



Oil Crops Outlook

United States Department of Agriculture
Economic Research Service

OCS-0801

Approved by the World Agricultural Outlook Board

August 13, 2001

Highlights

- Unfavorable Weather Causes Soybean Prices To Gyrate Upward
- Strengthening Soybean Prices Likely To Expand South American Planting
- Slowing Foreign Vegetable Oil Output To Shrink World Stocks

Unfavorable Weather Causes Soybean Prices To Gyrate Upward

Soybean prices shot upward in July following high heat and below-normal rainfall over an area comprising most of Iowa, Michigan, southern Minnesota, southern Wisconsin, and northern Illinois. Earlier dryness in southeastern Missouri and eastern Arkansas only moderately eased. All these locations have a large concentration of soybean acreage. Cash soybean prices for central Illinois averaged \$5.00 per bushel in July, up from \$4.58 in June. Yet, intermittent storms prevented even more serious stress on crops, limiting the spike in prices.

The U.S. Department of Agriculture's (USDA) first objective yield survey of the 2001 soybean crop was conducted in early August, in which counts of plant population, blooms, and pods (if present) were made on predefined sample plots. Based on the counts and average pod development data from previous years, the current results indicate a national average soybean yield of 38.7 bushels per acre, up from 38.1 bushels last year. With harvested area estimated at 74.1 million acres, the August forecast of the 2001 soybean crop is at a record high 2,867 million bushels.

As of August 5, 57 percent of U.S. soybeans were rated in good-to-excellent condition. By the same date, 57 percent of U.S. soybeans had reached the podding stage. The progress of podding is ahead of the 5-year average of 51 percent, although development is lagging in Iowa, Minnesota, and Wisconsin. Therefore, soybeans are now at a vulnerable stage, and adverse weather over the next 4-6 weeks would threaten normal pod size development. For instance, in early August last year, soybean conditions were comparatively good until high temperatures and a moisture shortage in August and September cut yield potential in areas west of the Mississippi River.

Most of the incentive to expand domestic soybean crushing in crop year 2001 will come from greater soybean oil demand. Although the forecast was shaved 5 million bushels from last month, processors are expected to increase crushing from 1,630 million in 2000/01 to 1,655 million. Continuing brisk soybean imports by China and Western Europe in 2001/02 will support another record volume of U.S. exports. However, U.S. trade may only match the 2000/01

exports of 995 million bushels because of substantial growth in South American soybean and meal supplies.

A smaller harvest and an expected drop in 2001/02 beginning soybean stocks to 250 million bushels are seen trimming the forecast of next year's ending stocks to 300 million. The season-average farm price for soybeans is projected rising to \$4.35-\$5.35 per bushel, compared with \$4.55 for 2000/01. The new farm bill now moving through Congress may be another factor buoying new crop futures prices. Some anticipate that legislation could be completed in time for 2002 planting. The draft bill in the House of Representatives would lower the soybean loan rate from \$5.26 per bushel to \$4.92 and expand the acreage eligible for the conservation reserve. If enacted, these provisions could reduce soybean acreage next year and would make 2001 supplies more valuable.

A waning supply of foreign vegetable oils has elevated prices for both old crop and new crop soybean oil production. Cash soybean oil prices in central Illinois swelled to an average 16.5 cents per pound in July compared with 14.2 cents in June, while October futures exceed 19 cents. The 2001/02 U.S. average soybean oil price is forecast up to 16.5-19.5 cents per pound from a revised 2000/01 price of 14.25 cents. A major reason is that after 2 years of nearly dormant soybean oil exports, U.S. exporters will likely enjoy a resurgence of sales by next fall. U.S. shipments to foreign countries are forecast to swell to 2,500 million pounds in 2001/02, which is 250 million pounds above the July forecast and up from the 2000/01 estimate of 1,500 million. A more modest increase in domestic disappearance of soybean oil (from 16,450 million pounds to 16,800 million) is forecast. The current glut of soybean oil stocks (expected to total 2,445 million pounds this October) may shrink by as much as 540 million pounds next year.

USDA expects a moderate rise in 2001/02 domestic disappearance of soybean meal, from 31.45 million short tons to 32.1 million. But compared with the oil market, foreign competition in soybean meal should restrain U.S. export growth next season. U.S. soybean meal exports are projected to slip to 7.6 million tons from the revised 2000/01 export estimate of 7.75 million. Crushing will be increasingly focused on extracting the oil. So, with a proportionately smaller increase in soybean meal demand, the corresponding increase in output should also pressure meal prices in 2001/02. The average price of soybean meal is forecast to slip to \$155-\$180 per short ton versus \$175 in 2000/01.

U.S. cottonseed production is forecast rising to 7.5 million short tons in 2001 from 6.4 million last year based on a higher harvested area and yields. More plentiful seed supplies and stronger oil prices should revive domestic cottonseed crushing to about 3.2 million tons from an estimated 2.7 million in 2000/01 (which was the least in 14 years).

U.S. peanut production is expected to rebound in 2001, although by slightly less than previous projections. The August production forecast is 3,658 million pounds, compared with 3,266 million last year. A slightly higher harvested area estimate and improved yields in all States (except Texas) are responsible. As of August 5, 67 percent of U.S. peanuts were rated in good-

to-excellent condition, compared with 50 percent a year earlier. A national average yield of 2,621 pounds per acre is anticipated. Domestic consumption and exports are anticipated to increase moderately.

Strengthening Soybean Prices Likely To Expand South American Planting

Despite a reduction in U.S. output by 1.8 million metric tons this month, USDA's forecast of 2001/02 world soybean production declined only 0.4 million metric tons to 176.8 million. The reason being that the rally in U.S. soybean prices will not escape the attention of South American farmers. In Brazil, the ever-increasing ratio between soybean and corn prices means there should be a substantial shift of corn acreage to soybeans in 2001/02. Brazil's Government has also increased its financing to plant crops next season by 30 percent. USDA raised its 2001/02 projection of Brazilian soybean area to 15.0 million hectares, compared with 13.9 million in 2000/01. Consequently, Brazil's soybean output would likely reach 39.0 million tons, up from last month's forecast of 38.0 million.

Many farmers in Brazil have held off marketing all of their soybean supplies to gauge the price direction established by the current U.S. crop. With rising prices and ample stocks remaining from the old crop, Brazil soybean exports are seen rising sharply in 2001/02 to 15.75 million tons, from 14.0 million in 2000/01.

Similarly, Argentine farmers are anticipated to respond to rising prices by expanding soybean area to 10.3 million hectares, from 10.0 million in 2000/01. Using a trend yield assumption, Argentine soybean production would be pushed to 26.0 million tons, equaling the 2000/01 record. Like Brazil, soybean exports are forecast sharply higher to 7.5 million tons in 2001/02 from 6.7 million this season. Higher soybean oil prices will aid a moderate increase in Argentine soybean crushing from 17.5 million tons in 2000/01 to 18.6 million.

China is associated with much of the adjustment in world soybean trade this month. China's soybean imports were projected higher to 14.5 million tons for 2001/02 and 13.2 million for 2000/01. China's soybean buyers are making many purchases now in advance of a rising price trend later. Stocks held in China are expected to balloon to 5.1 million tons this fall and decline minimally to 4.8 million next year.

Slowing Foreign Vegetable Oil Output To Shrink World Stocks

Projected world rapeseed production for 2001/02 fell to 36.6 million tons this month based on lower expected harvests in Canada and France. Available supplies for export will tighten even further, and global stocks are projected to drop about one-third from the 2000/01 carryout. Consequently, global rapeseed imports were forecast 2.1 million tons lower than in 2000/01. Projected 2001/02 imports by each of the world's leading rapeseed importing countries (China, Japan, Mexico, and Bangladesh) have been cut back.

High temperatures and a summer drought are seen sharply reducing canola yields in western Canada. Rainfall improved in late July but was generally too late

to undo damage to the mostly mature crop. The forecast of 2001 Canadian canola production was cut from 5.8 million to 5.3 million tons, about one-fourth smaller than last year's harvest. Canadian rapeseed exports, estimated at 4.7 million tons in 2000/01, would drop sharply to just 2.8 million tons because of tighter supplies and rising prices. In the last 3 months, Vancouver canola seed prices have rallied from \$200 to \$230 per ton. Canada's ending stocks would also plummet from 1.0 million tons in 2000/01 to 350,000 tons, which would alone account for about three-fourths of the decline in world rapeseed stocks.

Rapeseed fields in France also did not develop normally this year because of excessive winter rains that were followed by extreme heat. So, combined with a reduction in area harvested, lower yields are expected to reduce 2001 French rapeseed output to 3.1 million tons, from 3.6 million last year. Exports by France, normally the world's second-largest rapeseed exporting country, would fall sharply.

Conversely, global sunflowerseed production was forecast 0.7 million tons higher this month to 22.8 million and virtually equal to 2000/01 output. Modestly higher sunflower area estimates in Ukraine (2.5 million hectares) and Argentina (1.9 million) were largely responsible for the adjusted forecast. Greater supplies in both countries will likely be crushed, helping to boost 2001/02 world sunflowerseed oil exports by 150,000 tons to 2.7 million.

In the palm oil market, slowing yields from Malaysian plantations trims the forecast of 2000/01 production to 12.1 million tons from 12.3 million previously. While current output has lagged, Malaysian export demand has stayed steady and tightened stocks from their peak early this year. In contrast to earlier forecasts, Malaysia's season-ending palm oil stocks are now estimated down to 1.15 million tons from 1.3 million in 1999/2000. The 2001/02 forecast of Malaysian output was unchanged at 12.6 million tons. The price of palm olein in Malaysia surged to \$325 per ton in July, compared with \$248 in June, and the February low of \$193.

Draining off these competing vegetable oil supplies will accelerate world trade in soybean oil, which is forecast up 8 percent in 2001/02 to 8.1 million tons. The large stock carryover of the United States will supply about half of its forecast export gain of 0.45 million tons. The ample U.S. supplies will moderate returns for South American soybean crushers, but they are expected to achieve smaller gains in soybean oil exports, as well.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Thursday, September 13, 2001. The report may be accessed from ERS' Soybean Briefing Room at <http://www.ers.usda.gov/briefing/soybeansoilcrops/> or via <http://usda.mannlib.cornell.edu/>.

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New Electronic Outlook Report from the Economic Research






Service

Debate on the 2002 farm bill is intensifying, with a wide range of ideas emerging on how best to address the needs of farmers and other constituencies. A recently released ERS report, *Soybeans: Background and Issues for Farm Legislation*, provides information on topics important to the debate, including market conditions, policy proposals, WTO considerations, and the interactions between policy and markets.

This online-only report <http://www.ers.usda.gov/publications/OSC-0701-01/> is the first of the occasional *Oil Crops Outlook* supplements that will provide timely analysis on specific topics. Readers will no longer have to wait for the *Oil Crops Situation and Outlook Yearbook* for all of the in-depth special reports on the oilseeds sector.

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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	348	4	2,654	3,006	1,578	973	165	2,716	290
2000/01 2/	290	3	2,770	3,063	1,630	995	188	2,813	250
2001/02 2/	250	4	2,867	3,121	1,655	995	171	2,821	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-----								
1999/00	330	49	37,591	37,970	30,346	7,331	37,678	293
2000/01 2/	293	40	39,142	39,475	31,450	7,750	39,200	275
2001/02 2/	275	50	39,650	39,975	32,100	7,600	39,700	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	1,520	83	17,825	19,427	16,056	1,376	17,432	1,995
2000/01 2/	1,995	85	18,315	20,395	16,450	1,500	17,950	2,445
2001/02 2/	2,445	85	18,675	21,205	16,800	2,500	19,300	1,905

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	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	220	3,662	6,582	425
2001/02 2/	425	15	7,520	7,960	3,200	250	3,950	7,400	560

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	24	0	1,390	1,414	1,289	104	1,393	21
2000/01 2/	21	0	1,235	1,256	1,100	135	1,235	21
2001/02 2/	21	0	1,440	1,461	1,255	175	1,430	31

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	76	8	939	1,023	833	141	974	49
2000/01 2/	49	8	835	892	690	125	815	77
2001/02 2/	77	5	1,025	1,107	860	150	1,010	97

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	209	3,266	4,708	2,170	555	373	560	3,658	1,050
2001/02 2/	1,050	179	3,658	4,887	2,230	653	369	600	3,852	1,035

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	4.32	NA	7.59	NA	3.91
June	4.46	NA	8.75	NA	4.02
July 1/	4.92	NA	8.57	NA	4.10

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	13.53	14.53	15.25	33.00	14.84
June	14.21	13.27	16.41	33.00	15.94
July 1/	16.49	16.78	18.50	33.00	17.28

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	165.14	137.50	78.00	112.50	116.80
June	172.60	126.88	80.00	NA	110.00
July 1/	184.43	129.69	88.00	123.50	135.00

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