



Oil Crops Outlook

United States Department of Agriculture
Economic Research Service

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Highlights

- Dry Weather Curtails U.S. Soybean Yields
- Huge U.S. Soybean Oil Stocks Loom Over Market Despite Likely Demand Surge
- Rising Soybean Prices, Fragile Economies Likely To Curb Global Import Demand
- Deterioration of Sunflowerseed Crops Will Tighten World Oilseed Supplies

Dry Weather Curtails U.S. Soybean Yields

The September survey of soybean conditions by the U.S. Department of Agriculture (USDA) indicates a 2001 national average yield of 38.2 bushels per acre, just above last year's 38.1 bushels. Compared with a year ago, severe drought in the United States is more concentrated. Although soybean yields are still below average in some places, they are generally expected to exceed last year's yields in the Western Plains and the South. And, even record soybean yields are anticipated in Indiana and Kentucky. But these are the exceptions in the Midwest, as earlier episodes of hot and dry weather this year have created many pockets of quite poor soybean development. The worst areas include the western parts of Minnesota and Iowa, the southern parts of Michigan and Missouri, and the eastern parts of South Dakota and Arkansas. The majority of soybean fields are now yellowing and the earliest should be ready for harvest by the end of September.

On a national harvested soybean area of 74.1 million acres, total production would then equal 2,834 million bushels. A U.S. crop this size would surpass the record 2000 soybean crop by 64 million bushels. Based on slightly higher crush and export demand for the previous year, beginning stocks for 2001/02 dipped to 240 million bushels. These factors combined to reduce this month's estimate of 2001/02 soybean supplies by 43 million bushels.

A forecast of stronger domestic soybean meal consumption pulls the 2001/02 soybean crush up 5 million bushels from last month's forecast to 1,660 million. U.S. soybean meal consumption is projected up to 32.15 million short tons from a revised 2000/01 estimate of 31.6 million. Yet, with a negligible increase in U.S. soybean supplies, the growth in foreign supplies is anticipated to exceed the increase in global soybean imports. Higher U.S. prices and the heightened foreign competition will hinder the U.S. export potential, which is forecast slipping to 990 million bushels from 1,000 million in 2000/01. A smaller supply tightens the 2001/02 ending stock forecast to 255 million bushels from last month's 300 million.

The summer rally in soybean prices peaked last month as rains in late August and early September stabilized soybean conditions, particularly for late-planted fields. Milder August temperatures also helped preserve yield potential, and no early killing frosts have yet appeared. Even so, slower growth of oilseeds and vegetable oil supplies in the United States and abroad should bring about a higher price level. USDA forecasts a 2001/02 average soybean farm price of \$4.40-\$5.40 per bushel, compared with \$4.55 in 2000/01. But the increase in market prices is unlikely to exceed the national loan rate at \$5.26 per bushel. In crop year 2001, U.S. gross farm income from soybeans

will probably change little, as smaller marketing loan gains trade off between higher cash prices.

Huge U.S. Soybean Oil Stocks Loom Over Market Despite Likely Demand Surge

Based on the Census Bureau's large upward revision of soybean oil stocks for June and July, USDA cut its forecast of 2000/01 domestic disappearance to 16,350 million pounds. In addition, an acceleration of the sluggish summer pace of export shipments is unlikely. Total soybean oil exports for 2000/01 are forecast down to 1,400 million pounds, only slightly above last season's 1,376 million. Thus, season ending stocks of soybean oil were forecast up to a record 2,695 million pounds.

The 2001/02 outlook for soybean oil use should brighten considerably, however. A projected recovery in U.S. oil exports to 2,550 million pounds will help shrink 2001/02 ending stocks. Yet, larger expected beginning stocks and a smaller rate of domestic consumption raises ending stocks 355 million pounds from last month's forecast to 2,260 million. The season-average price for soybean oil slips 1.0 cent per pound from the August forecast to 15.5-18.5 cents per pound, yet still above the 14.15-cent average of 2000/01.

Rising Soybean Prices, Fragile Economies Likely To Curb Global Import Demand

World soybean output for 2001 was scaled back 1.4 million metric tons this month to 175.4 million tons. Aside from the reduction in U.S. soybean output, the forecast of 2001 Canadian soybean production was similarly reduced to 2.3 million tons because of dryness in southern Ontario.

Projected world soybean imports for 2001/02 are shaved this month to 55.8 million tons, although still above expected 2000/01 imports of 53.4 million. The forecast of China's 2001/02 soybean imports is scaled back 0.5 million tons to 14.0 million. Amid weak crush margins, large stocks, and an imminent domestic harvest, higher import prices should soon temper the import pace by China. Another obstacle to new crop purchases has been uncertainty over how China's Government will administer new regulations on imports of biotech crops.

In contrast, Mexico's economy has been less vulnerable to the forces buffeting other countries. Mexican soybean imports are expected to grow from 4.4 million tons to 4.5 million in 2001/02 following an 11-percent gain in 2000/01. European Union (EU) soybean imports, as well, may grow to 17.7 million tons from 17.0 million in 2000/01 because of nominal growth in domestic oilseed production and the EU's continuing ban on feeding meat and bone meal. Robust increases in Thailand's imports of soybeans and soybean meal also continue as its own exports of poultry have accelerated.

The growth rate of world trade in soybean oil should benefit even more than soybeans. The projected decline in combined world production of sunflowerseed oil and rapeseed oil would total nearly 1 million tons in 2001/02. In response, global soybean oil exports are projected expanding to 8.2 million tons from 7.6 million in 2000/01.

Deterioration of Sunflowerseed Crops Will Tighten World Oilseed Supplies

Projected ending stocks of world oilseeds are trimmed from 32.2 million tons to 29.8 million, mostly because of lower soybean and sunflowerseed supplies. Last month, modestly higher USDA estimates of sunflower area raised the projection of 2001 global sunflowerseed output. However, USDA's September forecast of sunflowerseed production is cut back to 21.9 million tons because

of the likely impacts of adverse weather. In Eastern Europe, very little rain fell in July and August during the main flowering period. Rains returned in late August, but too late to prevent a sharp cut in sunflowerseed yields. Forecast sunflowerseed harvests are seen declining to 2.3 million tons in Ukraine and 2.7 million in Russia. Seed exports from both countries would fall sharply, with trade by Ukraine declining from 925,000 tons in 2000/01 to 375,000 and Russia from 800,000 to 350,000 tons.

Similarly, the Romanian sunflowerseed crop is anticipated lower at 950,000 tons, although still better than last year's drought-damaged crop of 700,000 tons. Romania's Government may ban sunflowerseed exports this year to conserve supplies and moderate prices for domestic use. Consequently, Western European countries (which account for about three-fourths of world sunflowerseed imports) are expected to substantially reduce 2001/02 imports and crushing.

In Argentina, frequent rains in the southeastern part of Buenos Aires province have stalled wheat planting. The crop troubles in Eastern Europe are also improving price prospects for sunflowerseed, so Argentine farmers are likely to plant part of the unsown wheat area to sunflowers. Sunflower area for 2001/02 is now projected up to 2.0 million hectares, which would increase expected seed production to 3.5 million tons compared with 3.2 million in 2000/01. Argentine crushing and exports of sunflowerseed oil and meal would not decline by quite as much.

The western prairies in Canada have also had no relief from drought, trimming the estimate of Canadian canola production this month to 5.1 million tons from the previous forecast of 5.3 million. Canadian stocks of canola have tightened considerably from a year ago, and 2001/02 exports are likely to fall sharply to 2.6 million tons from a record 4.8 million last season.

In contrast, global cottonseed output is expected to rise 8 percent in 2001/02 to 36.1 million tons. China is forecast to produce 9.0 million tons of cottonseed, compared with 8.0 million in 2000/01. A recovery of cotton area and yield in India, Africa, and the United States also contribute to the growth in world supplies. These gains are partially offset by smaller expected area in Australia and Brazil. The resurgence allows an expansion of crushing, boosting world cottonseed oil output by 0.3 million tons to 3.8 million.

We mourn and remember the innocent victims of terrorism.

The summary of the *Oil Crops Yearbook* will be released Wednesday, October 24, 2001. The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Tuesday, November 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/>.

Information Contacts:

Mark Ash--Soybeans, minor oilseeds, oils (202) 694-5289 mash@ers.usda.gov
Erik Dohlman--Peanuts (202) 694-5308 edohlman@ers.usda.gov

New Electronic Outlook Report from the Economic Research Service

For several months, a wide range of ideas has emerged in the farm bill debate 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 reports and special articles on the oilseeds sector.

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	1,635	1,000	188	2,823	240
2001/02 2/	240	4	2,834	3,078	1,660	990	173	2,823	255

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	45	39,287	39,625	31,600	7,750	39,350	275
2001/02 2/	275	50	39,700	40,025	32,150	7,600	39,750	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	80	18,370	20,445	16,350	1,400	17,750	2,695
2001/02 2/	2,695	85	18,730	21,510	16,700	2,550	19,250	2,260

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	2,674	245	3,664	6,583	424
2001/02 2/	424	17	7,514	7,955	3,200	250	3,950	7,400	555

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	1,285	1,306	1,140	140	1,280	26
2001/02 2/	26	0	1,440	1,466	1,260	175	1,435	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	0	815	864	669	125	794	70
2001/02 2/	70	5	1,025	1,100	853	150	1,003	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	211	3,266	4,709	2,170	548	373	520	3,594	1,116
2001/02 2/	1,116	178	3,726	5,019	2,230	670	368	700	3,969	1,050

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.
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
2000/01	4.55	102.00	6.75	25.70	3.30
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	4.79	NA	8.79	NA	4.28
August 1/	4.87	NA	9.55	NA	4.19

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.					
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
2000/01 1/	14.15	16.65	16.20	35.00	13.75
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	16.49	16.78	18.50	33.00	17.28
August 1/	17.08	17.18	19.58	34.00	18.73

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					
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
2000/01 1/	173.50	145.00	88.50	122.00	125.00
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	184.43	129.69	88.00	123.50	135.00
August 1/	178.46	130.63	95.00	130.50	135.63

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