



Oil Crops Outlook

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Economic Research Service

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Outlook for a Large Foreign Supply Erodes U.S. Soybean Exports and Prices

In spite of a record pace of U.S. soybean exports to date, a big South American soybean crop is seen substantially curtailing shipments in the coming months. With a slowing economy, U.S. interest rates have declined and the dollar has weakened. However, U.S. soybean exports to Western Europe are usually 80 percent complete by the end of February, so a weaker dollar this spring should favor dollar-denominated new-crop South American exports more than U.S. sales. And it is unlikely that the surge of U.S. soybean exports to China in March 2000 (40 million bushels) will be repeated this year without substantial Brazilian harvest delays. The U.S. Department of Agriculture (USDA) cut the 2000/01 forecast of U.S. soybean exports from 975 million bushels to 960 million.

Foreign demand for U.S. soybean products is also expected to slow because of stiffer export competition, which should weaken prices and domestic crushing. The 2000/01 crush is forecast down 10 million bushels this month to 1,590 million and is now only 11 million more than in 1999/2000. U.S. soybean meal exports are forecast down 0.2 million short tons to 7.0 million. The outlook for much larger world soybean supplies has caused soybean meal prices to slump from their December peak of \$196 per short ton to a January average of \$183. Consequently, the season-average price forecast has been reduced to \$170-\$185 per ton.

Season ending soybean stocks are expected higher to 345 million bushels by the scaling back of U.S. soybean demand by 25 million. Since January, following confirmation of a larger U.S. crop than the market had expected and greater certainty of a bumper South American harvest, soybean prices dropped about 40 cents per bushel. The season-average farm price forecast is lowered to \$4.50-\$4.80 per bushel.

A major drag on soybean crushing has been the buildup of soybean oil stocks. As of the end of December, soybean oil stocks had surged to 2,310 million pounds. Greater strength in meal demand than in oil demand has allowed processors' oil stocks to accumulate. Pipeline soybean oil stocks of end users have also been maximized. Thus, domestic disappearance of soybean oil has slowed as food consumption has reached an upper limit on growth. Industrial consumption of soybean oil has increased minimally to about 4 percent of total domestic use (587 million pounds in 2000). USDA reduced the 2000/01 forecast of domestic disappearance to 16,400 million pounds, down 50 million from the previous forecast.

U.S. soybean oil exports are under pressure from a global glut of competing vegetable oil supplies. Domestic stocks of corn oil, cottonseed oil, and sunflowerseed oil have also remained at very high levels. And, record U.S. imports of canola oil and near-record olive oil imports are expected. The

January average soybean oil price fell to 12.5 cents per pound. USDA reduced the season-average price forecast to 12.75-14.25 cents per pound.

But as low as U.S. prices are, current South American soybean oil prices are no higher or somewhat below them. Malaysian palm oil prices are currently at a 3-cents-per-pound discount to U.S. soybean oil. Although current U.S. export sales are near last year's pace, the expected expansion in foreign supplies is seen slowing 2000/01 exports to 1,300 million pounds from 1,376 million in 1999/2000. Only 12 million pounds of soybean oil have been sold to China (the second largest U.S. buyer last year) compared with shipments of nearly 50 million pounds last year. Sales to Mexico, the largest U.S. market in 1999/2000, are down 73 percent.

Optimal Weather Boosts South American Soybean Yields

World soybean supplies for 2000/01 are estimated up 3.2 million metric tons this month to 194.2 million. But with only a modestly improved outlook for world consumption, a contraction of the global soybean stock surplus is not expected this year. Projected world ending stocks for 2000/01 increased 2.8 million tons from last month to 26.0 million.

Based on higher government estimates, Brazil's 1999/2000 soybean crop was raised 0.7 million tons to 33.2 million, while imports were raised to 1.0 million tons. These changes mostly boosted the estimate of Brazil's 2000/01 beginning stocks to 6.2 million tons. Brazil's 2000/01 soybean production is forecast at 35.5 million tons, up from the previous forecast of 34.5 million.

A greater availability of Brazilian supplies raises the 2000/01 soybean export forecast from 11.0 to 12.0 million tons. A fast pace for new-crop exports is suggested by current registrations, which are 20 percent higher than a year ago. Brazil's soybean processors may benefit less, but crush is also expected 0.3 million tons higher to 22.0 million. Projected Brazilian soybean meal exports edged up from 10.0 million tons to 10.1 million. Larger carryover stocks and domestic consumption are expected to account for the higher output of soybean oil.

A larger old-crop harvest estimate was also seen for Argentine soybeans. Last year's production was revised from 20.7 million tons to 21.2 million, which accordingly lifted September ending stocks to 5.6 million tons. For 2000/01, production gains are largely due to a 14-percent expansion in planted area. Yet, based on a nearly ideal growing season so far, USDA raised its February forecast of new-crop Argentine soybean production from 23.5 million tons to 24.0 million. The harvest forecast would be 16 percent higher than last year's record of 20.7 million tons. Most of the additional supplies are expected to build stocks to be carried into the 2001/02 season. Argentine soybean exports are expected higher to 5.0 million tons from the January forecast of 4.7 million. However, forecast crush was unchanged at 18.25 million tons, leaving estimates of Argentine soybean meal and oil exports also unchanged.

Soybean meal exports by India are expected to dip 0.1 million tons from last month's forecast to 2.5 million, despite formerly brisk export sales. In late January, a severe earthquake in western India damaged the port of Kandla, which ships about two-thirds of India's soybean meal exports. For now, stocks already at the port cannot be transported and it may take several months to fully restore operating capacity. While new deliveries of soybean meal may be rerouted through other ports, such as Bombay, the disruption at Kandla has

forced some crushers to temporarily shut down. Soybean Imports Edge Out Demand for Soybean Products in China and Mexico

As in recent years, so far in 2000/01 China has imported relatively low volumes of soybean meal and soybean oil. China's October-December 2000 imports were down 67 percent for soybean meal and 90 percent for soybean oil from a year earlier. China's rapeseed imports were also down by nearly half from a year ago, leading to a cut in the 2000/01 forecast from 2.5 million tons to 2.3 million. Instead, China has primarily imported soybeans for crushing. Recent railcar shortages that have limited soybean shipments between suppliers in the northeast and southern crushers have also contributed to relatively large soybean imports.

In addition, China's bid to join the World Trade Organization (WTO) will eventually reduce import barriers for oilseed products. But China's accession to the WTO has been stalled pending resolution of several outstanding issues, including how much it will be allowed to directly subsidize agricultural production. The delay in implementing lower oilseed product tariffs has preserved crush margins for China's soybean processors. Soybean imports by China in 2000/01 are forecast at 8.6 million tons. The forecast would be higher than the previous forecast of 7.8 million tons but still lower than 1999/2000 imports of 10.1 million tons. Conversely, import demand for soybean meal and soybean oil is seen dropping to 500,000 and 450,000 tons, respectively.

While it is hard to ascertain an exact level of monthly soybean use and stocks held in China, there is evidence to suggest that there were ample stocks left over from last season's spree of imports. The domestic soybean harvest in 2000 increased over 1 million tons, and reports indicate rapeseed area planted expanded 5 percent again last fall. To justify a larger estimate of 2000/01 soybean imports, total consumption of protein meal and vegetable oil would have to be stronger than the 6-percent growth already anticipated. These circumstances should limit oilseed imports compared with the surge experienced a year ago.

Mexico has also imported soybeans at a brisk pace this year. USDA raised forecast Mexican imports 0.1 million tons to 4.25 million, compared with 3.95 million in 1999/2000. Crushing of rapeseed imports from Canada has swelled 75 percent from a year ago. But Mexico's imports of soybean oil, rapeseed oil, and sunflowerseed oil have suffered because of greater domestic output.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Friday, March 9, 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				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	805	201	2,595	348
1999/00 1/	348	4	2,654	3,006	1,579	973	164	2,716	290
2000/01 2/	290	3	2,770	3,063	1,590	960	168	2,718	345

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	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	50	38,132	38,475	31,200	7,000	38,200	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	83	17,824	19,427	16,055	1,376	17,431	1,995	
2000/01 2/	1,995	75	17,920	19,990	16,400	1,300	17,700	2,290	

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	7,055	3,079	198	3,505	6,781	274
2000/01 2/	274	298	6,439	7,010	2,850	180	3,700	6,730	280

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	1,295	104	1,399	21
2000/01 2/	21	0	1,285	1,306	1,165	120	1,285	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	8.1	943	1,027	837	141	978	49
2000/01 2/	49	8.3	910	967	770	145	915	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	3,288	4,700	2,125	700	375	675	3,875	825

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	4.55	108.00	6.09	23.10	3.42
December	4.78	110.00	6.44	25.30	3.47
January 1/	4.59	109.00	7.03	20.60	3.55

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	13.37	17.83	14.25	35.50	10.37
December	13.12	17.25	14.54	36.40	10.54
January 1/	12.54	16.24	14.44	37.00	10.25

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	179.95	141.88	85.00	118.00	113.75
December	195.65	160.83	88.75	118.00	121.25
January 1/	183.17	184.00	106.00	142.50	140.00

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

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