



Oil Crops Outlook

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Economic Research Service

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Recovery in U.S. Soybean Crushing Pressures Soybean Meal Prices

As of March 5, season cumulative U.S. soybean export inspections were 665 million bushels, up from 632 million a year earlier. This strong performance of U.S. shipments and sales of soybeans to date raised the 2000/01 export forecast back to 975 million bushels. On the other hand, U.S. exports of soybean meal are likely to fall off sooner and more sharply than soybean exports.

Domestic crush margins strengthened in December as soybean meal demand improved. U.S. soybean crushing jumped in January to 146.7 million bushels, from 142.3 million in December. But this appears to have been a brief window of opportunity. Crushing fundamentals have since deteriorated as prices for soybean meal have dropped sharply, from a January average of \$183 per short ton to \$166 in February. The 2000/01 soybean crush forecast remains unchanged this month at 1,590 million bushels. Crop year ending stocks are projected to be 330 million bushels, compared with 290 million in 1999/2000. Such an increase in stocks is expected to help trim the 2000/01 U.S. average farm price forecast to \$4.45-\$4.65 per bushel, down from the \$4.63 average last season.

A leading contributor for the increase in January soybean crushing was a surge in January-February soybean meal exports. But the impending flow of new crop Argentine and Brazilian supplies is anticipated to substantially slow U.S. exports to 6.75 million short tons, down from the February forecast of 7.0 million. These factors are responsible for trimming the season-average soybean meal price forecast to \$170-\$180 per ton, compared with \$170-\$185 last month. Domestic use of soybean meal has remained solid, as the current profitability of raising hogs has been improving. The 2000/01 forecast for soybean meal disappearance was increased to 31.35 million tons from 31.2 million last month.

While export sales of soybean oil to China, Mexico, and Turkey are down sharply this year, shipments (especially to Egypt, India, and Colombia) have showed more strength in the last 2 months. The improvement led the U.S. Department of Agriculture (USDA) to raise its 2000/01 export forecast from 1,300 million pounds to 1,400 million.

Central Illinois soybean oil prices started to firm in February as production slowed and export demand revived. This month's forecasts of 2000/01 soybean oil production and season ending stocks were reduced because of lower estimates of the October-September crush and the oil extraction rate. However, modest season-to-date growth trimmed the 2000/01 forecast of soybean oil domestic disappearance by 100 million pounds to 16,300 million. A larger crush and slow domestic offtake raised monthly ending stocks again, to 2,441 million pounds in January from 2,298 million in December.

Rains Boost Argentine Soybean Yield Potential

This is a critical period for Argentine soybeans, as the first crop is in the pod-filling stage and the second crop (accounting for about 26 percent of total 2000/01 area) is well into the blooming phase. A dry spell in December hampered establishment of second-crop soybeans but was followed by good January rains. Little rain during the last half of February caused topsoil moisture levels to decline, although this may have been beneficial for the sunflower harvest now underway. These dry spells may prevent achievement of record yields this year. Yet, abundant and very timely showers returned in early March, heading off potential stress on soybeans. Argentine soybean production for 2000/01 is forecast at a record 25.0 million tons, up 1 million from last month and 3.8 million from 1999/2000.

Argentine soybean exports for 2000/01 were forecast up 100,000 tons this month to 5.1 million. Larger supplies also boosted expected crushing by 250,000 tons to 18.5 million. Yet, nearly half of this month's increase in production is seen adding to the end of September stock carryover. Argentina's increasing competitiveness was seen raising exports of soybean meal and soybean oil to 14.55 million and 3.2 million tons, respectively.

In Brazil, generous rainfall has been very favorable for soybean crops in the major producing areas of the south and center-west. However, in the northern states, February precipitation was below normal in Goias and less than 50 percent of normal in Minas Gerais and Bahia. The weather may substantially cut yields in these states, although affecting less than 20 percent of Brazil's total soybean area. Forecast 2000/01 production was unchanged this month at 35.5 million metric tons, although 1999/2000 output was revised up to 34.0 million tons.

From now on, more rain will not help yield potential of the mostly mature Brazilian crop, but would instead delay harvesting. As of early March, approximately 12 percent of Brazil's soybeans have been harvested, compared with 6 percent a year earlier. Given ample stocks remaining from last year's bumper harvest, Brazil's October 2000-January 2001 soybean exports were double the volume from a year earlier. Brazilian soybean exports for the entire season are expected to rise to 12.3 million tons, compared with 11.2 million in 1999/2000.

World Soybean Stocks Seen Accumulating Despite Stronger Imports

Projected 2000/01 global ending soybean stocks rose to a record 27.8 million tons this month based on larger new crop estimates for Argentina and China and an old crop revision for Brazil. The estimate of China's 2000 soybean harvest was revised from 15.4 million tons to 15.7 million. China's 2000/01 soybean expected imports were raised from 8.6 million to 9.3 million tons. But the big increase in soybean crushing is eclipsing China's soybean meal imports, which are now expected to decline to 400,000 tons, despite strong domestic meal consumption.

Part of the strength in China's soybean imports stems from a reduction in rapeseed imports by half from a year ago. Imports of rapeseed for 2000/01 are forecast at 2.0 million tons, down from last month's forecast of 2.3 million and last year's 3.7 million. Palm oil imports by China have been relatively strong, but there have not yet been any import quotas for soybean oil issued this year. Thus, even assuming acceleration from the current slow pace, China's soybean oil imports are unlikely to surpass 400,000 tons in 2000/01.

Trade data indicates that demand for soybeans and soybean meal by several Middle East and North African nations has expanded strongly in recent years. For 2000/01, soybean imports by Iran are now forecast up 130 percent from 2 years ago and Egyptian imports may nearly double. Greater domestic crushing is moderating imports of soybean oil and meal in both countries. In Tunisia and Algeria, where there are no domestic crushing facilities, strong gains in soybean meal consumption and imports are also expected.

An exception to the brightening outlook for soybean demand in the Middle East is Turkey. Since February 22, when the Turkish Government allowed the country's currency to float, the lira has lost about one-fourth of its value relative to the U.S. dollar. These events have suddenly and sharply increased the cost of all Turkey's imported goods, including agricultural products. Over the last decade, Turkey has become a significant importer of soybean meal and soybeans. But the country's weaker economy and more expensive feeds are likely to curtail poultry demand. Growth in cooking oil consumption may also lag. Consequently, USDA has slowed forecast growth of Turkish soybean meal imports from 490,000 tons in 1999/2000 to 510,000 tons. Soybean imports are expected to rise modestly from 315,000 tons in 1999/2000 to 330,000 tons, while forecast soybean oil imports are moderated to 150,000 tons this season from 140,000 tons last year.

Indonesian Palm Oil Output Surges

World palm oil output for 2000/01 expanded this month to 23.2 million tons based largely on an expected increase in Indonesian production from last season's revised 6.8 million tons to 7.4 million. Low prices have encouraged brisk demand for palm oil, raising the import forecasts for many of the major importers, including India, China, Pakistan, and Egypt. Even so, 2000/01 global ending stocks of palm oil are anticipated higher to a record 3.2 million tons. The prospect of such a surplus is prompting both Malaysia and Indonesia to consider price-supporting schemes to reduce palm oil output (through replanting of older trees) and promote consumption (such as government purchases for power generation).

Effective March 1, Indonesia reduced its export tax on crude palm oil from 5 percent to 3 percent. Likewise, the tax on refined palm oil exports was reduced from 2 percent to 1 percent. Another factor supporting exports has been a weakening of Indonesia's exchange rate to its lowest value since October 1998. An unstable political environment and ethnic violence on Borneo have led to the currency depreciation. In addition, the International Monetary Fund has withheld loan payments since December because of a lack of progress in reforming the country's banking system. Each of these factors was related to raising the Indonesian palm oil export forecast to nearly 4.25 million tons from a revised 3.8 million in 1999/2000.

Less Indian Oilseeds, Falling Vegetable Oil Prices Offset Higher Import Duties

The estimate of India's 2000/01 soybean harvest was lowered from 5.5 million tons to 5.3 million based on the early retreat of last summer's monsoon. It has become more difficult for domestic crushers to obtain soybean supplies, and more plants are being idled. Accordingly, Indian soybean meal exports for 2000/01 are forecast lower to 2.35 million tons, unchanged from last season.

Persistence of the dryness in northern India also prevented farmers from planting as much area to rapeseed, although some of the decline was due to a

comparatively better profit outlook for wheat. Expected rapeseed area is 5.1 million hectares, down from the previous forecast of 5.4 million and 5.6 million a year ago. Rainfall in Rajasthan (the leading rapeseed producing state) improved in December, with cumulative precipitation through February significantly higher than a year ago and only slightly below average. The reduction in rapeseed area cuts forecast production to 4.2 million tons, compared with 5.1 million last year. Lower crushing for both oilseeds reduces domestic vegetable oil production by 100,000 tons from last month's forecast.

The shortfall of domestic oilseed production has contributed to a rising tide of Indian vegetable oil imports, particularly palm oil. But the Government of India is attempting to help struggling oilseed farmers by again raising tariffs on vegetable oil imports. Effective April 1, India will raise duties to 75 percent for crude palm oil and to 85 percent for refined palm oil. Hydrogenated oil manufacturers are granted a concession to other importers, yet the tariff they will pay for crude palm oil was raised from 25 to 55 percent. The duty on crude soybean oil was raised to 45 percent (equal to the current duty on refined soybean oil but much lower than other vegetable oils).

Despite the higher tariffs, robust growth in Indian vegetable oil imports is still anticipated for 2000/01. With the 1994 Uruguay Round agreement, India's market access commitments eliminated all quantitative restrictions on imports and bound the maximum tariff on soybean oil imports at 45 percent. However, the tariff binding on other oils is 300 percent, so further increases in applied tariffs are possible. Consequently, soybean oil has now secured an advantage (despite its comparatively higher price) in the world's largest import market because of the higher tariffs on competing oils. The forecast of Indian soybean oil imports was raised this month from 800,000 tons to 950,000 tons.

Large amounts of South American soybean oil exports will not be available for at least another month, so imports of palm oil prior to the April 1 implementation are likely to swell. India's 2000/01 palm oil imports are expected to rise to 3.8 million tons. But Indonesian and Malaysian exporters cannot reduce their own export taxes much farther to counter the increases in Indian import tariffs. World palm oil prices are likely to fall even further next year to negate the impact of the higher Indian tariffs and maintain market share.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Wednesday, April 11, 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	975	168	2,718	330

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	38,032	38,375	31,350	6,750	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	83	17,824	19,427	16,055	1,376	17,431	1,995	
2000/01 2/	1,995	75	17,860	19,930	16,300	1,400	17,700	2,230	

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	200	3,700	6,750	260

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	1,300	1,321	1,180	120	1,300	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	885	942	760	130	890	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	2,175	625	375	600	3,775	925

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	4.68	109.00	6.94	29.60	3.47
February 1/	4.37	114.00	7.15	NA	3.50

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	12.53	16.24	14.44	37.25	10.25
February 1/	12.38	15.20	14.52	37.00	11.06

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	183.17	184.00	106.00	142.50	140.00
February 1/	166.08	151.25	110.00	120.00	130.00

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