



Oil Crops Outlook

United States Department of Agriculture
Economic Research Service

Approved by the World Agricultural Outlook Board

OCS-0401
April 11, 2001

Highlights

- 2001 Soybean Planting To Increase Based on Higher Grain Production Costs
- Old Crop Soybean Stocks Trimmed, but Prices Remain Low
- Strong Chinese Consumption Soaking Up Global Soybean Glut
- Palm Oil Prices Strengthen

2001 Soybean Planting To Increase Based on Higher Grain Production Costs

Based on the U.S. Department of Agriculture (USDA) report *Prospective Plantings*, U.S. farmers intend to plant a record 76.7 million acres of soybeans this year. If realized, soybean acreage would be up 2.2 million from last year and would equal corn for the largest area of any U.S. crop. Planting is expected to increase to records for each of the top 13 soybean producing States, excluding Arkansas and Missouri. Nearly all of the additional soybean acreage comes at the expense of corn, although prospects for lower durum wheat and barley planting contributes to the 500,000-acre increase in North Dakota. However, an expansion of cotton planting will extend the long-term exodus of soybean area in the Lower Mississippi Valley (Mississippi, Louisiana, Arkansas, and Tennessee).

New crop corn futures prices are modestly above the corn loan rate, and soybean futures are well below the \$5.26 per bushel soybean loan rate. While the soybean-to-corn price ratio (1.9) would be historically favorable to corn, expected loan deficiency payment rates for soybeans of at least \$1 per bushel effectively raises the ratio to about 2.5.

Yet, the momentum for acreage shifts this year stems from changes in relative costs of production. Expenses to fertilize corn may increase \$10-\$15 per acre this spring, requiring a higher corn price to maintain its breakeven level with soybeans. Nitrogen is a critical nutrient for achieving optimal corn yields, and anhydrous ammonia is the most widely used source. Tight U.S. supplies for natural gas, the raw material for producing ammonia, have more than doubled prices from a year ago. In contrast, soybean plants can fix their own nitrogen requirements from the atmosphere, so the crop needs little application of this input.

Many farmers postponed nitrogen application last fall in hopes of lower ammonia prices this spring but they have remained expensive. Some farmers may be able to ration their fertilizer application on corn somewhat without greatly sacrificing yield potential. And there are some practical limits to the amount of acreage that can be switched from corn to soybeans. Farmers with an established half corn-half soybean rotation are reluctant to plant soybeans in consecutive seasons because of a likely 10-percent reduction in yields. But many regions that have been latecomers in adopting soybeans into the rotation, such as the Northern Plains, are still able to expand soybean acreage in lieu of other crops. Planting costs for soybeans should also rise

because last year's drought created a tight supply of high quality soybean seed, although it will not offset the impact of much higher fertilizer costs.

In fact, some expect that soybean acreage may turn out even larger than the early March intentions. Unlike a year ago, when quite dry conditions spurred a major price rally for grains and soybeans, topsoil moisture this spring is near to above normal in most locations. Ample precipitation over the winter has recharged soil moisture in the regions most affected by drought last year. Given prospects for record plantings and favorable soil moisture, soybean prices have fallen in the last month. If current wetness persists, it could delay corn planting and add more soybean acres. And the poor condition of winter wheat in parts of the Central Plains could lead farmers to abandon some and replant to spring crops, including oilseeds. Any near-term strengthening of corn and spring wheat prices could moderate further oilseed gains, however. Farmers have planted only a small amount of grain so far and will begin seeding soybeans within 2-3 weeks.

Acreage of other U.S. oilseeds should remain near or above last year's levels. Canola plantings (particularly in North Dakota) are pegged to increase 21 percent to a record 1.9 million acres. Cottonseed output is also expected to expand. Although 2001 cotton plantings are intended to be up only 100,000 acres from last year, more normal weather should help harvested acreage increase by at least 1 million acres. For peanuts, a sharp intended reduction in Texas planting would cut U.S. acreage 5 percent to 1.47 million acres. But like cottonseed, if more normal weather conditions prevail, the 2001 peanut crop could increase substantially from last year. A million-acre reduction in oil-type sunflowers is expected to offset an increase in non-oil-type plantings. Total 2001 sunflower acreage would decline 2 percent to 2.7 million.

Old Crop Soybean Stocks Trimmed, but Prices Remain Low

The recent *Grain Stocks* report confirmed record use of soybeans in the first half of 2000/01, which reduced the March 1 inventory to 1,405 million bushels. While USDA forecasts that soybean demand in the second half of 2000/01 will slip below the record pace of the last 2 years, it was increased 30 million bushels from last month.

U.S. soybean exports for 2000/01 were forecast up 15 million bushels this month to 990 million based on record February-March shipments. As of March 29, U.S. soybean exports had reached 795 million bushels, or 62 million bushels ahead of last season's pace. Brisk purchases by China account for virtually all of the export gain this year. To date, U.S. exporters had shipped 5.4 million metric tons (197 million bushels) to China, compared with 3.2 million tons (116 million bushels) a year earlier. In April-August of last year, an additional 2.0 million tons (75 million bushels) were exported to China. Yet, weekly U.S. export shipments are declining as supplies from Brazil accelerate. New export sales to China slowed considerably in March, so U.S. shipments could drop sharply by next summer.

Season ending soybean stocks for 2000/01 are expected lower to 300 million bushels this month from the March forecast of 330 million. Despite a smaller expected carryover, the outlook for bumper U.S. and South American crops this year has pressured both old crop and new crop futures prices. The 2000/01 average farm price for soybeans was forecast lower this month to \$4.45-\$4.55 per bushel. Similarly, soybean meal prices slid to \$156 per short ton in March, the lowest level since December 1999. An uncertain outlook for feed

demand in Europe, due to incidences of foot and mouth disease in several countries, have weighed on prices.

Despite a higher crush pace this season, a lower oil extraction rate is curtailing 2000/01 soybean oil output. Production is now forecast down to 17,800 million pounds compared with 17,824 million in 1999/2000. Reduced oil output and a 50-million-pound increase in the domestic disappearance forecast (to 16,350 million) trims expected season ending stocks to 2,120 million pounds. Stocks would contract from the 2,450 million on hand at the end of February. Seasonal weakening of the crush pace, lower than expected soybean stocks, and a strengthening of Malaysian palm oil prices have buoyed soybean oil prices. Soybean oil prices firmed to a March average of 13.9 cents per pound, up from 12.4 cents in February, although more than 2 cents below a year earlier. The April forecast of the 2000/01 average soybean oil price was up 0.5 cent per pound to 13.25-14.75 cents.

Strong Chinese Consumption Soaking Up Global Soybean Glut

China imported soybeans heavily again in February (almost exclusively from the United States), with October-February imports nearly 0.8 million metric tons ahead of last season's pace. Thus, the forecast of China's 2000/01 soybean imports increased from 9.3 million to 10.2 million tons. Imports would surpass last season's record of 10.1 million, yet the forecast still implies a more moderate pace over the next 6 months.

As a consequence of China's strong domestic soybean crushing, imports of soybean products have been very slow. Imports of soybean meal by China continue to lag, with October 2000-February 2001 receipts down more than 60 percent compared with a year earlier. Meal imports for the entire season are forecast down to 225,000 tons, compared with 633,000 in 1999/2000. For soybean oil, China's imports are down 300,000 tons to date from a year ago. Expected oil imports for 2000/01 were reduced to 300,000 tons compared with 556,000 in 1999/2000.

Strong soybean demand by China is essential to keep up with this year's ever-expanding world supply. Argentine soybean production was forecast 1 million tons higher this month to 26.0 million. Exports of soybeans were anticipated to increase 0.4 million tons from the March forecast to a record 5.5 million tons. Even with ample soybean supplies, Argentine soybean crushers may struggle to expand exports of soybean meal and oil. Although the 2000/01 forecast of Argentine soybean meal exports, at 14.35 million tons, would still be 0.6 million above last year, it was trimmed 200,000 tons from last month.

Brazil has already completed nearly 60 percent of its own bumper harvest by early April, while Argentine farmers have gathered only 10 percent. In addition, Brazil's depreciating exchange rate (down 15 percent in the last 6 months) makes its crushers' exports more competitive against Argentina's, whose peso is pegged to the strong U.S. dollar. Some Brazilian farmers have waited to market their new crop in anticipation of further weakening of the exchange rate. Brazil's 2000/01 soybean crush was forecast up to a record 22.25 million tons. Relatively strong demand from Europe should help increase expected soybean meal exports to 10.25 million tons and soybean oil exports to 1.25 million.

While March rains were very beneficial for Argentina's second-crop soybeans, they came too late to help sunflowers. A dry spell during a pivotal stage in late February in western Buenos Aires and La Pampa (the provinces where the

majority of Argentina's sunflowers are raised) hurt yields. More showers threaten further damage and have substantially delayed harvest progress of sunflowers. Argentine harvested area was also estimated 200,000 hectares lower, reducing the 2000/01 sunflowerseed production estimate from 4.0 million to 3.5 million tons and well below last year's crop of 6.1 million. With less seed to crush, Argentine exports of sunflowerseed oil are seen plunging to 0.8 million tons.

Palm Oil Prices Strengthen

Based on strong year to date gains, Malaysian palm oil production for 2000/01 was forecast up from 11.7 million tons to 11.9 million. However, Malaysian palm oil stocks may have already peaked in February at 1.5 million tons. The normal seasonal decline in production is now occurring. Traders are also optimistic about new government schemes to subsidize replanting of 200,000 hectares of older palm trees and burn 600,000 tons of palm oil in electric power plants. These measures are intended to support short-term prices by reducing annual supplies more than 1 million tons, although there is some question whether the utility has the capacity to use that much palm oil in its diesel fueled electric generators. Malaysian crude palm oil prices rose from \$193 per metric ton in February to \$230 in March, although still well below the March 2000 price of \$319. Indonesia has pledged cooperation with this effort and recently announced plans for a higher export tax on crude palm oil to help develop its domestic refining industry.

Malaysia's largest customer, India, also buoyed current palm oil prices by a surge of stock building in advance of its April 1 tariff hikes. Thus, Indian 2000/01 palm oil imports were forecast 0.2 million tons higher to 4.0 million. India raised import tariffs on crude palm oil and crude sunflowerseed oil to 75 percent. But lower available sunflowerseed oil supplies from Argentina will make Indian imports even less price competitive. USDA reduced its 2000/01 forecast of Indian sunflowerseed oil imports to 250,000 tons, from 300,000 last month, and 1999/2000 imports of 570,000. In contrast, India has a preferential 45 percent tariff for crude soybean oil. Negligible growth in domestic oil output and increasing substitution for other oil imports is expected to boost Indian soybean oil imports to 1.0 million tons in 2000/01, from 790,000 the previous year.






The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Friday, May 11, 2001. The report may be accessed at the ERS website at <http://www.ers.usda.gov> or via <http://usda.mannlib.cornell.edu/>.

Information Contacts:

Mark Ash--Soybeans, minor oilseeds, oils (202) 694-5289 mash@ers.usda.gov
Robert Skinner--Peanuts (202) 694-5313 skinner@ers.usda.gov

2001... A New ERS Website

A completely redesigned, re-engineered ERS website. Users will find the same timely, comprehensive economic analysis on agriculture, food, the environment, and rural development, presented in an improved, streamlined format with enhanced information and features.

-  **More user-friendly navigation.** Find exactly what you need more easily and quickly.
-  **A powerful search engine.** Search by topic, or use an advanced search feature for more specific information.
-  **Enhanced features and services.** Easily locate upcoming events and publications, ERS experts, and new and newsworthy ERS research products. Customize your ERS e-mail subscriptions.
-  **Syntheses of specific ERS research.** Visit briefing rooms for an in-depth, synthesized discussion of ERS research on a wide range of individual topics, along with access to publications, data, and related information sources.
-  **Easily accessible data.** Access data re-engineered for ease of location and use; databases on major commodities and trade allow users to retrieve data by commodity, country, and time period.

More...

Find a wealth of economic analysis on issues ranging from the World Trade Organization...to farm business concerns such as risk management and farm structure...to food safety, environmental policies, and the economy of rural America.

key topics:

many to choose from



how to:

to help you



latest publications

latest data products

resources

services

Visit the ERS website in 2001 and explore the contents

www.ers.usda.gov

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	990	183	2,763	300

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	17,800	19,870	16,350	1,400	17,750	2,120	

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	730	130	860	82

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	3,253	4,665	2,175	565	340	600	3,680	985

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	4.46	114.00	7.38	NA	3.40
March 1/	4.29	NA	7.86	NA	3.66

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	12.38	15.20	14.52	37.00	11.06
March 1/	13.91	15.53	15.76	35.90	11.91

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	166.08	148.75	110.00	120.00	130.00
March 1/	156.31	138.13	98.75	118.00	121.88

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