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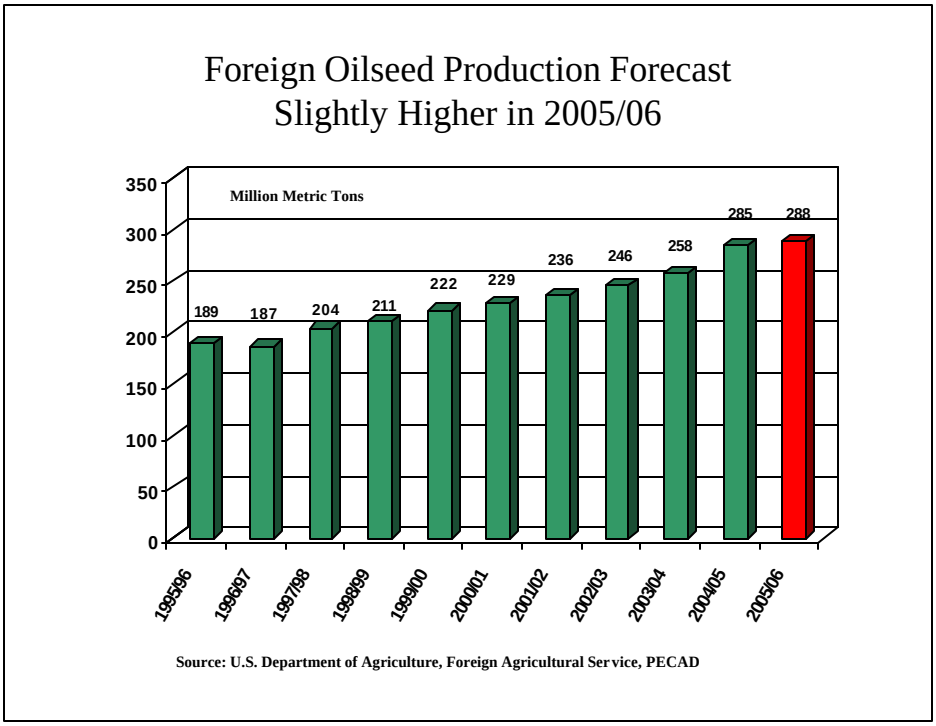
Modest World Prices Dampen Oilseed Expansion in 2005/06

World oilseed production for 2005/06 is forecast at 376.9 million tons, down 4.1 million from 2004/05. Declines in cottonseed and rapeseed are projected to more than offset increases in soybeans, peanuts, and sunflowerseed. Total foreign production will be up slightly while U.S. output will be lower.



World cottonseed production is forecast to fall 5.2 million tons from 2004/05 as both area and yield decline. Less favorable cotton prices than the previous year may cause area harvested to decline 4.7 percent to 33.2 million hectares. In January 2005, prior to planting, the Cotlook A Index (calculated by Cotton Outlook) was 50.25, compared to 76.15 in January 2004. World cottonseed yield is forecast to decline by 7 percent since excellent yields were achieved in 2004/05 in the United States, India, Pakistan, and Uzbekistan.

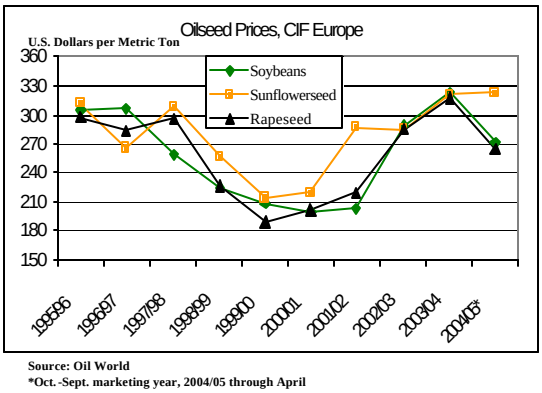
World rapeseed production is forecast to decline 4.9 million tons to 41.4 million in 2005/06. Most of the production decline will be from yields as crops excelled last year in the top four producers: China, the European Union, Canada, and India. Demand from the biodiesel industry in Europe has been growing, but overall world demand was insufficient to keep prices up, and area is forecast to decline slightly.

World soybean production is forecast to increase 3.4 million tons to 219.7 million. The increase is expected to be almost entirely from recovery from severe drought in Paraguay and Brazil. Declines in world prices from a year ago have tamed area expansion. Area is forecast virtually unchanged from 2004/05 at 92.7 million hectares. Declines in yield are forecast for major producers Argentina and China after favorable growing conditions occurred last year.

Approved by the World Agricultural Outlook Board

World peanut production is forecast to increase 0.9 million tons based mostly on an increase in area and yield in China. India is forecast to see a rising yield more than offset a decline in area harvested. China's area and yield have been trending higher with area forecast at a record 5.1 million hectares.

World sunflowerseed production is forecast to be 1.3 million tons higher in 2005/06 at 27.0 million. Recovery of yield in Ukraine and increasing area in South America are responsible for much of the increase in world output. Current world prices for sunflowerseed are encouraging plantings relative to other crops. *(For more information, contact Paul Provance at 202-720-0881.)*



Source: Oil World
*Oct.-Sept. marketing year, 2004/05 through April

China: Soybean Area and Production Forecast Lower in 2005/06

China's soybean production in 2005/06 is forecast at 17.0 million tons, down 1.0 million from last year's record crop. Estimated area of 9.7 million hectares is down 0.1 million from a year ago. According to a planting intentions survey by the Ministry of Agriculture (MOA), soybean area was expected to drop in 2005/06 due to comparatively low prices and government policies that favor grain production. The forecast yield of 1.75 tons per hectare is lower than last year but close to the 5-year average. China's soybean yields are highly variable and the 10-year trend is nearly flat. Yield improvement is limited by climatic constraints, the slow introduction of new technology, and the small scale of production. Although the government allows the importation of GMO soybeans for crushing, it has not approved them for planting.

The Northeast provinces (Heilongjiang, Jilin, Liaoning, and Inner Mongolia) account for about 55 percent of China's soybean production. According to provincial officials, Heilongjiang soybean area was expected to drop by about 3 percent (80,000 - 100,000 hectares) in 2005. Planting in the Northeast normally starts in late April, but wet and cool spring weather delayed the sowing and early development of soybeans by 1 to 2 weeks, with the biggest delays in the northern part of Heilongjiang. Favorably warm and dry weather in late May improved planting conditions, but crop development as of June 6 was reportedly 3 - 7 days later than average. Timely showers in April and May aided planting and emergence of the early soybean crop on the North China Plain (about 25 percent of total production) and central/southern China (about 17 percent). Recent, unseasonably hot weather on the NCP has raised drought concerns, and recent severe storms caused locally serious flooding in the south, particularly in Hunan, Sichuan, and Guizhou provinces. *(For more information, contact Paulette Sandene at 202-690-0133.)*

European Union: Expecting A Large Rapeseed Crop, But Not Last Year's Record

The 2005/06 European Union (EU-25) rapeseed crop is estimated at 13.7 million tons, 10 percent below last year's record crop. Harvested area is estimated at a record 4.6 million hectares, up 3 percent from last season. Yield is forecast at 2.95 tons per hectare, above the 5-

year average, but far below last year's record 3.40 tons per hectare, which was attained by nearly ideal weather across the entire continent.

The rapeseed crop is in good condition, after experiencing minimal winterkill. While there were incursions of very cold weather during the second half of winter, snowfall protected plants during these events. Seasonal precipitation has been beneficial for rapeseed. A wet winter in Germany and Poland was complemented by a dry spring. After a much drier than normal winter in France and Great Britain, crops were aided by very timely, showers during the late spring flowering period. *(For more information, contact Bryan Purcell at 202-690-0138.)*

Brazil: Soybean Expansion Forecast To Stall in 2005/06

Brazil's 2005/06 soybean crop is estimated at a record 62.0 million tons, up 9.0 million from last year's drought-affected harvest. Soybean area is estimated at 23.0 million hectares, up marginally from last year. Crop yields are forecast at a near-trend 2.7 tons per hectare on the assumption of normal weather and adequate control of Asian rust. The 2005/06 planting season is still months away, but the outlook for soybean production is markedly different than in recent years. Record soybean profits, which spawned rapid expansion in the past few years, have seemingly evaporated and with them the catalyst for continued growth. Many Brazilian producers experienced outright financial losses in the 2004/05 season despite achieving decent crop yields. Those in the severely drought-affected state of Rio Grande do Sul experienced severe losses. As Brazilian soybean farmers plan ahead for the new growing season, they are faced with difficult choices. Production costs are expected to remain high, their currency is gaining strength, and the outlook for international soybean prices is uncertain. With the anticipation of slim to negative profit margins on soybeans, growers are expected to have limited capacity to expand acreage this year. *(For more information, contact Michael Shean at 202-720-7366.)*

Argentina: 2005/06 Soybean Production Forecast Equal to Last Year's Record

Soybean production for Argentina is forecast at a record 39.0 million tons, unchanged from last year's production. Soybean area is forecast at a record 14.7 million hectares, up 0.3 million or 2 percent from last year's area of 14.4 million. Yield is forecast at 2.65 tons per hectare.

Argentina continues to find new soybean area. New land for soybeans has come at the expense of grain crops, especially in Argentina's heartland, the Zona Nucleo. Corn area is expected to decline by 5 percent from last year. Further to the west and north, new soybean land is from converted pasture; and in the far north and west—in Chaco, Santiago del Estero, and Salta Provinces—new soybean land is being cultivated from scrubland or natural vegetation. The annualized rate of increase in soybean area from 1995/96 to 2003/04 was 11 percent per year. The rate of increase from 2003/04 to 2005/06 is estimated at 2 percent. *(For more information, contact Bob Tetrault at 202-690-0130.)*

Ukraine: Sunflowerseed Production Forecast To Rebound

The USDA estimates Ukrainian sunflowerseed production for 2005/06 at 4.0 million tons, up 30 percent from last year when unusually wet weather during the growing season reduced output. Area is estimated at 3.6 million hectares, a year-to-year increase of only 6 percent, but yield is forecast to increase by 24 percent to a near-average 1.11 tons per hectare. Cool weather delayed the start of sunflower planting this year, but the pace accelerated in late April, and by early May planted area had exceeded last year's level. Sunflowerseed remains a popular and profitable crop for Ukrainian farmers. *(For more information, contact Mark Lindeman at 202-690-0143.)*

Australia: 2005/06 Wheat Production Forecast Lower

Australian wheat production for 2005/06 is forecast at 21.5 million tons, down 1.5 million from last month, and unchanged from last year. The area forecast is 11.5 million hectares, down 0.5 million from last month and 0.7 million from last year. The optimal planting window will pass later in June; however, the southern areas of Australia can be planted as late as July, although yield reduction is often associated with late season plantings. The yield forecast is 1.87 tons per hectare and is below the 5-year average excluding the severe drought of 2002. Conditions are currently mixed in the grain growing region, highly favorable in the western region, while too dry in many eastern areas. Western Australia is experiencing one of the best starts to a season in many years. The northern half of the state's grain belt experienced an excellent start to the season created by April rainfall. Conditions throughout the month of May have remained excellent, benefiting both crop establishment and subsoil moisture profile. In the southern portion of Western Australia, seeding programs began in the first week of May. Western Australia on average produces 37 percent of the national production. In Queensland and northern New South Wales, seeding programs began during the second week of May with an above average rainfall earlier in the month. Since that time, conditions have turned dry and more rainfall is needed. In Victoria, South Australia, and lower portions of New South Wales, farmers continue to wait for rain with many farmers currently dry sowing. Assuming normal precipitation from this point on, Australia will produce a crop similar to last season. In order for Australia to achieve 21.5 million tons this season, rainfall must be received within the next 10 days. *(For more information, contact Jim Crutchfield at 202-690-0135.)*

Brazil: 2004/05 Corn Estimate Reduced Due to Drought

Corn production in 2004/05 is estimated at 35.5 million tons, down 2.0 million from last month and down 15 percent from the previous year. Recent crop surveys from Brazilian government agencies indicate that summer corn crop losses were more severe than previously forecast, requiring additional downward revisions. Crop abandonment in Rio Grande do Sul reached 20 percent of sown area or roughly 230,000 hectares. In addition, dry weather negatively affected winter corn plantings in several key states, reducing sown area below intended levels. Winter corn area is forecast down approximately 10 percent from last month. Drier than normal growing conditions are also taking their toll in Parana, Sao Paulo, and Mato Grosso do Sul where 58 percent of the winter corn crop is grown. Crop yield in these areas is forecast well below last year. *(For more information, contact Michael Shean at 202-720-7366.)*

European Union: Wheat Output Lower Due to Dryness in Iberia

The European Union's 2005/06 wheat crop is estimated at 126.75 million tons, down 750,000 tons, due wholly to a drop in the Spanish production estimate. As harvest on the Iberian Peninsula is now underway, a clearer picture of the season-long drought is emerging. Rainfall has been virtually nonexistent in much of the country throughout the winter grain season, devastating wheat yields. Spain's 2005/06 wheat crop is estimated at 4.75 million tons, down 14 percent from last month and down 33 percent from last year. Area is estimated at 2.2 million hectares, unchanged from last month and last year. Yield is estimated far below last season's 2.79 tons per hectare to 2.20 tons. *(For more information, contact Bryan Purcell at 202-690-0138.)*

Russia: Estimated Wheat Production for 2005/06 Up Due to Excellent Winter Conditions

The USDA estimates Russia wheat production for 2005/06 at 47.0 million tons, up 2.0 million from last month and up 1.7 million from last year. Area is estimated at 25.0 million hectares, up 0.3 million from last month and up 0.8 million from last year. The increase is based chiefly on outstanding crop conditions in the Southern District, Russia's key winter-wheat region, and sharply improved conditions in the southern Central District. Meanwhile, sowing is progressing well in the Siberian and Ural Districts, where about 60 percent of the country's spring wheat is grown. In the Volga Valley, however, planting is running considerably behind last year; unusually cool weather delayed the launch of the spring sowing campaign, and a chronic shortage of tractors and other planting equipment has prevented farmers from compensating for the late start. *(For more information, contact Mark Lindeman at 202-690-0143.)*

Ukraine: Hot, Dry Weather Further Reduces Barley Prospects in 2005/06

The USDA estimates Ukraine barley production at 8.0 million tons, down 1.0 million from last month and down 3.1 million from last year. Area is estimated at 4.0 million hectares, down 0.4 million from last month and down 0.5 million from last year. Excessive heat and dryness prevailed during May in eastern Ukraine, the key production region for spring barley, which comprises roughly 90 percent of the country's total barley output. Estimated yield was already below average due to weather-related planting delays that had a significant negative effect on early crop development. The barley crop in many regions failed to develop an adequate root system prior to the arrival of hot, dry weather, and likely was unable to access subsurface moisture reserves. *(For more information, contact Mark Lindeman at 202-690-0143.)*

This report uses information from the Foreign Agricultural Service's (FAS) global network of agricultural attachés and counselors, official statistics of foreign governments and other foreign source materials, and the results of economic and satellite imagery analysis. Estimates of foreign area, yield, and production are from the Production Estimates and Crop Assessment Division, FAS, and are reviewed by USDA's Inter-Agency Commodity Estimates Committee. Estimates of U.S. area, yield, and production are from USDA's National Agricultural Statistics Service. Numbers within the report may not add to totals because of rounding. This report reflects official USDA estimates released in the World Agricultural Supply and Demand Estimates (WASDE-423), June 10, 2005.

Printed copies are available from the National Technical Information Service. Download an order form at http://www.ntis.gov/products/specialty/usda/fas_a-g.asp, or call NTIS at 1-800-363-2068.

The FAS Production Estimates and Crop Assessment Division prepared this report. The next issue of World Agricultural Production will be released after 9:00 a.m. Eastern Time, July 12, 2005.

Conversion Table

Metric tons to bushels

Wheat, soybeans	=	MT * 36.7437
Corn, sorghum, rye	=	MT * 39.36825
Barley	=	MT * 45.929625
Oats	=	MT * 68.894438

Metric tons to 480-lb bales

Cotton	=	MT * 4.592917

Metric tons to hundredweight

Rice	=	MT * 22.04622

Area & weight

1 hectare	=	2.471044 acres
1 kilogram	=	2.204622 pounds

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