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Oil Crops Outlook

Mark Ash and Erik Dohlman

Stronger World Demand Lifts Soybean and Product Exports

An acceleration of U.S. export commitments led USDA to raise its 2001/02 soybean export forecast to 1,000 million bushels. Bright prospects for soybean oil demand and soybean meal exports also increased the 2001/02 soybean crush forecast to 1,670 million bushels. Marketing year exports of U.S. soybean oil were expected to rise to 2,500 million pounds. Strong recent gains in domestic disappearance of soybean oil also boosted the 2001/02 forecast to 16,700 million pounds. A trimming of expected carryout stocks raised the season-average price forecast for soybean oil to 14.0-17.0 cents per pound.

Contents

Domestic Outlook

Demand

Stocks

Int. Outlook

Production

Exports and Imports

Tables

Soybean S&U

Soybean Meal

Soybean Oil

Cottonseed

Cottonseed Meal

Cottonseed Oil

Peanuts

Oilseed Prices

Vegetable Oil Prices

Oilseed Meal Prices

Web Sites

WASDE

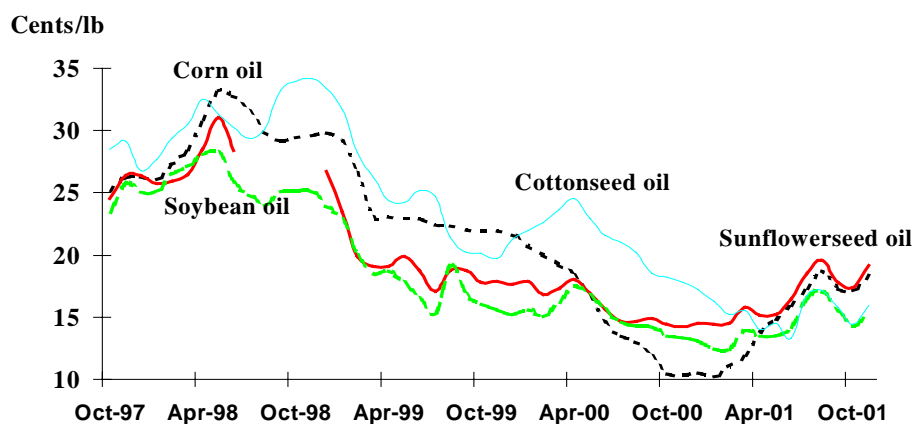
Oilseed Circular

Briefing Room

The next release is
January 13, 2002

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World Agricultural
Outlook Board.

U.S. Vegetable Oil Prices Recovering



Domestic Outlook

Stronger Foreign Imports Accelerate U.S. Soybean Complex Exports

U.S. export commitments for soybeans in 2001/02 have increased rapidly in the last month. While the pace of export shipments began the marketing year slowly, it has since accelerated and climbed slightly ahead of last year. Much of the improved export outlook stems from new soybean sales to Japan, Indonesia, and China, while sales to the European Union (EU) have stayed brisk since September. Consequently, the U.S. Department of Agriculture (USDA) raised its soybean export forecast 20 million bushels to 1,000 million. A new (although small) source of import demand this season comes from Cuba, with recent purchases from the United States for 12,000 metric tons of soybeans, 20,000 tons of soybean meal, and 5,000 tons of soybean oil. Last year, Congress enacted legislation allowing U.S. sales of food and medicine to Cuba, which have been embargoed for the last 41 years.

A marginally better outlook for domestic crushing is also anticipated based on bright prospects for soybean oil demand and soybean meal exports. Processors crushed 150.4 million bushels in October, a record for the month and the third highest monthly volume ever. The 2001/02 soybean crush forecast was raised 5 million bushels to 1,670 million. While this year's forecast of U.S. ending stocks is still well above the 2000/01 carryout, they were reduced this month to 330 million bushels. The 25-million-bushel decline in stocks from the November forecast would likely maintain a soybean price range of \$4.00-\$4.80 per bushel.

Total soybean oil demand surged in October to 1,836 million pounds, the largest monthly use ever. Even with a very large output of soybean oil, October stocks fell. Strong gains in domestic disappearance of soybean oil for the month suggest a higher 2001/02 forecast of 16,700 million pounds. Marketing year exports of U.S. soybean oil were also expected up to 2,500 million pounds this month from the November forecast of 2,450 million. Soybean oil imports by China and Taiwan are expected to increase following their accession to the World Trade Organization (WTO). Although projected ending stocks of

soybean oil at 2,515 million pounds would still be relatively large, greater demand would cut them from the massive 2000/01 carryover of 2,877 million.

The trimming of expected carryout stocks of soybeans and soybean oil is supporting the oil price. The November average price for soybean oil in central Illinois firmed to 15.2 cents per pound from 14.4 cents in October and 13.4 cents in November 2000. The season-average price is forecast rising to 14.0-17.0 cents per pound from the 2000/01 average of 14.2 cents.

The value of other vegetable oils has also swelled. The domestic price of sunflowerseed oil has rallied to 19.2 cents per pound, versus 17.4 cents in October and 14.3 cents in November 2000. Foreign demand for sunflowerseed oil is quite strong, but supply availability for more than a moderate expansion of U.S. exports is lacking. Sunflowerseed oil exports are forecast rising from 554 million pounds last year to 650 million. And, even with a sharp increase in corn oil production this fall, its price climbed to 18.3 cents per pound in November compared with 10.4 cents a year earlier. Tight world supplies of its closest substitutes, sunflowerseed oil and olive oil, are encouraging U.S. corn oil exports, which surged in September. Sustained vigor may push 2001/02 corn oil shipments to at least 1 billion pounds. Saudi Arabia, Turkey, Italy, and Mexico encompass about half of U.S. corn oil exports.

However, for U.S. soybean meal, less robust demand growth is seen than for soybean oil. Only moderate increases in domestic soybean meal consumption are expected, due primarily to improved poultry returns. Yet, brisk year-to-date foreign sales of soybean meal led USDA to increase its 2001/02 export forecast from 7.65 million to 7.75 million short tons. Meal import demand is particularly good from Indonesia and Canada. As both domestic and foreign processors pursue more oil sales, soybean meal prices will be pressured by a higher associated meal output. The range for the 2001/02 soybean meal price is unchanged this month at \$150-\$170 per ton, compared with last year's average of \$174.

Larger Prospective Supplies Boost Potential for Argentine Soybean Demand

In Argentina, the frequent rains abated during December, although excessively wet soils in the province of Buenos Aires still hindered planting of corn and sunflowers and the winter wheat harvest. In contrast, planting conditions in the principal soybean producing areas of northern Argentina are mostly favorable. Planting progress for soybeans is on schedule, with farmers more than half finished by early December. Consequently, USDA switched 100,000 hectares from its Argentine 2001/02 corn area forecast to soybeans, increasing the expected harvested area to 11.1 million hectares. Argentine sunflowerseed prices are about 50 percent higher than a year ago, so farmers are likely to plant beyond the dates recommended for best yields. Indications of a higher soybean yield trend also contributed to a rise in projected 2001/02 production to 28.75 million tons from the November forecast of 28.0 million.

Argentina will export most of its larger output, either as unprocessed soybeans or in the form of meal and oil. Soybean exports for 2001/02 are projected rising to 9.0 million tons from 7.45 million in 2000/01. Growing crush potential would raise Argentine soybean meal exports to 15.25 million tons from 13.95 million last season. Similarly, 2001/02 exports of soybean oil would expand to 3.5 million tons from 3.2 million last year.

Argentine soybean output was also revised upward for 2000/01 to 27.2 million tons, based mostly on a higher yield estimate. Likewise, Brazil's old crop harvest was estimated 400,000 tons higher to 38.8 million. Although the higher Brazilian crop was either exported or crushed, the net effect of the South American revisions was to increase world beginning soybean stocks for 2001/02 by 0.3 million tons. Coupled with expected bumper crops this season, the added carryover hikes global ending soybean stocks to a record 29.1 million tons.

Robust World Soybean Demand Prevails

Although unlikely to expand quite as rapidly as last year, soybean demand by the EU has still been strong. An impending shortfall of vegetable oils in the EU is

increasing the profitability of oilseed crushing. Without a removal of its ban on feeding meat and bone meal, steady growth in EU soybean meal consumption is anticipated. USDA raised its forecast of 2001/02 EU soybean imports by 0.8 million tons this month to 19.6 million, up from 18.8 million in 2000/01. In contrast, EU soybean meal imports this year are expected to slow to 20.9 million tons from 20.3 million in 2000/01 as domestic processors produce more supplies.

In Canada, a very dry summer in the main soybean-producing region of southern Ontario slashed 2001 yields. Canadian soybean production fell 40 percent from last year to 1.6 million tons. Exports, crushing, and stocks of Canadian soybeans should decline. In response, Canada's 2001/02 imports of soybeans and soybean meal are expected to rise sharply to 0.9 million and 1.1 million tons, respectively. And, low U.S. prices for soybean meal and oil are looking irresistibly attractive to Mexican buyers. While Mexican imports of soybean meal and soybean oil are forecast rising to 355,000 and 102,000 tons, respectively, weaker crush margins could temper soybean imports to 4.5 million tons. For both countries, the United States dominates their trade in these commodities.

For 2001/02, Japan is forecast to import 5.0 million tons of soybeans and 925,000 tons of soybean meal. Higher costs of importing rapeseed and a ban on feeding meat and bone meal have promoted Japan's consumption of soybean meal. An improving economy has also rapidly increased Indonesia's imports of soybeans and soybean meal this year.

China officially entered the WTO on December 11. China's accession agreement stipulates that its 2002 tariff-rate quota (TRQ) on soybean oil will increase to 2.518 million tons and the within-quota tariff will fall from 13 percent to 9 percent. Tariffs on soybeans and soybean meal will be bound at their current rates. Yet, rising world prices for soybean oil have narrowed the differential to China's domestic prices, which will limit its current import needs. China's soybean oil imports are forecast up to 400,000 tons, still well below the TRQ but substantially above the 80,000 tons imported in 2000/01. Palm oil prices are

cheaper, so it is more likely at first that China's importers will fill the increased 2002 palm oil TRQ (2.4 million tons). Palm oil imports by China are expected to rise to 2.1 million tons from 1.9 million in 2000/01.

On the same date as China, Taiwan also became a WTO member. Taiwan will immediately lower import barriers on meats and soybean products that

will curb future crushing and imports of soybeans. Imports of soybeans by Taiwan are forecast slipping to 2.3 million tons in 2001/02 from 2.4 million the previous year. While Taiwan's import volumes of soybean meal and soybean oil in 2001/02 should remain modest in absolute terms, the percentage change from trade liberalization would increase dramatically, and more so in subsequent years.

Contact Information

Information Contacts

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

New from the Economic Research Service

The October 2001 issue of the *Oil Crops Situation and Outlook Yearbook* is now available electronically at <http://usda.mannlib.cornell.edu/reports/erssor/field/ocs-bby/ocs2001.pdf>. The report contained two special articles: “Soybean Production Costs and Export Competitiveness in the United States, Brazil and Argentina” on page 16 and “Estimating Farm-Level Effects of Adopting Herbicide-Tolerant Soybeans” on page 25.

Visit the ERS Soybean and Oil Crops Briefing Room, <http://www.ers.usda.gov/briefing/soybeansoilcrops/>.

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Table 1--Soybeans: U.S. supply and disappearance

Year beg. Sept. 1	Supply				Disappearance			Ending stocks	
	Beginning stocks	Production	Imports	Total	Crush	Exports	Seed, feed residual		Total
Million bushels									
1999/00	348	2,654	4	3,006	1,578	973	165	2,716	290
2000/01 1/	290	2,758	4	3,052	1,641	998	164	2,804	248
2001/02 2/	248	2,923	4	3,175	1,670	1,000	175	2,845	330
2000/01									
Sep-Nov	290.2	2,757.8	0.9	3,048.9	421.1	315.5	72.4	809.1	2,239.8
Dec-Feb	2,239.8	---	0.8	2,240.6	417.9	338.4	80.3	836.7	1,403.9
Mar-May	1,403.9	---	0.8	1,404.7	405.4	228.4	62.7	696.5	708.2
Jun-Aug	708.2	---	1.1	709.2	397.0	116.1	-51.8	461.3	247.9
Total		2,757.8	3.6	3,051.5	1,641.5	998.4	163.7	2,803.6	

1/ Estimated, 2/ Forecast.

Table 2--Soybeans meal: U.S. supply and disappearance

Year beg. Oct. 1	Supply				Disappearance			Ending stocks
	Beginning stocks	Production	Imports	Total	Domestic	Exports	Total	
1,000 short tons								
1999/00	330	37,591	49	37,970	30,346	7,331	37,678	293
2000/01 1/	293	39,389	51	39,733	31,713	7,636	39,350	383
2001/02 2/	383	39,942	50	40,375	32,350	7,750	40,100	275
2000/01								
October	292.9	3,573.9	2.5	3,869.3	2,925.8	626.1	3,551.9	317.4
November	317.4	3,432.8	2.2	3,752.3	2,805.0	603.5	3,408.5	343.8
December	343.8	3,399.4	3.0	3,746.2	2,763.6	558.9	3,322.5	423.7
January	423.7	3,524.2	6.2	3,954.1	2,799.4	820.6	3,620.0	334.0
February	334.0	3,085.2	4.5	3,423.8	2,346.0	751.9	3,097.9	325.8
March	325.8	3,412.0	4.9	3,742.7	2,502.2	931.3	3,433.5	309.2
April	309.2	3,151.5	4.5	3,465.2	2,485.8	666.0	3,151.9	313.4
May	313.4	3,180.4	5.8	3,499.6	2,638.6	574.0	3,212.6	287.0
June	287.0	3,091.1	6.6	3,384.7	2,522.0	521.3	3,043.3	341.4
July	341.4	3,256.2	2.8	3,600.4	2,780.0	482.3	3,262.3	338.1
August	338.1	3,203.1	6.1	3,547.3	2,720.6	552.7	3,273.3	274.0
September	274.0	3,079.2	2.1	3,353.2	2,424.4	547.5	2,971.9	383.4
Total		39,388.9	51.1	39,732.9	31,713.5	7,636.0	39,349.5	
2001/02								
October	383.4	3,538.8	NA	3,922.2	NA	NA	3,616.2	306.0

1/ Estimated. 2/ Forecast.

Table 3--Soybeans oil: U.S. supply and disappearance

Year beg. Oct. 1	Supply				Disappearance			Ending stocks
	Beginning stocks	Production	Imports	Total	Domestic	Exports	Total	
Million pounds								
1999/00	1,520	17,825	83	19,427	16,056	1,376	17,432	1,995
2000/01 1/	1,995	18,433	73	20,502	16,223	1,402	17,624	2,877
2001/02 2/	2,877	18,760	78	21,715	16,700	2,500	19,200	2,515
2000/01								
October	1,995.3	1,672.7	6.7	3,674.7	1,569.0	44.9	1,613.9	2,060.8
November	2,060.8	1,590.8	5.5	3,657.1	1,374.5	115.1	1,489.6	2,167.5
December	2,167.5	1,579.0	5.8	3,752.2	1,198.0	256.2	1,454.2	2,298.0
January	2,298.0	1,642.8	6.3	3,947.1	1,437.0	130.4	1,567.4	2,379.7
February	2,379.7	1,436.0	5.4	3,821.0	1,155.5	191.6	1,347.1	2,474.0
March	2,474.0	1,602.8	9.1	4,085.8	1,439.4	142.4	1,581.9	2,504.0
April	2,504.0	1,485.5	7.3	3,996.7	1,385.2	105.8	1,490.9	2,505.8
May	2,505.8	1,489.0	9.5	4,004.3	1,297.2	51.0	1,348.1	2,656.1
June	2,656.1	1,449.2	4.7	4,110.0	1,223.4	109.9	1,333.3	2,776.7
July	2,776.7	1,526.0	4.7	4,307.5	1,322.6	89.4	1,412.0	2,895.5
August	2,895.5	1,506.5	5.0	4,407.0	1,440.8	96.3	1,537.1	2,869.9
September	2,869.9	1,452.9	3.2	4,326.0	1,380.1	68.8	1,448.9	2,877.2
Total		18,433.3	72.9	20,501.6	16,222.6	1,401.8	17,624.4	
2001/02								
October	2,877.2	1,683.1	NA	4,560.2	NA	NA	1,835.2	2,724.7

1/ Estimated. 2/ Forecast.

Table 4--Cottonseed: U.S. supply and disappearance

Year beg. Sept. 1	Supply				Disappearance			Ending stocks	
	Beginning stocks	Imports	Production	Total	Crush	Exports	Other		
1,000 short tons									
1999/00	393	308	6,354	7,055	3,079	198	3,505	6,781	274
2000/01 1/	274	374	6,436	7,084	2,674	235	3,751	6,660	424
2001/02 2/	424	196	7,532	8,152	3,200	250	4,110	7,560	592

1/ Estimated. 2/ Forecast.

Table 5--Cottonseed meal: U.S. supply and disappearance

Year beg. Sept. 1	Supply				Disappearance			Ending stocks
	Beginning stocks	Imports	Production	Total	Domestic	Exports	Total	
1,000 short tons								
1999/00	24	-	1,390	1,414	1,289	104	1,393	21
2000/01 1/	21	-	1,291	1,312	1,119	154	1,272	40
2001/02 2/	40	-	1,440	1,480	1,274	175	1,449	31

1/ Estimated. 2/ Forecast.

Table 6--Cottonseed oil: U.S. supply and disappearance

Year beg. Sept. 1	Supply				Disappearance			Ending stocks
	Beginning stocks	Imports	Production	Total	Domestic	Exports	Total	
Million pounds								
1999/00	76	8	939	1,023	833	141	974	49
2000/01 1/	49	-	818	867	644	131	775	92
2001/02 2/	92	5	1,010	1,107	878	140	1,018	89

1/ Estimated. 2/ Forecast.

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

Year beg. Sept. 1	Supply				Disappearance				Ending stocks	
	Beginning stocks	Imports	Production	Total	Domestic Food	Crush	Seed & residual	Exports		Total
Million pounds										
1999/00	1,392	178	3,829	5,400	2,233	713	493	727	4,166	1,233
2000/01 1/	1,233	204	3,266	4,703	2,170	548	341	519	3,588	1,116
2001/02 2/	1,116	178	4,157	5,451	2,275	800	351	725	4,076	1,375

1/ Estimated. 2/ Forecast.

Table 8--Oilseeds prices received by U.S. farmers

Marketing year	Soybeans \$/bu.	Cottonseed \$/ton	Sunflower \$/cwt	Peanuts Cents/lb	Flaxseed \$/bu.
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	4.45	105.00	6.89	27.40	3.30
2000/01					
September	4.59	93.00	6.31	28.60	3.10
October	4.45	104.00	5.76	27.70	3.22
November	4.55	108.00	6.20	26.10	3.39
December	4.78	109.00	6.49	27.30	3.45
January	4.68	111.00	6.92	31.40	3.42
February	4.46	117.00	7.29	NA	3.43
March	4.39	NA	7.46	NA	3.90
April	4.22	NA	7.67	NA	3.68
May	4.33	NA	7.99	NA	3.91
June	4.46	NA	8.40	NA	4.10
July	4.79	NA	8.74	NA	4.28
August	4.85	NA	9.48	NA	4.09
2001/02					
September	4.53	85.00	8.64	24.90	4.10
October	4.09	85.00	8.19	22.80	4.21
November 1/	4.18	91.00	8.69	20.40	4.30

1/ Preliminary. NA = Not available.

Table 9--U.S. vegetable oil and fats prices

Marketing year	Soybean oil 2/	Cottonseed oil 3/	Sunflower oil 4/	Peanut oil 5/	Corn oil 6/	Lard	Edible tallow
Cents/lb							
1994/95	27.51	29.23	28.10	44.30	26.47	20.15	21.21
1995/96	24.70	26.53	25.40	40.30	25.24	21.70	21.56
1996/97	22.50	25.58	22.64	43.70	24.05	23.02	23.01
1997/98	25.80	28.85	27.00	49.00	28.94	19.46	20.69
1998/99	19.90	27.32	20.10	39.74	25.30	14.66	15.14
1999/00	15.60	21.52	16.68	35.39	17.81	13.64	13.21
2000/01 1/	14.15	16.65	16.20	35.00	13.75	14.61	13.43
2000/01							
October	13.50	18.16	14.40	34.63	10.52	13.04	11.98
November	13.37	17.83	14.25	35.50	10.37	12.06	10.88
December	13.12	17.25	14.54	36.40	10.54	12.14	13.59
January	12.53	16.24	14.44	37.25	10.25	13.57	14.61
February	12.38	15.20	14.52	37.00	11.06	11.92	11.82
March	13.90	15.53	15.76	35.90	11.91	11.07	10.97
April	13.53	14.03	15.14	34.00	13.76	12.09	12.17
May	13.53	14.53	15.25	33.00	14.84	11.84	11.48
June	14.21	13.27	16.41	33.00	15.94	13.38	13.17
July	16.49	16.78	18.50	33.00	17.28	18.05	16.99
August	17.08	17.18	19.58	33.00	18.73	24.11	18.21
September	15.46	15.78	17.82	34.00	17.30	22.00	15.33
2001/02							
October	14.38	14.44	17.40	36.25	17.18	13.04	12.67
November 1/	15.23	15.91	19.15	37.00	18.30	13.18	12.83

1/ Preliminary. 2/ Decatur. 3/ PBSY Greenwood, MS. 4/ Minneapolis.
5/ Southeast mills 6/ Chicago.

Table 10--U.S. Oilseed meal prices

Marketing year	Soybeans meal 2/	Cottonseed meal 3/	Sunflower meal 4/	Peanuts meal 5/	Canola meal 6/	Linseed meal 4/
\$/Short ton						
1994/95	162.55	112.02	62.70	128.94	128.01	95.85
1995/96	235.90	190.74	123.75	202.70	177.22	159.00
1996/97	262.00	192.00	110.60	232.00	192.02	158.75
1997/98	185.30	144.00	84.20	209.60	131.15	117.54
1998/99	138.50	109.55	64.20	104.94	112.28	84.49
1999/00	167.62	127.43	75.00	108.15	117.07	103.42
2000/01	173.62	143.35	88.50	122.00	139.20	121.92
2000/01						
October	171.52	150.00	83.00	118.00	122.58	110.00
November	179.95	141.88	85.00	118.00	132.30	113.75
December	195.65	160.83	88.75	118.00	142.34	121.25
January	183.17	184.00	106.00	142.50	140.53	140.00
February	166.08	148.75	110.00	120.00	132.90	130.00
March	156.32	138.13	98.75	118.00	132.01	121.88
April	158.48	140.00	86.25	110.75	140.25	116.25
May	165.14	137.50	78.00	112.50	144.00	116.80
June	172.60	126.88	80.00		149.30	110.00
July	184.43	129.69	88.00	123.50	154.29	135.00
August	178.46	130.63	95.00	130.50	142.60	135.63
September	171.67	131.25	93.75	126.25	137.27	111.25
2001/02						
October 1/	165.45	131.25	85.00	115.00	142.85	114.00

1/ Preliminary. 2/ Hi-pro Decatur. 3/ 41% Memphis. 4/ Minneapolis.
5/ 50% Southeast mills 6/ 36% Pacific Northwest.