protein soybean meal leaped from an October average of $171.50 per short ton to about $195 in early December. Much of the price rally is associated with changes in foreign soybean demand, particularly in Europe. U.S. exports of soybean meal to Europe were minimal in 1999/2000, and direct trade may increase only marginally this season. But as expanding European needs are mostly filled by South American processors, U.S. meal exporters will likely gain in Asian markets. U.S. soybean meal exports are expected higher to 7.3 million tons from the November forecast of 7.1 million. The U.S. Department of Agriculture (USDA) raised its forecast of the 2000/01 average price to $170-$195 per ton, compared with $160-$180 last month.

Current export sales of U.S. soybeans are slightly ahead of last year's record pace. Sales to China have been particularly brisk. Soybean sales to the European Union (EU) are accelerating, as soybean meal demand there has suddenly intensified. U.S. soybean exports for 2000/01 are forecast up 25 million bushels from last month to 975 million.

Even before the recent surge in soybean meal interest, domestic soybean crushing had a seasonal boost that coincided with deliveries of the newly harvested crop. Crushing rose from 129 million bushels in September to 149 million in October, although the October crush last year was slightly higher. A modest 5-million-bushel increase from last month puts the 2000/01 domestic crush forecast at 1,605 million. Larger total demand reduces the ending stocks forecast 30 million bushels to 320 million. Central Illinois soybean prices ranged $4.90-$5.00 per bushel in early December, up 40-50 cents from just a month earlier. The tightening supply balance is responsible for a higher forecast of the U.S. season-average farm price, from $4.40-$5.00 per bushel last month to $4.50-$5.10.

Yet, soybean oil continues to be a drag on the profitability of soybean processing. The November price average of 13.4 cents per pound remains dormant. The acceleration of crushing is exacerbating the surplus of soybean oil because oil demand is not keeping pace. Ending soybean oil stocks for October were 2,063 million pounds, 68 million more than ending September and 447 million more than October 1999. Season ending stocks are expected to increase further to 2,250 million pounds.

USDA forecasts a season-average soybean oil price of 13.5-16.0 cents per pound, down from last month's forecast of 14.0-17.0 cents. These low soybean oil prices have not yet brought about any export gains. Current export commitments for U.S. soybean oil are down about one-third from last year's similarly sluggish pace. No sales have yet been made to China, one of the largest U.S. customers. With expectations for greater soybean crushing by China and Argentina, and larger palm oil exports by Malaysia, the outlook for U.S. soybean oil exports is less encouraging than a month ago. This month,

USDA cut the U.S. 2000/01 export forecast for soybean oil from 1,650 million pounds to 1,550 million.

European Ban on Meat Meal Feeding Reverberates in World Soybean Meal Market

Recent cases of bovine spongiform encephalopathy (popularly known as mad cow disease) have thrown the European feed market into turmoil. The spread of this disease has been linked to the inclusion of meat meal with infected tissues in cattle feed. Scientists believe it is possible that consuming infected beef can transmit a similarly fatal, brain-damaging disease to humans. The new crisis has caused beef sales to collapse. Among the measures taken to limit the disease's spread and restore consumer confidence in the safety of consuming beef, governments in France, Italy, and Greece imposed a temporary ban on use of meat meal in all livestock feeds. Britain and Portugal already have had such a ban for several years. The EU Farm Commission subsequently adopted the ban to cover all EU countries. Exports of EU meat meal have also been prohibited to prevent their inclusion in feeds in Eastern Europe and elsewhere. No cases of the disease have been found to warrant a similar blanket prohibition in the United States.

The extension of the ban on feeding meat meal to EU swine and poultry (cattle and sheep have been excluded since 1994) is estimated to reduce meat meal consumption in Europe by 2.5 million metric tons annually. The immediate beneficiary of the meat meal ban is soybean meal. Meat meal has a high protein content (50-55 percent) compared with soybean meal (44-48 percent). For the remainder of the marketing year, at most, 1.35 million tons of soybean meal-equivalent would be needed to completely replace the meat meal used in European feeds. Based on these circumstances, EU soybean meal consumption in 2000/01 would swell 1.2 million tons from the November forecast to 27.9 million. USDA raised its 2000/01 EU soybean import projection 0.9 million tons to 16.7 million, which would be crushed and would increase soybean meal output by 0.7 million tons. EU imports of soybean meal are expected to rise to 20.1 million tons compared with last month's forecast of 19.5 million.

The EU Commission exempted animal fats (requiring only that they be completely filtered) from the ban in feeds. But despite a lack of evidence that beef tallow can transmit the disease, France and Germany have adopted their own restrictions. Yet if EU beef production falls and no meat meal can be sold, rendering of tallow may also decline sharply. Less tallow (current EU output is about 1.2 million tons) may favor more imports of U.S. tallow and substitutes such as palm stearin. The situation may also tip import preferences to soybeans versus soybean meal, as the former may better compensate for the loss of fat supplies in feed and food applications. With vegetable oil prices so low, even direct feeding of sunflowerseed may make more sense in Europe.

Although the EU ban is for 6 months beginning next January 1, many anticipate that it will become permanent. Over the long term, a significant expansion in EU oilseed production is unlikely to help cover the protein meal deficit. Climate limits the feasible area that soybeans can be grown in Europe. In addition, declining oilseed subsidies and the Blair House agreement's area limit on EU oilseeds will blunt an expansion of domestic oilseed meal supplies. However, alternative proteins exempted from the feed ban (such as fishmeal) could also gain in EU livestock rations. Domestic production of other intermediate-protein feeds, such as feed peas, beans, and lupins may increase next summer, but not enough to meet the additional demand.

The events in Western Europe have set off a chain reaction in other markets. The subtraction of meat meal supplies from Eastern Europe will raise soybean meal demand there, as well. The December forecast of Eastern Europe soybean meal imports (particularly Poland) is expected to be 50,000 tons higher to 2.6 million. But, higher world soybean meal prices are expected to lift crushing margins in China, which has ample crushing capacity of its own. China's 2000/01 soybean imports are forecast 300,000 tons higher this month to 7.8 million. A larger domestic meal output would dampen China's need for soybean meal imports, which are forecast down 200,000 tons to 0.8 million.

Higher Soybean Demand Boosts South American Export Prospects

Soybean planting is nearly finished in Brazil, and considerably earlier than last year when dry weather delayed progress. Growing conditions are nearly ideal in Brazil, with another record crop on the horizon.

The timing of the events in Europe currently favors U.S. soybean exporters. But when new crop soybean supplies in Argentina and Brazil arrive in a few months, the United States will have to share its new export opportunities. Brazil's 2000/01 soybean exports are seen rising to 10.8 million tons from the November forecast of 10.6 million. Similarly, Brazilian soybean meal exports are projected 100,000 tons higher to 10.1 million.

Although at this time of year it is late for the price rally to expand Brazilian soybean area any more, additional Argentine planting (currently about half-finished) is still possible. The relative strengthening of the protein market to the oil market has stifled sunflower and encouraged soybean planting in Argentina. Argentine soybean area is forecast up 400,000 hectares this month to 9.7 million, which would boost production from 23.0 million to 23.5 million tons. The larger crop would enable an expansion in Argentine soybean exports to 4.7 million tons. Improved crushing margins would raise soybean meal output and lift Argentine meal exports to 14.4 million tons. Higher soybean area in Paraguay is also expected, raising 2000/01 production (and consequently soybean exports) by 100,000 tons to 3.1 million.

World Vegetable Oil Market Remains Soft

In contrast to the recent strength of the oilseed meal market, global supplies of vegetable oil continue to swamp demand. World vegetable oil supplies are seen expanding from 92.1 million tons in 1999/2000 to 94.3 million this year. Global output of soybean oil is expected at 25.9 million tons for 2000/01, which would be up 1.1 million tons from the previous year. However, world soybean oil trade is seen slightly weaker from last month at 7.5 million tons. An expansion of China's domestic soybean oil production is anticipated to curtail its 2000/01 soybean oil imports to 650,000 tons, down from the November forecast of 750,000. China has not yet gained accession to the World Trade Organization, and further delays may limit issuance of the country's oil import quotas.

World palm oil production is also contributing to the surplus, which is expected to rise 1.3 million tons in 2000/01 to 22.4 million. Malaysian palm oil production is projected higher this month to 11.4 million tons, compared with the previous forecast of 11.1 million. Consequently, exports of Malaysian palm oil are seen rising to 9.35 million tons.

In November, India announced higher import tariffs for vegetable oil. The government raised the basic duty (not including a 10-percent surcharge) on

crude palm oil for hydrogenation from 15 to 25 percent, while the duty on all other uses rose from 45 to 55 percent. Tariffs for all other crude vegetable oils (including soybean oil) were increased from 25 to 35 percent. The new tariff regime also maintains the bias for crude over refined oils. Refined palm oil tariffs increased from 35 to 65 percent, while other refined oils were raised from 35 to 45 percent.

However, low import prices and poor domestic oilseed crops are likely to nullify the impact of higher Indian oil tariffs. Drought in northwest India is expected to cut the 2000/01 rapeseed crop to 4.4 million tons, down 1.1 million from last year. The resulting loss of rapeseed oil supplies would reduce consumption by 240,000 tons. Thus, Indian imports of palm oil and soybean oil are forecast to compensate for rapeseed oil by rising to 3.5 million tons and 780,000 tons, respectively.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Friday, January 12, 2001. 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: Beg. stocks	Supply: Im-ports	Supply: Produc-tion	Supply: Total	Disappearance: Crush	Disappearance: Ex-ports	Disappearance: Seed, feed, residual	Disappearance: Total	End. stocks
	Million bushels								
1998/99	200	3	2,741	2,944	1,590	805	201	2,595	348
1999/00 1/	348	4	2,654	3,006	1,579	973	166	2,719	288
2000/01 2/	288	3	2,777	3,068	1,605	975	167	2,747	320

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply: Beg. stocks	Supply: Im-ports	Supply: Produc-tion	Supply: Total	Disappearance: Domestic	Disappearance: Ex-ports	Disappearance: Total	End. stocks
	1,000 short tons							
1998/99	218	99	37,792	38,109	30,657	7,122	37,779	330
1999/00 1/	330	49	37,623	38,003	30,378	7,331	37,710	293
2000/01 2/	293	65	38,217	38,575	31,000	7,300	38,300	275

1/ Estimated. 2/ Forecast.

Table 3--Soybean oil: U.S. supply and disappearance

Year begin. Oct. 1	Supply: Beg. stocks	Supply: Im-ports	Supply: Produc-tion	Supply: Total	Disappearance: Domestic	Disappearance: Ex-ports	Disappearance: 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	83	17,824	19,427	16,055	1,376	17,431	1,995
2000/01 2/	1,995	80	18,175	20,250	16,450	1,550	18,000	2,250

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	258	6,512	7,044	3,000	140	3,604	6,744	300

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	1,350	1,371	1,250	100	1,350	21

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	960	1,017	835	130	965	52

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	2,240	700	396	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	4.63	89.00	7.53	25.40	3.79
1999/2000					
September	4.57	73.00	8.76	27.00	4.00
October	4.48	79.00	6.99	25.50	3.75
November	4.45	94.00	6.87	24.10	3.66
December	4.43	99.00	7.52	21.80	3.61
January	4.62	100.00	7.34	14.90	3.75
February	4.79	115.00	8.72	NA	3.43
March	4.91	NA	8.53	NA	3.70
April	5.00	NA	7.93	NA	3.66
May	5.19	NA	9.63	NA	3.77
June	4.93	NA	8.09	NA	3.64
July	4.53	NA	8.16	NA	3.25
August	4.45	78.00	7.82	NA	3.05
2000/01					
September	4.57	93.00	6.34	27.70	3.10
October	4.45	104.00	5.84	26.50	3.17
November 1/	4.51	108.00	5.72	24.00	3.20

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	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	14.24	18.52	14.93	34.90	11.85
2000/01					
October	13.50	18.16	14.40	34.63	10.52
November 1/	13.37	17.83	14.25	35.50	10.37

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	167.62	127.43	75.00	108.15	103.42
1999/2000					
October	153.57	111.80	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	171.52	150.00	83.00	118.00	110.00
November 1/	179.95	141.88	85.00	118.00	113.75

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

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