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Oil Crops Outlook

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Vegetable Oil Prices Climb Higher

Contents

The next release is Jan. 13, 2003

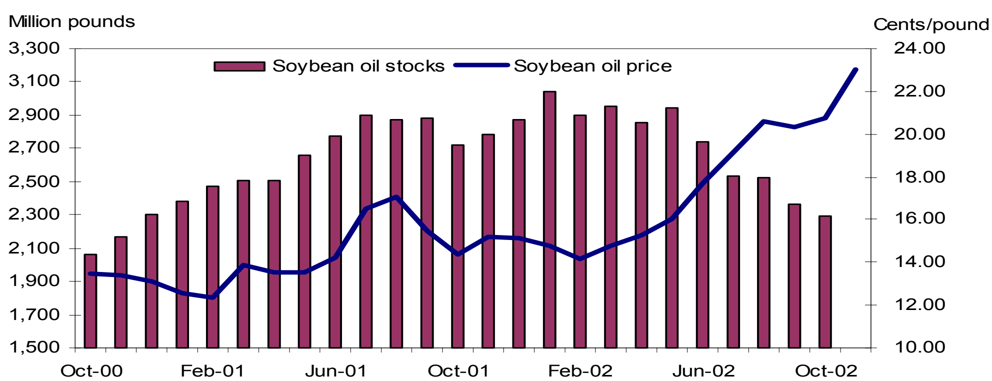
Approved by the World Agricultural Outlook Board.

The U.S. Department of Agriculture (USDA) raised its 2002/03 soybean export forecast 10 million bushels this month to 900 million, which cut the ending stocks forecast to 175 million bushels. The range for 2002/03's average soybean farm price was narrowed to $5.05-$5.85 per bushel from the November forecast of $4.95-$5.85 per bushel. Projected domestic disappearance of soybean oil was raised 50 million pounds this month to 17,450 million, compared with 16,942 million in 2001/02. The 2002/03 average price forecast for soybean oil was raised 0.5 cent per pound to 20.0-23.0 cents.

Indonesian palm oil production was forecast higher for 2002/03 to 9.5 million metric tons, up from 9.1 million in 2001/02 and 8.3 million in 2000/01. Although Indonesian palm oil trade is expected to increase to 6.0 million tons from 5.7 million in 2001/02, tighter supplies in Malaysia may thwart an expansion of that country's exports. Global palm oil exports are seen slowing to 18.4 million tons in 2002/03 compared with 18.2 million last year. Palm oil prices in Malaysia have moved up 9 percent just in the last month and 46 percent since November 2001.

Figure 1

Falling stocks strengthen central Illinois soybean oil prices



Source: Agricultural Marketing Service, USDA and Census Bureau.

Domestic Outlook

U.S. Vegetable Oil Prices Rally with Low Stocks and Seasonally Firm Demand

USDA raised its 2002/03 soybean export forecast 10 million bushels this month to 900 million based on strong year-to-date sales (primarily to China) and an increase in projected Canadian imports. Yet, soybean exports are still expected down sharply from last year's record 1,063 million bushels as the U.S. share of world production is forecast to fall to 39 percent, the lowest proportion since the late 1940s. With no other changes in the U.S. soybean supply or demand estimates, ending stocks were forecast down to 175 million bushels. The U.S. soybean carryout has not been that small since 1996/97.

A lag in farm marketing and steady demand for soybeans (led by robust gains in the value of soybean oil) are currently supporting the farm price, which rose to a national average of $5.43 per bushel in November. The range for the U.S. season average soybean farm price was narrowed to $5.05-$5.85 per bushel from the November forecast of $4.95-$5.85 per bushel. Conversely, the increase in crushing to meet the strong demand for oil has produced more soybean meal than the current market would buy at the same price. USDA made no changes in its 2002/03 demand forecasts for soybean meal this month. The November average soybean meal price slid to $163 per short ton. The range for the season average meal price was narrowed to $160-$180 per ton.

The monthly average soybean oil price jumped sharply in November to 23.0 cents per pound, compared with 20.75 cents in October and 15.2 cents in November 2001. This prompted USDA to raise the 2002/03 average price forecast by 0.5 cent per pound to 20.0-23.0 cents. Similarly, prices for sunflowerseed oil, cottonseed oil, corn oil, tallow, and lard all surged in November. At the end of October, U.S. stocks of sunflowerseed oil had plunged 90 percent from a year earlier, while stocks were down by 71 percent for cottonseed oil, 51 percent for canola oil, 16 percent for soybean oil, and 13 percent for corn oil. The actual year-to-year stock reduction amounts to 431 million pounds for soybean oil and 262 million for the four other oils combined.

Farm prices for sunflowerseed, canola, and cottonseed range from 20 to 50 percent higher than last year. The reduced supplies and higher cost of these oilseeds may continue to depress oil production and stocks into next year. U.S. cottonseed production was reduced 155,000 tons this month from the previous estimate to 6.5 million and 7.5 million last year. High oil prices and the rush of new crop cottonseed are currently providing favorable crush margins. But, domestic cottonseed crushing is anticipated to eventually decline in 2002/03 because of the smaller domestic harvest, fewer available supplies imported from Australia, and some quality damage to the U.S. crop. The new cottonseed crush forecast of 2.6 million tons would be the smallest volume since 1986/87 (2.5 million).

A smaller U.S. canola crop and lower Canadian imports are expected to cut domestic canola oil production this season. U.S. imports of canola oil are also forecast to fall in 2002/03 to 964 million pounds from 1,109 million in the preceding year as short supplies curtail Canadian exports. For sunflowerseed, the 2002 harvest was nearly one-fourth smaller than last year's, which will compel a reduction in crushing. Much of the lost output of sunflowerseed oil will cut exports sharply, but a larger price premium may also curb domestic use. And, although corn oil production is expected to increase nearly 200 million pounds in the current marketing year, domestic users will likely have to compete against a strong foreign demand for the commodity.

The anticipated erosion of these other vegetable oil supplies has led to a higher forecast of 2002/03 U.S. soybean oil use. Projected 2002/03 domestic disappearance of soybean oil was raised 50 million pounds this month to 17,450 million, compared with 16,942 million in 2001/02. USDA did not alter its December forecast of 2002/03 soybean oil supply, so ending stocks are now expected to fall even further to 1,435 million pounds from 2,360 million last season. This would approach the tight stock level last seen in 1997/98, when prices for soybean oil ranged between 24 and 28 cents per pound.

International Outlook

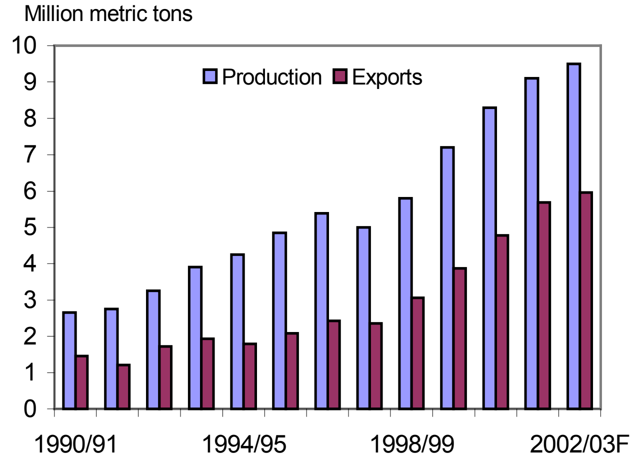
Soybean Planting Advances in South America

Frequent rains have slowed crop planting in southern Brazil, but a recent break in the weather has improved the pace again. The rains have moved farther north, which has benefited soil moisture conditions in all regions. About 90 percent of the Brazilian crop had been planted by early December. Wet conditions have likewise hampered Argentine farmers, who have completed about two-thirds of their soybean planting. Projections of record soybean production and use for both Brazil and Argentina were unchanged this month. Both countries are likely to resume a more normal seasonal marketing pattern in 2003 because of a more stable macroeconomic environment than in 2002. Presently, forward sales and export registrations of Brazil's new crop are well ahead of last year's fast pace. These commitments mean that the soybeans will likely be exported soon after harvest. Between now and next April, Argentine exports of soybeans and soybean products may also accelerate as farmers make room to store the bumper new crop. However, the direction of world prices this year will hinge upon the success or failure of yields for the new South American soybean crop.

Larger Indonesian Palm Oil Crop Expected To Buoy Global Oil Supply, but Prices Still Rise

Global vegetable oil production for 2002/03 was projected 0.4 million tons higher this month to 92.2 million tons based primarily on a larger output of palm oil. USDA forecast 2002/03 Indonesian palm oil production higher to 9.5 million metric tons, up from 9.1 million in 2001/02 and 8.3 million in 2000/01. In spite of below-normal rainfall, projections for each year were revised up because of higher estimates on the number of mature palm trees. While Indonesian palm oil trade is expected to increase to 6.0 million tons from 5.7 million in 2001/02, tighter supplies in Malaysia may thwart an expansion of that country's exports. Global palm oil exports are seen slowing to 18.4 million tons in 2002/03 compared with 18.2 million last year. Malaysian palm oil stocks will soon begin to tighten again as the seasonal peak in production passes. Palm oil prices in Malaysia have moved up 9 percent just in the last month and 46 percent since November 2001.

Figure 2
Indonesian palm oil output and trade continue to rise



India is by far the world's major import market for both palm oil and soybean oil, which is forecast to buy 3.8 million and 2.0 million tons in 2002/03, respectively. The Indian Government has not made any recent changes to vegetable oil tariffs. However, the base prices upon which the ad valorem tariffs are applied have been raised to $432 per ton for crude palm oil, $470 for refined palm olein, and $600 for crude soybean oil. The higher base price for soybean oil is offsetting its lower tariff rate, which maintains a slight advantage for palm oil imports by India. Although higher base prices are contributing to a rising price level in the country, neither consumption nor import forecasts for either palm oil or soybean oil were changed this month. Also this month, projections of Indian cottonseed crushing and domestic cottonseed oil production were modestly increased because a higher cotton area estimate raised the 2002 crop forecast by 150,000 tons.

Vegetable oil prices are also rising in China, which is feeding the country's appetite for ever larger imports of palm oil and soybean oil. However, unlike India, China is willing to import a massive amount of oilseeds to meet its oil needs. Demand for soybean meal is expanding rapidly, also, which is generating strong crush margins in China. A larger domestic soybean crop is being crushed in the Northeast, but chronic internal transportation problems will channel that meal output into the Asian export market. Rapeseed imports by China are likely to be much smaller in 2002/03 because of scarce supplies from Canada and Australia. These factors are encouraging China's strong demand for soybean imports this year, whose purchases from the United States so far are up nearly 60 percent over a year ago.

Contacts and Links

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Subscription Information

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Data

Monthly tables from *Oil Crops Outlook* are available in Excel (.xls) spreadsheets at http://www.ers.usda.gov/briefing/soybeansoilcrops/Data/data.htm. These tables contain the latest data on the production, use, imports, exports, prices, and textile trade of cotton and other fibers.

Symposium

A symposium on Product Differentiation and Market Segmentation in Grains and Oilseeds: Implications for an Industry in Transition will be held at ERS on January 27-28, 2003. The U.S. grain and oilseed sector is experiencing a significant shift away from production and marketing of generic commodities and toward more product differentiation and market segmentation. This symposium, cosponsored by ERS and the Farm Foundation, will examine new research, industry responses, and government initiatives related to identity preservation in the U.S. grain system. Go to http://www.ers.usda.gov/Briefing/Corn/ (first paragraph under feature) to view the symposium program and get a registration form.

Recent Reports From the Economic Research Service

The 2002 Farm Act: Provisions and Implications for Commodity Markets provides an initial assessment of the legislation's effects on agricultural production, commodity markets, and net farm income over the next 10 years. The report is available at http://www.ers.usda.gov/publications/aib778/.

Reports from the Economic Research Service

The 2002 Farm Bill: Provisions and Economic Implications, a side-by-side comparison of the new farm bill with 1996-2001 farm legislation, is available at http://www.ers.usda.gov/Features/FarmBill/.

Related Websites

WASDE, http://usda.mannlib.cornell.edu/reports/waobr/wasde-bb/
Oilseed Circular, http://www.fas.usda.gov/oilseeds_arc.html
Soybean and Oil Crops Briefing Room, http://www.ers.usda.gov/briefing/soybeansoilcrops/

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

Year beg. Sept. 1	Supply: Beginning stocks	Production	Imports	Total	Disappearance: Crush	Exports	Seed, feed residual	Total	Ending stocks
				Million bushels					
2000/01	290	2,758	4	3,052	1,640	996	168	2,804	248
2001/02 1/	248	2,891	2	3,141	1,700	1,063	170	2,933	208
2002/03 2/	208	2,690	2	2,900	1,660	900	165	2,725	175
2000/01									
Sep-Nov	290.2	2,757.8	0.9	3,048.9	421.1	315.8	72.0	808.9	2,240.0
Dec-Feb	2,240.0	---	0.8	2,240.6	417.9	336.3	82.5	836.7	1,403.9
Mar-May	1,403.9	---	0.8	1,404.7	405.5	227.7	63.3	696.5	708.2
Jun-Aug	708.2	---	1.1	709.2	395.1	116.1	(49.7)	461.5	247.7
Total		2,757.8	3.6	3,051.5	1,639.7	995.9	168.0	2,803.6	
2001/02									
Sep-Nov	247.7	2,890.7	0.8	3,139.3	427.5	348.6	87.5	863.7	2,275.6
Dec-Feb	2,275.6	---	0.6	2,276.3	447.6	422.7	69.9	940.3	1,336.0
Mar-May	1,336.0	---	0.5	1,336.4	429.6	155.0	66.9	651.5	684.9
Jun-Aug	684.9	---	0.4	685.3	395.0	136.2	(54.0)	477.1	208.2
Total to date		2,890.7	2.3	3,140.8	1,699.7	1,062.6	170.3	2,932.6	

1/ Estimated, 2/ Forecast.

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

Year beg. Oct. 1	Supply: Beginning stocks	Production	Imports	Total	Disappearance: Domestic	Exports	Total	Ending stocks
				1,000 short tons				
2000/01	293	39,385	51	39,729	31,643	7,703	39,346	383
2001/02 1/	383	40,292	143	40,818	33,077	7,502	40,578	240
2002/03 2/	240	39,470	240	39,950	33,500	6,200	39,700	250
2001/02								
October	383.3	3,534.4	7.0	3,924.7	2,901.7	717.5	3,619.2	305.5
November	305.5	3,538.7	5.7	3,849.9	2,874.7	672.3	3,547.0	302.9
December	302.9	3,655.3	4.6	3,962.8	2,969.6	599.5	3,569.1	393.7
January	393.7	3,703.1	7.3	4,104.1	3,033.6	780.8	3,814.4	289.7
February	289.7	3,313.2	4.6	3,607.5	2,384.8	950.7	3,335.5	272.0
March	272.0	3,589.7	5.3	3,867.1	2,687.0	843.6	3,530.6	336.5
April	336.5	3,315.7	6.8	3,658.9	2,929.6	475.6	3,405.2	253.8
May	253.8	3,344.2	6.3	3,604.2	2,929.8	461.7	3,391.5	212.7
June	212.7	3,194.1	5.0	3,411.9	2,434.5	634.0	3,068.5	343.3
July	343.3	3,085.4	7.0	3,435.8	2,701.4	532.0	3,233.4	202.4
August	202.4	3,106.7	40.3	3,349.3	2,730.8	362.0	3,092.8	256.5
September	256.5	2,911.3	43.2	3,211.1	2,499.3	471.8	2,971.1	240.0
Total		40,291.8	143.2	40,818.3	33,076.8	7,501.5	40,578.3	
2002/03								
October	240.0	3,499.4	NA	3,739.4	NA	NA	3,454.2	285.2

1/ Estimated. 2/ Forecast.

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

	Supply				Disappearance			
Year beg. Oct. 1	Beginning stocks	Production	Imports	Total	Domestic	Exports	Total	Ending stocks
	Million pounds							
2000/01	1,995	18,420	73	20,488	16,210	1,401	17,611	2,877
2001/02 1/	2,877	18,898	46	21,821	16,942	2,520	19,461	2,360
2002/03 2/	2,360	18,760	65	21,185	17,450	2,300	19,750	1,435
2001/02								
October	2,877.2	1,680.1	4.8	4,562.1	1,603.3	233.9	1,837.2	2,724.9
November	2,724.9	1,629.0	3.5	4,357.3	1,431.3	138.6	1,569.9	2,787.4
December	2,787.4	1,696.4	3.3	4,487.1	1,454.3	164.8	1,619.1	2,868.1
January	2,868.1	1,706.7	4.0	4,578.7	1,290.4	249.7	1,540.2	3,038.5
February	3,038.5	1,543.7	3.8	4,586.0	1,242.7	446.8	1,689.6	2,896.4
March	2,896.4	1,661.9	3.7	4,562.0	1,376.1	233.2	1,609.3	2,952.7
April	2,952.7	1,550.6	3.1	4,506.4	1,415.8	233.8	1,649.6	2,856.8
May	2,856.8	1,574.0	5.8	4,436.6	1,406.3	87.0	1,493.4	2,943.2
June	2,943.2	1,506.1	3.8	4,453.1	1,371.5	345.8	1,717.2	2,735.9
July	2,735.9	1,461.2	3.6	4,200.7	1,490.3	180.7	1,671.1	2,529.7
August	2,529.7	1,474.8	3.5	4,007.9	1,390.8	95.4	1,486.2	2,521.7
September	2,521.7	1,413.8	3.1	3,938.7	1,468.8	109.8	1,578.7	2,360.0
Total		18,898.2	46.0	21,821.4	16,941.8	2,519.5	19,461.4	
2002/03								
October	2,360.0	1,696.5	NA	4,056.5	NA	NA	1,762.4	2,294.1

1/ Estimated. 2/ Forecast.

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

	Supply				Disappearance				
Year beg. Aug. 1	Beginning stocks	Production	Imports	Total	Crush	Exports	Other	Total	Ending stocks
	1,000 short tons								
2000/01	274	6,436	374	7,084	2,753	235	3,669	6,657	427
2001/02 1/	427	7,452	327	8,206	2,791	274	4,742	7,807	400
2002/03 2/	400	6,497	130	7,027	2,620	230	3,782	6,632	395

1/ Estimated. 2/ Forecast.

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

	Supply				Disappearance			
Year beg. Sept. 1	Beginning stocks	Imports	Production	Total	Domestic	Exports	Total	Ending stocks
				1,000 short tons				
2000/01	21	0	1,338	1,359	1,119	154	1,319	40
2001/02 1/	40	0	1,294	1,334	1,160	111	1,271	63
2002/03 2/	63	0	1,180	1,243	1,104	99	1,203	40

1/ Estimated. 2/ Forecast.

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

	Supply				Disappearance			
Year beg. Sept. 1	Beginning stocks	Imports	Production	Total	Domestic	Exports	Total	Ending stocks
				Million pounds				
2000/01	49	-	847	896	673	131	804	92
2001/02 1/	92	-	876	968	778	150	929	40
2002/03 2/	40	-	825	865	700	125	825	40

1/ Estimated. 2/ Forecast.

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

	Supply				Disappearance					
Year beg. Aug. 1	Beginning stocks	Imports	Production	Total	Domestic food	Crush	Seed & residual	Exports	Total	Ending stocks
					Million pounds					
2000/01	1,233	216	3,266	4,715	2,179	548	364	527	3,618	1,097
2001/02 1/	1,097	203	4,277	5,577	2,228	691	469	713	4,101	1,476
2002/03 2/	1,476	50	3,509	5,035	2,328	636	375	645	3,984	1,051

1/ Estimated. 2/ Forecast.

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

Marketing year	Soybeans	Cottonseed	Sunflower	Peanuts	Flaxseed
	$/bu.	$/ton	$/cwt.	Cents/lb.	$/bu.
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	4.54	105.00	6.89	27.40	3.30
2001/02 1/	4.38	92.50	9.62	23.40	4.29
2001/02					
September	4.53	85.00	8.64	24.90	4.10
October	4.09	85.00	8.18	22.80	4.22
November	4.16	91.00	9.10	21.10	4.33
December	4.20	94.00	9.71	19.70	4.55
January	4.22	96.00	9.52	13.70	4.22
February	4.22	104.00	10.00	10.70	4.75
March	4.38	NA	10.20	NA	4.75
April	4.47	NA	10.50	NA	4.80
May	4.64	NA	10.50	NA	5.02
June	4.88	NA	11.80	NA	5.29
July	5.35	NA	13.80	NA	5.38
August	5.53	NA	12.90	NA	5.27
2002/03					
September	5.39	95.00	13.10	17.80	5.55
October	5.19	100.00	12.00	18.00	5.76
November 1/	5.43	100.00	12.40	17.50	6.05

1/ Preliminary. NA = Not available.

Source: National Agricultural Statistics Service.

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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 6/	Edible tallow 6/
				Cents/lb.			
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	14.15	15.98	15.89	34.81	13.54	14.61	13.43
2001/02 1/	16.46	17.98	23.25	32.52	19.14	13.55	13.87
2001/02							
October	14.38	14.44	17.45	36.25	17.18	13.04	12.67
November	15.23	15.91	19.15	37.00	18.30	13.18	12.83
December	15.10	16.07	24.15	37.00	22.45	14.92	14.31
January	14.82	16.38	23.64	35.00	20.54	12.69	12.49
February	14.15	15.89	23.42	28.00	18.35	12.50	13.00
March	14.75	16.77	23.54	27.50	18.37	13.07	13.96
April	15.31	16.98	23.28	27.00	17.70	12.42	13.26
May	15.98	17.95	23.44	27.00	17.00	11.38	12.38
June	17.69	19.48	25.18	30.00	17.60	14.64	16.14
July	19.12	21.30	NA	34.00	19.10	14.60	15.45
August	20.61	22.32	NA	35.20	21.72	15.00	15.10
September	20.32	22.32	29.27	36.25	21.40	15.21	14.82
2002/03							
October	20.75	26.84	29.82	NA	22.40	14.39	14.73
November 1/	23.02	36.90	34.00	42.00	27.02	16.28	17.02

1/ Preliminary. 2/ Decatur. 3/ PBSY Greenwood, MS. 4/ Minneapolis.
5/ Southeast mills 6/ Chicago.
Source: Agricultural Marketing Service.

Last update: 12/17/2002

Table 10--U.S. Oilseed meal prices

Marketing year	Soybean meal 2/	Cottonseed meal 3/	Sunflower meal 4/	Peanut meal 5/	Canola meal 6/	Linseed meal 4/
			$/Short ton			
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	142.93	90.50	121.60	139.20	121.92
2001/02 1/	167.72	136.16	87.27	113.69	143.33	121.29
2001/02						
October	165.45	131.25	85.00	115.00	142.85	114.00
November	166.10	128.13	85.00	111.25	142.44	122.50
December	154.18	134.17	85.00	100.00	129.48	124.38
January	158.01	133.13	83.00	102.50	135.34	123.70
February	153.11	125.00	81.67	100.00	137.33	119.17
March	160.49	131.88	85.00	105.00	150.15	114.50
April	161.57	124.30	88.00	110.00	146.60	112.80
May	164.28	120.88	90.00	105.00	141.90	112.50
June	170.33	137.50	90.00	NA	142.10	113.50
July	187.45	151.50	100.00	130.00	153.40	128.00
August	186.25	159.75	NA	135.00	149.10	143.75
September	185.45	156.38	NA	136.88	149.30	127.13
2002/03						
October	168.14	150.10	NA	NA	131.54	114.00
November 1/	163.24	150.00	95.00	130.00	134.54	113.15

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

Last update: 12/17/2002