

Oil Crops Outlook

United States Department of Agriculture
Economic Research Service

Approved by the World Agricultural Outlook Board

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Highlights

- Tapering U.S. Soybean Area Expectations, Tighter Stock Carryover Buoy Prices
- Robust Chinese Soybean Demand Awaits New South American Output

Tapering U.S. Soybean Area Expectations, Tighter Stock Carryover Buoy Prices

As of June 10, 86 percent of this year's U.S. soybean crop had been planted, which lags last year's progress but is slightly ahead of the 5-year average. Wet soils have delayed planting mainly in Minnesota, Iowa, Wisconsin, and the Dakotas, although some drying in late May allowed progress to catch up. Yet, it is now too late to feasibly seed corn there, and the wetness may also prevent farmers from continuing to plant soybeans. Subsequently, the market has factored in smaller expected gains in 2001 acreage. This reassessment has boosted the November soybean futures price about 20 cents per bushel compared with a month ago, when there were concerns that unseeded corn acreage would be entirely shifted into soybeans. On June 29, the U.S. Department of Agriculture's (USDA) Acreage report should clarify how many acres have been planted to all crops this year. Soil moisture is mostly favorable for the crops already planted, although cool temperatures this spring have slowed crop emergence in the north-central States.

While the 2001 U.S. soybean production forecast was unchanged this month, total projected supplies dropped 25 million bushels based on a smaller carryover from 2000/01. Although the seasonal decline in domestic crushing is underway, the April-May pace held up better than previously anticipated. Given an improved outlook for product demand, the 2000/01 crush forecast was raised 20 million bushels to 1,615 million. Expected domestic processing for 2001/02 was similarly increased to 1,645 million bushels as competing exporters of meal and oil scale back output.

The torrid pace of China's soybean imports has continued to support foreign demand for U.S. exports. Soybean export forecasts were increased slightly to 995 million bushels for 2000/01 and 995 million for 2001/02. Consequently, ending stock estimates fell to 270 million for this crop year and 440 million bushels for next year. While lower U.S. stocks have buoyed old crop soybean prices, the 2001/02 average price forecast was increased only modestly from last month to \$3.90-\$4.70 per bushel. With normal yields, new crop supplies should stay at a record level and large foreign stocks (particularly in China and Brazil) are expected to maintain price pressure throughout the world.

A stronger U.S. export outlook for soybean meal and soybean oil is largely responsible for the higher expected crush volume. Led by robust sales to Indonesia, 2000/01 soybean meal exports were forecast up 400,000 short tons this month to 7.3 million. Meal exports are projected to slip to 7.15 million tons in 2001/02, but higher than last month's projection of 6.75 million.

A steady gain in domestic soybean meal consumption is also seen, as livestock-price-to-feed-cost relationships have gradually improved this year. Hog slaughter rates have slowed and import restrictions on European Union (EU)

pork exports have favored U.S. exports this year. Thus, hog prices have rallied by about one-third since last fall. Higher feeding rates are forecast to expand U.S. soybean meal disappearance to 31.4 million tons this year, although 2001/02 use will likely slow to 32.1 million with more normal world pork trade. Solid demand and the seasonal crush decline prompted a recovery in central Illinois soybean meal prices by \$7 per ton in May to \$165. An expansion of soybean meal supplies is anticipated to trim the average price from \$169 per ton in 2000/01 to \$145-\$175 next season.

After its seasonal peak next September, growth in palm oil production is expected to slow next year. Combined with a sharp decline in world rapeseed and sunflowerseed output, these factors are beginning to halt the 3-year slide in vegetable oil prices. Foreign demand for soybean oil is strengthening as a result. U.S. soybean oil exports were forecast higher to 1,500 million pounds this year and to 1,800 million for 2001/02. Similarly, domestic disappearance of soybean oil has been steady. U.S. consumption forecasts for 2000/01 and 2001/02 were raised to 16,450 million and 16,800 million pounds, respectively. Even so, abundant ending stocks of soybeans and soybean oil should limit the price increase to 13.5-16.5 cents in 2001/02 from this season's average of 13.75 cents per pound.

Robust Chinese Soybean Demand Awaits New South American Output

Recent soybean purchases by China have been very large. Consequently, USDA has raised its 2000/01 forecast of soybean imports by China from 10.5 million metric tons to 11.5 million. This means that China alone will account for 42 percent of the expansion in world soybean trade this season. China's soybean crush is forecast up 21 percent in 2000/01 to 18.1 million tons, although it was increased only 200,000 tons this month.

Most of the higher imports add to China's ending stocks, with the 2000/01 carryout forecast raised to 4.4 million tons. Current prices and interest rates are low, and Chinese storage capacity is abundant. Larger Chinese stocks may also be desired because a smaller planted soybean area and an emerging drought in northern China may threaten the potential of the new domestic crop. Conditions are generally better in the major soybean province of Heilongjiang, and soybeans in other regions could recover if rainfall improves over the next 2 months. This spring's bumper rapeseed harvest was relatively unscathed by poor weather.

China has been able to afford such massive soybean imports because the huge crops produced in the United States and South America this season have depressed prices. Based on slightly higher area and yield estimates, Brazil's 2001 soybean harvest was increased 1.0 million tons this month to 37.5 million. With a slightly larger soybean carryover from last season, part of the supply gain is seen boosting Brazilian exports to a record 13.3 million tons.

Despite ample soybean supplies, limited foreign demand for soybean meal may expand Brazil's crush only modestly this season to 22.25 million tons. World soybean meal imports are estimated up only 0.4 percent in 2000/01, as lower meal imports by Asian countries are offsetting stronger European imports. Therefore, Brazilian soybean meal exports are forecast up just 1 percent in 2000/01 to 13.9 million tons. In addition, on June 1 the government began a program to ration Brazilian electrical power use by up to 20 percent. Hydroelectric utilities produce nearly all of Brazil's electricity, and drought has critically depleted the main reservoir levels. Operations by domestic soybean processors in the affected areas could be disrupted. So, it

is likely that Brazil's soybean stocks ending September 2001 could swell to nearly 8.0 million tons, which would exceed the U.S. stock carryover.

In Argentina, October 2000-April 2001 soybean processing was down about 440,000 tons from a year earlier. Even with an anticipated quickening of the crush pace in May-September following the newly harvested bumper crop, the 2000/01 forecast was reduced 0.5 million tons to 17.75 million. Exclusion from sales to Indonesia (because of its ban on purchases from countries where foot and mouth disease is present) will hurt Argentine processors. A lower crush reduces Argentine soybean meal production, with meal exports expected to rise only moderately in 2000/01 to 13.9 million tons. Growth in Argentine soybean oil exports is trimmed to 3.12 million tons. Conversely, with much of current world demand being propelled by China's soybean imports, USDA made an offsetting 0.5-million-ton increase in the forecast of Argentine soybean exports to 6.0 million tons.

India's oilseed production for 2000/01 is estimated down 5 percent from last year and 16 percent from 2 years ago. Estimated domestic output was cut to 21.1 million tons this month mostly based on a smaller peanut harvest of 5.7 million tons, which was again damaged by drought. Insufficient domestic vegetable oil production has created a vast market for imports. Indian soybean oil imports have been steady this year, and May-September imports are expected to accelerate. USDA adjusted its 2000/01 Indian import forecast from 1.15 million to 1.25 million tons. U.S. soybean oil exporters will get a negligible share of this trade, but will benefit competitively in other foreign markets as India draws in more sales from Argentina and Brazil.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Thursday, July 12, 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



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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	1,615	995	183	2,793	270
2001/02	2/ 270	3	2,985	3,258	1,645	995	178	2,818	440

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	38,632	38,975	31,400	7,300	38,700	275	
2001/02	2/ 275	65	39,185	39,525	32,100	7,150	39,250	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	18,080	20,150	16,450	1,500	17,950	2,200	
2001/02	2/ 2,200	75	18,505	20,780	16,800	1,800	18,600	2,180	

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	2,700	200	3,797	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	1,235	1,256	1,115	120	1,235	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	835	892	685	130	815	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

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 -----										
1999/00	1,392	178	3,829	5,400	2,233	713	493	727	4,166	1,233
2000/01 2/	1,233	179	3,266	4,678	2,160	550	377	565	3,653	1,025
2001/02 2/	1,025	179	3,805	5,009	2,230	733	371	650	3,984	1,025

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	4.22	NA	7.65	NA	3.67
May 1/	4.33	NA	7.46	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	13.53	14.03	15.14	34.00	13.76
May 1/	13.53	14.53	15.25	33.00	14.84

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	158.48	140.00	86.25	110.75	116.25
May 1/	165.14	137.50	78.00	112.50	116.80

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

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