



Oil Crops Outlook

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Highlights

--U.S. Soybean Supplies Expected To Exceed Demand in 2001/02

--U.S. Soybean Meal Sales to Asia and Europe Support 2000/01

Domestic Crush

--Bumper South American Soybean Harvest To Carry Over into 2001/02

--Indian Oil Imports Expected To Surge

U.S. Soybean Supplies Expected To Exceed Demand in 2001/02

Assuming normal weather in 2001, the national average trend yield for soybeans is estimated at 39.5 bushels per acre, a recovery from last year's below-trend yield of 38.1 bushels. Harvested acreage is expected at 75.6 million acres, so the 2001 soybean harvest would swell to a record 2,985 million bushels.

Relatively little corn and spring wheat has been planted in Iowa, Minnesota, and the Dakotas this spring because of wet soil conditions. If delays in grain planting persist through the end of May, soybean plantings could exceed farmers' March intentions of 76.7 million acres. Poor stands of winter wheat also have some farmers in the Central Plains considering replanting to spring crops. In contrast, planting has proceeded quickly along the Ohio River, as a lack of rainfall has dried out soils there.

As of May 6, 20 percent of intended U.S. soybean acreage had been planted, down from last year's rapid pace but ahead of the 5-year average of 12 percent.

Despite an outlook for record soybean supplies, U.S. demand in 2001/02 is expected to increase minimally. Prospects for stronger U.S. export growth depend on lower foreign oilseed output, a weaker dollar, and a repeat of the robust growth in foreign consumption seen in 2000/01. But U.S. soybean exports are projected to slip to 980 million bushels from 990 million in 2000/01. Very large South American soybean supplies will hang over this fall when the U.S. crop is harvested, and new crop production may decline only minimally. In spite of low oilseed prices that will urge some foreign producers to reduce plantings in 2001, foreign oilseed production is expected to rise 2 percent

to 226.8 million metric tons based on a recovery of yields in India and Eastern Europe. Abundant stocks of soybeans carried forward by China will also curb U.S. export sales potential for 2001/02.

The U.S. Department of Agriculture (USDA) projects a modest increase in 2001/02 domestic soybean crushing to 1,625 million bushels. Moderate gains in domestic demand for soybean meal and soybean oil and soybean oil exports are responsible for the forecast increase. Given this scenario, U.S. ending stocks of soybeans are projected to accumulate to 500 million bushels. The farm price of soybeans is likely to drop even lower next season to \$3.90-\$4.50 per bushel.

Low feed prices and improving profitability of livestock production will promote domestic disappearance of soybean meal next year, which is forecast up 2.4 percent to 32.1 million short tons. But stiff foreign competition will make gains in U.S. meal exports more difficult, which are anticipated down 150,000 tons to 6.75 million. Abundant domestic and foreign supplies are expected to pressure the 2001/02 average soybean meal price to \$145-\$170 per ton, compared with \$168 this season.

Demand growth and a moderate expansion of domestic crushing should begin to tighten the soybean oil market somewhat in 2001/02, although very large oil stocks will be carried over from the current season. Steady growth in soybean oil consumption is expected to raise domestic disappearance 400 million pounds in 2001/02 to 16,750 million. In international trade, higher relative prices for rapeseed and sunflowerseed oils are starting to favor soybean oil. Global vegetable oil surpluses may also ease next year because of slower expected growth in palm oil output. Therefore, U.S. soybean oil exports are projected to rise to 1,700 million pounds from 1,400 million in 2000/01. Season ending oil stocks will likely remain relatively high at 2,080 million pounds, but less than the 2000/01 carryout. Average soybean oil prices may have bottomed in 2000/01 at 14.0 cents per pound. In 2001/02, oil prices may edge up to 13.5-16.5 cents per pound.

U.S. Soybean Meal Sales to Asia and Europe Support 2000/01 Domestic Crush

U.S. soybean meal exports for 2000/01 were forecast up 150,000 short tons this month to 6.9 million. Brisk sales to the European Union (EU), Indonesia, Egypt, and South Korea have particularly helped buoy U.S. exports this year. Soybean meal

exports to Europe are higher because of a shortage of protein feeds following the EU ban on meat and bone meal. EU agriculture ministers have tentatively agreed to an extension of the ban beyond its original June 30 expiration. Yet, there are few U.S. sales outstanding to Europe, and a flood of South American supplies will soon halt more shipments. Exports of Brazilian soybeans and soybean meal (which were curbed this spring because of the brisk competition for shipping space with Brazilian corn exports) are now accelerating. U.S. sales should benefit from an Indonesian ban on soybean meal imports from South America, India, and China (attributed to fears of transmitting foot and mouth disease). However, these other exporters may make up lost sales by gaining market share elsewhere in Southeast Asia.

Soybean meal prices firmed somewhat in April from the stronger meal demand, which helped domestic soybean crushing expand in March to 141.8 million bushels from 128.9 million in February. Consequently, the USDA raised its 2000/01 crush forecast 5 million bushels to 1,595 million. But, after accelerating in February, export sales of soybean oil have again slowed. With no changes in the forecasts of domestic demand and exports of soybean oil this month, a larger output is seen boosting ending stocks to 2,175 million pounds.

Strong demand growth will hold season ending soybean stocks to 295 million bushels, nearly unchanged from 290 million carried over from 1999/2000. Yet, this expansion of the demand base is possible only with the lowest soybean prices in three decades. The 2000/01 U.S. average farm price was estimated at \$4.40 per bushel compared with \$4.63 last season. Although the U.S. soybean stocks-to-use ratio would not be historically high, world stocks of oilseeds and vegetable oils will still remain quite abundant.

Bumper South American Soybean Harvest To Carry Over into 2001/02

An almost ideal growing season in South America swelled world soybean output in 2000/01 nearly 8 percent from the year before to 171.5 million metric tons. Brazilian farmers have harvested 97 percent of the soybeans but frequent rains in the South have hampered completion. Based on expected record harvested area and yield, USDA raised its forecast of Brazil's soybean crop from 35.5 million to 36.5 million tons. As a result, the soybean export forecast for Brazil was increased from 12.3 million to 12.7 million tons. While Brazilian soybean exports from May through September are expected to be very brisk, stocks will remain large (around 7.35 million tons) by next October.

Bordering the southern Brazilian state of Parana is Paraguay's soybean producing region, which experienced similarly excellent growing conditions this year. Paraguayan rainfall was above normal in January-February, and relatively dry weather during March generally favored soybean harvesting. USDA forecasts Paraguay's 2001 soybean production at a record 3.4 million tons from a harvested area of 1.25 million hectares. Consequently, Paraguay is seen expanding its 2000/01 soybean exports to 2.5 million tons.

Western Europe's soybean meal consumption is anticipated to increase a robust 5 percent this year. Stronger soybean meal prices in Rotterdam last fall and winter favored soybean imports from the United States. Declining prices this spring are now encouraging soybean meal imports from South America, although some tightening of EU vegetable oil supplies will continue to support crushing and imports of oilseeds. EU soybean meal imports for 2000/01 were forecast 275,000 tons higher to 20.2 million.

Based on current purchases, it is now apparent that China's 2000/01 soybean imports will surpass last year's record volume. USDA forecasts soybean imports by China to reach 10.5 million tons versus 10.1 million in 1999/2000. Yet, China's crushers are facing declining margins, and soybean supplies are accumulating faster than they can be used. China's soybean crush was left unchanged this month at 17.9 million tons. The separation between China's soybean crushers and its importers means that price signals are blurred and the level of stocks can increase well beyond what is immediately required. Season ending soybean stocks in China are expected to increase to an unprecedented high of 3.8 million tons, although grain storage capacity has not been lacking in China. Very slow purchases of soybean products by China prompted lower import forecasts of just 175,000 tons of soybean meal and 150,000 tons of soybean oil.

Indian Vegetable Oil Imports Expected To Surge

Drought in northern India cut rapeseed planting to 5.0 million hectares this year and persistence of the dryness depressed yields. The estimate of India's 2000/01 rapeseed crop was reduced another 0.5 million tons this month to 3.7 million. With fewer supplies to crush, the May forecast of India's 2000/01 vegetable oil production was cut 100,000 tons.

Soybean oil imports are increasingly the most likely source for covering India's acute vegetable oil deficit. Border prices for palm oil are currently discounted \$75-\$80 per ton to soybean oil, but the Indian tariff differential has nearly equalized domestic prices of palm oil and soybean oil. Indian consumption is very price sensitive, so any small price wedge can cause a substantial substitution between vegetable oils. India's 2000/01 soybean oil imports were forecast at 1.15 million tons, up from 1.0 million last month. India typically imports soybean oil between May and September, so Argentina and Brazil will usually supply most of them. USDA also raised its 2000/01 forecast of Indian palm oil imports 150,000 tons to a record 4.15 million, although these will be achieved through very steeply discounted prices.

Recent market developments in India have been less favorable to the major exporters of palm oil, Malaysia and Indonesia. Malaysian palm oil production was higher than expected, raising the 2000/01 from 11.9 million tons to 12.2 million. In the month following the April 1 tariff hike by India, Malaysian palm oil exports fell and reversed the stock decline begun in March. So, after Malaysian palm oil prices had rallied to \$234 per ton in March, they fell back to \$220 in April. Another reason for the softening of Malaysian exports is the increasing competition from Indonesia. The pressure on Indonesian palm oil producers to export should remain acute, as 2000/01 domestic production is forecast higher to 7.5 million tons from the revised 1999/2000 total of 7.2 million.






The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Wednesday, June 13, 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 -----									
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	1,595	990	183	2,768	295
2001/02	2/ 295	3	2,985	3,283	1,625	980	178	2,783	500

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 -----								
1999/00	1/ 330	49	37,623	38,003	30,378	7,331	37,710	293
2000/01	2/ 293	50	38,182	38,525	31,350	6,900	38,250	275
2001/02	2/ 275	65	38,785	39,125	32,100	6,750	38,850	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 -----								
1999/00	1/ 1,520	83	17,824	19,427	16,055	1,376	17,431	1,995
2000/01	2/ 1,995	75	17,855	19,925	16,350	1,400	17,750	2,175
2001/02	2/ 2,175	75	18,280	20,530	16,750	1,700	18,450	2,080

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-----									
1999/00 1/	393	309	6,354	7,055	3,079	198	3,505	6,781	274
2000/01 2/	274	298	6,436	7,007	2,800	200	3,697	6,697	310
2001/02 2/	310	75	7,120	7,505	3,000	175	3,800	6,975	530

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-----								
1999/00 1/	24	0	1,396	1,420	1,295	104	1,399	21
2000/01 2/	21	0	1,280	1,301	1,160	120	1,280	21
2001/02 2/	21	0	1,350	1,371	1,180	165	1,345	26

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-----								
1999/00 1/	76	8	943	1,027	837	141	978	49
2000/01 2/	49	8	870	927	720	130	850	77
2001/02 2/	77	5	960	1,042	825	140	965	77

1/ Estimated. 2/ Forecast.

Table 7--Peanuts: U.S. supply and disappearance

		Supply				Disappearance					
Year		Beg.	Im-	Produc-	Total	Dom.	Crush	Seed&	Ex-	Total	End.
begin.	Oct. 1	stocks	ports	tion		Food		resid.	ports		stocks
----- Million pounds-----											
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	2,160	560	360	585	3,665	1,000
2001/02	2/	1,000	179	3,805	4,984	2,230	731	373	650	3,984	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	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	4.39	NA	7.47	NA	3.90
April 1/	4.18	NA	7.15	NA	3.84

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	13.90	15.53	15.76	35.90	11.91
April 1/	13.53	14.03	15.14	34.00	13.76

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	156.32	138.13	98.75	118.00	121.88
April 1/	158.48	140.00	86.25	110.75	116.25

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