



Oil Crops Outlook

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Hot, Dry Summer Clips U.S. Soybean Yields

Like last year, weeks of record-setting summer heat and widening drought have steadily worsened U.S. soybean crop conditions. Since mid-July, the Mid-Atlantic, Delta, and the Southeast regions have suffered from little rain. The difference in 1999 is the inclusion of the Ohio River Valley among the most affected areas. Late in August, a tropical storm alleviated dryness in eastern and southeastern parts of the country. This moisture may have helped pod filling, but poor pod counts and the advanced soybean development limited yield improvement. Soybean harvesting will soon begin in most locations. As of September 5, just 46 percent of soybeans were rated in good to excellent condition, compared with 63 percent a year earlier.

On the other hand, conditions in the northern and western growing regions have been good. High yields and large acreage will yield record or near record harvests for Iowa, Nebraska, Minnesota, Wisconsin, Michigan, North Dakota, and South Dakota. In September, USDA reduced its 1999 U.S. average soybean yield forecast from 39.2 bushels to 37.9 bushels per acre. A harvested area of 73.3 million acres would generate a crop of 2,778 million bushels, down 91 million from last month's estimate, but still above last year's record.

Domestic crush for 1999/2000 was revised down 10 million bushels from the August forecast to 1,635 million bushels. This was mainly because of a weaker outlook for soybean meal exports, which declined to 7.75 million short tons. While a higher price forecast also cut 20 million bushels from this month's U.S. 1999/2000 soybean export forecast, lower prices than last year and a strengthening of Asian currencies relative to the U.S. dollar should still support a relatively high trade volume near 895 million bushels.

The 1998/99 soybean export forecast was increased 15 million bushels to 805 million this month. The rapid early pace of Brazil's exports this year and recent brisk buying by China and Mexico allowed U.S. export shipments to pick up sooner and finish the season strongly. August soybean inspections rebounded to 64 million bushels from 37 million in July. USDA's export inspections data show 1998/99 U.S. soybean exports of 832 million bushels. But it is not unusual for soybean export inspections to exceed exports reported by the Census Bureau (which are the official data forecast by USDA) by 15-20 million bushels at the end of the crop year. Through June, USDA export inspections of soybeans were 731 million bushels, compared to Census exports of 709.5 million. Differences between the USDA inspections and Census export data can arise because of time lags in processing shippers' export declarations or because of misclassifications.

With the 1998/99 domestic crush raised 5 million bushels to 1,590 million, ending stocks of soybeans are estimated at 365 million bushels. The smaller estimates of carryin and 1999 production drop prospective 1999/2000 ending stocks to 460 million bushels. Gradual tightening of supplies has pushed the central Illinois soybean price to its highest level in 7 months, although it remains below \$5.00 per bushel. The 1999/2000 national average soybean price was forecast up from \$4.10-\$4.90 per bushel last month to \$4.40-\$5.20. However, a price rally has no material benefit on U.S. farm income from soybeans until market prices rise above the \$5.26 loan rate. Within the current range, farmers exchange higher market returns for a smaller loan deficiency payment, which covers the deficit between market prices and the loan rate.

Expected 1998/99 U.S. soybean meal imports were raised to 100,000 tons this month based on a first shipment from Brazil in June. Logistical problems of southeastern railroads have raised the freight costs of North Carolina feed producers, moving them to favor meal imports over supplies from Midwestern processors at this time. These circumstances are expected to be temporary, and 1999/2000 soybean meal imports are forecast to return to a more typical 50,000 tons.

Large global supplies of vegetable oils will continue to constrain U.S. soybean oil exports to around 2,000 million pounds. Even with attractive prices, domestic soybean oil use is expected to grow only slightly to 15,800 million pounds. U.S. soybean oil prices are projected to rise slightly from the August forecast to 16.0-19.0 cents per pound. The reduction in U.S. supplies is expected to moderate the accumulation of soybean oil stocks to 2,365 million pounds, down from last month's forecast of 2,525 million.

Bumper Rapeseed Harvests Saturate Global Market

For 1999/2000, global rapeseed production is forecast at a record 41.8 million metric tons, 5 percent above last month's forecast and 14 percent above the 1998/99 peak. While an 8-percent expansion in harvested area accounts for much of the trend, excellent growing conditions worldwide have also swelled yields. Rapeseed production in Germany and France was estimated higher to 4.45 million and 4.0 million tons, respectively. The two countries alone typically account for three-fourths of EU rapeseed output.

A wet spring considerably delayed Canadian rapeseed planting, which was compensated by a large acreage seeded with better short season varieties and ample moisture. Warm summer temperatures rapidly matured the crop and diminished the threat from killing frosts. Many producers are now cutting the crop into swaths for harvest. Although some late planted fields in eastern Saskatchewan and Manitoba need another 2 weeks of frost-free weather, a frost would now affect the crop's quality more than its size. These developments are now expected to yield a record Canadian rapeseed harvest of 8.3 million tons. But stronger competition from European and Australian producers is expected to slow Canadian exports to about 2.8 million tons in 1999/2000. Even assuming very good domestic crush and rapeseed exports to China and Japan, Canadian ending stocks are likely to soar from 0.6 million in 1998/99 to a record 1.5 million tons. The Canadian soybean crop is also in good shape, so the production estimate was revised up near last year's 2.7 million tons.

Record Australian rapeseed production was also forecast for 1999/2000, to 2.1 million tons from 1.7 million in 1998/99. Harvested area has risen to 1.7 million hectares, which is more than double the amount just 2 years ago. All four major producing states have expanded plantings, with the fastest growth in Western Australia. Crop conditions were generally quite good following planting, with soil moisture levels setting the stage for high yields.

As in the current year, China is again likely to import massive amounts of rapeseed for crushing. Despite a much better domestic harvest, rapeseed imports for 1999/2000 are projected at 2.0 million tons, versus 2.1 million in 1998/99. Firmer global soybean prices and greater rapeseed oil consumption will moderate Chinese import requirements for soybean meal and soybean oil. Thus, China's 1999/2000 imports of soybean meal and soybean oil are forecast lower to 1.7 million and 1.2 million tons, respectively. For 1998/99, Chinese soybean imports were forecast up to 3.7 million tons this month based on strong summer purchases. However, this strength was largely at the expense of weak soybean meal imports, which were reduced to 1.5 million tons.

Likewise, weak Japanese crush margins for soybeans are favoring proportionately greater imports of rapeseed and soybean meal. Japan's 1999/2000 soybean imports were forecast lower to 4.6 million tons, slowing from 4.65 million in 1998/99.

In India, reports indicate that low prices and dry planting conditions discouraged farmers from planting as many soybeans this year. Although the monsoon season started off well in June, the early rains faltered before planting was complete. Irrigation is seldom used for soybeans in India. USDA reduced its forecast of India's 1999 soybean area to 6.0 million hectares, dropping expected production to 5.7 million tons. Smaller supplies available for crush cut projected Indian soybean meal exports to 2.7 million tons, compared to 3.1 million in 1998/99.

Since the bulk of India's peanut and cottonseed production is crushed, smaller expected harvests of these oilseeds accentuate the loss of Indian soybean meal and oil supplies. Based on dry weather in the major producing regions of western and southern India, the 1999 peanut harvest was forecast at 6.9 million tons, down 14 percent from the previous forecast and 1998's 7.45 million. Similarly, inopportune dryness cut the predicted 1999 cottonseed output 250,000 tons to 5.15 million. With the resulting decline in domestic vegetable oil production and abundant foreign supplies of oil, forecasts for Indian imports of palm, soybean, sunflowerseed, and rapeseed oils were raised to 2.45 million, 0.6 million, 0.3 million, and 0.2 million tons, respectively for 1999/2000. National elections are imminent, and government officials have so far deferred to consumer interests by denying appeals from farm and processor groups to limit vegetable oil imports with a higher tariff.

Smaller U.S. and Indian crops strengthen the earlier price outlook, so Argentine soybean area next year is not expected to change much from this year's 7.5 million hectares. Therefore, this month's projection of Argentine soybean production increased 0.5 million tons to 17.5 million. Average soybean yields should decline next year because a likely expansion of winter wheat area, which would increase the proportion of double-cropped soybeans. Argentina's 1998/99 soybean harvest was also estimated higher this month, from 18.3 million tons to 19.0 million. Argentina's 1999/2000 exports of soybeans and soybean meal were projected higher to 2.5 million and 13.7 million tons,

respectively. However, large global supplies of competing vegetable oils keep pressure on the market, so Argentine soybean oil exports are anticipated to stabilize near the 1998/99's 2.85 million tons.

The summary of the *Oil Crops Yearbook* will be released October 22. The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Friday, November 12, 1999. The report may be accessed at <http://usda.mannlib.cornell.edu/> or via the ERS website at <http://www.econ.ag.gov>.

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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 -----									
1997/98	132	5	2,689	2,826	1,597	870	158	2,626	200
1998/99 2/	200	4	2,757	2,961	1,590	805	201	2,596	365
1999/00 2/	365	4	2,778	3,147	1,635	895	157	2,687	460

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-----								
1997/98	210	56	38,171	38,437	28,889	9,330	38,219	218
1998/99 2/	218	100	37,677	37,950	30,745	6,950	37,650	300
1999/00 2/	300	50	38,775	39,125	31,100	7,750	38,850	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-----								
1997/98	1,520	60	18,143	19,724	15,264	3,077	18,341	1,382
1998/99 2/	1,382	73	18,000	19,455	15,400	2,350	17,750	1,705
1999/00 2/	1,705	65	18,395	20,165	15,800	2,000	17,800	2,365

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-----									
1997/98	523	96	6,935	7,553	3,885	149	2,957	6,990	563
1998/99 2/	563	200	5,365	6,128	2,719	60	2,951	5,735	393
1999/00 2/	393	10	6,613	7,016	3,500	110	3,056	6,666	350

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-----								
1997/98	26	0	1,767	1,793	1,596	109	1,705	88
1998/99 2/	88	0	1,235	1,323	1,195	105	1,300	23
1999/00 2/	23	0	1,575	1,598	1,460	95	1,555	43

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 -----								
1997/98	66	0.1	1,223	1,289	1,003	208	1,211	79
1998/99 2/	79	38.0	880	997	830	102	932	65
1999/00 2/	65	10.3	1,120	1,195	995	115	1,110	85

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 -----										
1997/98	795	141	3,539	4,475	2,099	544	303	681	3,627	848
1998/99 2/	848	156	3,963	4,968	2,118	460	458	650	3,686	1,282
1999/00 2/	1,282	165	3,850	5,297	2,170	700	327	800	3,997	1,300

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
1997/98					
September	6.72	115.00	11.20	29.70	5.73
October	6.49	119.00	10.60	27.90	5.78
November	6.86	124.00	11.10	25.00	5.71
December	6.72	122.00	11.10	26.90	5.72
January	6.69	121.00	11.10	30.70	5.82
February	6.57	107.00	11.80	NA	6.27
March	6.40	NA	12.10	NA	6.26
April	6.26	NA	12.70	NA	6.23
May	6.26	NA	13.80	NA	6.33
June	6.16	NA	14.40	NA	6.17
July	6.14	NA	15.80	NA	6.17
August	5.43	113.00	14.40	NA	5.45
1998/99					
September	5.25	113.00	11.40	26.80	5.09
October	5.18	120.00	10.70	26.30	4.86
November	5.40	133.00	10.50	21.50	4.97
December	5.37	138.00	10.80	24.00	5.01
January	5.32	139.00	11.40	25.50	5.06
February	4.80	141.00	12.20	NA	5.05
March	4.61	NA	10.70	NA	4.95
April	4.63	NA	9.44	NA	4.94
May	4.51	NA	9.85	NA	4.87
June	4.44	NA	9.52	NA	4.37
July	4.20	NA	9.16	NA	4.40
August 1/	4.25	70.00	8.88	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
1997/98					
October	24.31	28.47	24.51	49.63	25.20
November	25.73	29.11	26.41	51.00	26.25
December	25.08	26.78	26.36	51.25	26.28
January	25.09	27.69	25.75	51.60	26.04
February	26.51	29.37	25.91	51.00	27.31
March	27.09	30.46	26.51	51.00	28.50
April	28.10	32.47	28.50	50.00	30.93
May	28.28	33.13	31.06	47.20	33.20
June	25.83	30.22	28.40	45.50	32.82
July	24.88	29.40	NA	44.00	31.52
August	23.99	30.11	NA	43.75	29.93
September	25.13	33.26	NA	43.88	29.25
1998/99					
October	25.21	33.99	NA	45.40	29.46
November	25.20	34.16	NA	45.00	29.65
December	23.99	33.40	26.70	44.25	29.88
January	22.88	31.72	23.41	44.00	29.15
February	19.96	28.21	19.86	39.75	26.58
March	18.54	26.27	19.11	34.75	23.01
April	18.78	24.39	19.60	35.20	23.08
May	17.85	24.25	19.90	35.00	22.96
June	16.50	25.19	18.78	37.75	22.95
July	15.29	24.70	17.08	39.00	22.43
August 1/	16.50	21.39	18.79	38.75	22.41

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	110.00
1997/98					
October	229.30	189.10	96.90	210.00	140.60
November	245.30	189.10	88.10	210.00	161.25
December	222.50	190.50	100.00	210.00	150.50
January	202.85	153.10	90.00	210.00	130.00
February	192.75	139.10	75.87	210.00	121.25
March	174.20	128.70	72.60	210.00	116.25
April	162.50	116.25	64.90	210.00	102.50
May	160.00	105.00	66.90	210.00	96.25
June	168.55	126.00	88.35	210.00	100.00
July	183.40	145.65	97.50	210.00	117.50
August	146.25	130.30	85.00	207.50	101.00
September	135.80	115.60	NA	205.00	90.00
1998/99					
October	135.70	106.50	50.00	161.00	83.75
November	144.45	107.90	50.00	100.00	92.50
December	146.40	119.75	80.90	103.75	102.50
January	138.80	110.60	77.50	105.00	95.00
February	132.30	101.25	73.75	102.50	87.25
March	133.00	106.90	70.00	91.25	83.00
April	134.50	110.90	70.00	94.50	83.00
May	133.20	108.75	70.00	93.75	80.60
June	139.10	114.50	57.00	100.00	80.00
July	132.73	115.85	62.50	100.00	75.00
August 1/	141.70	100.65	60.00	105.00	71.00

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