

Oil Crops Outlook

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Slower Global Soybean Meal Use, Higher Foreign Exports Fall U.S. Demand

USDA's *Crop Production--1998 Summary* indicated 1998 U.S. soybean production of 2,757 million bushels, down 6 million from the last estimate. An upward yield revision for Iowa mostly offset reductions in harvested acreage and yields elsewhere. The final U.S. average soybean yield settled to 38.9 bushels per acre.

Final USDA historical revisions, which are based largely on data from the forthcoming 1997 Census of Agriculture, dropped 1997 soybean acreage harvested 0.5 million acres to 69.1 million. This cut 1997 soybean production 14 million bushels to 2,689 million bushels. Other soybean production and stocks revisions going back to 1992 were relatively minor (see ERS Autofax document numbers 12309, 12312, and 12316).

Other than China and Mexico, there are few foreign markets that will import more soybeans this season. For 1998/99, global soybean imports are forecast down 3 percent to 38.9 million metric tons. EU crushers have run down supplies of rapeseed and sunflowerseed, so a short term acceleration in U.S. export sales of soybeans and soybean meal is likely. However, given the comparatively large stocks remaining in South America, U.S. export commitments continue to trail last year's fast pace. This month, USDA reduced its U.S. soybean export forecast to 830 million bushels, which is down 40 million from 1997/98.

Soybean crush was at an alltime high in the first quarter (September-November). But, unlike a year ago, the outlook for U.S. crushers is likely to stagnate. USDA trimmed its 1998/99 soybean crush forecast 10 million bushels from last month to 1,595 million, which is now slightly less than the 1997/98 crush. The stark change in the crush market is due to much lower soybean meal prices. Competition from Brazil and Argentina has also picked up from a year ago. Soybean meal has fallen to just 55 percent of the soybean's crush value, compared with a normal average of 65-70 percent. Based on November cash prices for soybeans, meal, and oil, the estimated gross crushing margin fell to \$0.50 per bushel, compared with a very attractive \$1.40 in November 1997. Lower total soybean demand raises 1998/99 expected ending stocks to 390 million bushels. The U.S. 1998/99 average farm price range was shaved to \$5.10-\$5.60 per bushel.

Every improvement in growing conditions for the new South American crop pressures potential U.S. soybean meal exports. Total U.S. export commitments are down one-third from a year ago. The 1998/99 U.S. export forecast was reduced 0.25 million short tons this month to 8.25 million, down from 9.33 million in 1997/98.

USDA's *Hogs and Pigs* report indicated a December 1 U.S. hog inventory that was up 2 percent from last year, compared with an 11-percent increase in 1997. This current supply of animals will be enough to sustain growth in U.S. soybean meal disappearance from 28.9 million last year to 29.6 million short tons. Despite record slaughter this fall, constrained meatpacking capacity and snowstorms have delayed marketings and increased the percentage of market hogs in the largest weight classes (which consume the most feed per head). But large global meat supplies have sharply cut prices, which will lead to decreased pig production and soybean meal consumption by the summer of 1998/99 and into 1999/2000. Hogs kept for breeding are down 4 percent from a year earlier. Farrowing intentions this winter are down 1 percent and intentions for next spring are 7 percent lower than a year earlier. The cutbacks would weaken soybean meal prices further and likely constrain soybean crushing in 1999/2000. USDA forecasts the 1998/99 average soybean meal price down to \$130-\$150 per short ton, compared with the December forecast of \$135-\$155 and the 1997/98 average of \$186.

Global soybean oil imports for 1998/99 are forecast higher this month, with all of the gain accruing to Argentina and Brazil. With U.S. soybean oil production down 73 million pounds from 1997/98, projected 1998/99 exports remain unchanged this month at 2,700 million pounds. Even this forecast still implies a round of heavy U.S. sales in the next several months. Current domestic disappearance of soybean oil appears firm, edging this season's forecast back up to 15,450 million pounds. The anticipated strengthening of use and softening of output would constrain 1998/99 ending stocks at 1,360 million pounds, slightly below current stocks. This would suggest that the soybean oil price would have to rise from the December average of 24 cents per pound to reach the projected yearly average of 25.0-27.0 cents per pound.

U.S. Sunflowerseed and Canola Demand Brisk

A major increase U.S. sunflower acreage in 1998, to 3.6 million acres, pushed sunflowerseed production to 5,247 million pounds. This is the third largest U.S. harvest, behind 1979 and 1982. Given the rebound in yields and harvested area, oil-type sunflowerseed production increased 49 percent, while output of non-oil varieties rose 14 percent.

Domestic sunflowerseed crushing was slowed this fall because of relatively tight carryover stocks. The Census of Agriculture data reflected this situation with an 86-million-pound downward revision in the 1997 harvest to 3,677 million (see ERS Autofax document numbers 12350 and 12351). But with the influx of new crop production, crushing to date has caught up to last year's rapid pace. This season's U.S. sunflowerseed crush is forecast higher at 2,765 million pounds, compared with 2,338 million in 1997/98.

Smaller French and Spanish sunflowerseed crops have swelled imports from Russia and Ukraine. But dry weather produced disappointing 1998 harvests in the latter exporting countries, shrinking supplies available to western European crushers. Consequently, demand for U.S. exports of oil-type sunflowerseed has been robust last fall and this winter. The fast pace (cumulative export inspections are currently 3 times the year ago volume) should continue until the expected bumper Argentine harvest becomes available beginning in March. Total 1998/99 sunflowerseed exports are forecast to rise to 520 million pounds, the largest since 1994/95.

Despite robust domestic and foreign demand, 1998/99 year ending sunflowerseed stocks are expected to soar to 565 million pounds from the tight 1997/98 carryout of 202 million. With good Argentine weather, sunflowerseed prices should recede somewhat from the current level of 10.4 cents per pound.

Like soybean oil, demand for U.S. sunflower oil exports (particularly by Mexico and India) should be brisk. Current export commitments for sunflower oil are 10 percent higher than a year ago. U.S. exports for 1998/99 are forecast at 935 million pounds, not quite equaling the 1994/95 record of 978 million.

U.S. canola acreage surged again in 1998 to 1.1 million acres from a recently revised 671,000 in 1997 (see ERS Autofax document number 12365). Excellent yields also helped increase canola seed output to a record 1,590 million pounds. Rising domestic supplies are reducing U.S. import needs. In addition, Canada's canola seed supplies have been committed to unprecedentedly high exports to China (nearly 1.0 million tons so far). The United States has gained in exports of canola seed to the EU, which moderates the increase in 1998/99 domestic canola crush. Yet, Canadian crushing has been very brisk, and is expected to generate a record volume of canola oil and meal, much of which will be exported to the United States. A depreciated Canadian dollar and relatively tight U.S. vegetable oil supplies will draw in about 1.1 billion pounds of canola oil from Canada in 1998/99. Expected canola meal imports near 1.5 million short tons would contribute to an already ample domestic supply of protein meals and further pressure prices.

Rain Boosts South American 1999 Oilseed Output and Export Potential

Brazil's government, in defending the value of the currency and protecting foreign investment, allowed domestic short term interest rates to soar last year. Farmers' borrowing costs for the current growing season escalated as a consequence. Because farmers have applied fewer inputs, Brazilian 1999 soybean yields are not expected to equal last year's record. However, improved rainfall in December and early January has calmed earlier concerns about dryness. The timing is especially good as development for much of the crop will soon reach the reproductive stage. While still below Brazil's record 1998 soybean harvest of 31.0 million metric tons, this month's 1999 production forecast was raised 0.5 million to 29.5 million. The increase is anticipated to push Brazilian soybean exports and crush to 8.45 million and

20.7 million tons, respectively. Larger supplies also would lift soybean meal exports to 10.6 million tons, up from 10.3 million in 1997/98.

Recent precipitation also benefited Argentine oilseed producers. But soil moisture deficits persist in some areas and more rains will be necessary in January and February to complete crop development. Projected 1999 Argentine soybean output was raised to 17.5 million tons from last month's 17.0-million-ton estimate. Higher Argentine production raises projected soybean crushing to a record 14.7 million tons (October-September), although this would still leave some slack in the capacity utilization rate. All of the increased production of Argentine soybean meal and oil would be exported, boosting foreign trade to 11.6 million and 2.4 million tons, respectively.

USDA offset a portion of the South American increase by reducing its estimate of India's 1998 soybean production from 5.7 million tons to 5.5 million tons. Rains during the harvest in October and November in the main growing region of Madhya Pradesh damaged soybean yields. A corresponding reduction in crushing cut projected 1998/99 soybean meal production and exports to 3.8 million and 2.95 million tons, respectively. Given lower soybean oil output and high prices for palm oil, projected Indian soybean oil imports were raised to 0.25 million tons.

Cheaper prices for imported soybean meal are supporting global consumption, particularly within the EU. However, the high rates of crushing in the major soybean producing countries will also weaken crush margins in the EU. Thus, EU nations will import more soybean meal in 1998/99 (rising to 17.2 million tons from 16.3 million a year earlier) than soybeans.

Soybean Oil Gains at Palm Oil Expense

Rising domestic consumption within the major palm oil producing nations is anticipated to absorb production gains and continue drawing down 1998/99 global stocks. Price premiums are deterring palm oil imports in countries where soybean and sunflower oil are competitive, such as the Middle East, North Africa, and South Asia. This is a major impetus for the high soybean crushing rates in Argentina, Brazil, and the United States. Malaysian palm oil production is expected to increase slightly from 8.5 million to 8.8 million tons in 1998/99. Although monsoon rains have ended the drought in Southeast Asia, this year's gains are not based on better yields but on a gradual increase in mature trees.

Indonesia will exhibit a similar pattern in palm oil output. Indonesian exports in 1998/99 are expected to modestly rise to 2.45 million tons from 2.3 million in 1997/98. Soon, the Indonesian government is expected to incrementally reduce the 60-percent export tax on crude palm oil, which would free up more supplies for export markets.

The next release of the *Oil Crops Outlook* is scheduled prior to 9:30 a.m. ET Wsday, February 11, 1999. This report is also available electronically at the ERS website <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 -----									
1992/93	278	2	2,190	2,471	1,279	770	130	2,179	292
1993/94	292	6	1,870	2,168	1,276	589	95	1,959	209
1994/95	209	5	2,515	2,729	1,405	838	151	2,395	335
1995/96	335	4	2,174	2,514	1,370	851	109	2,330	183
1996/97	183	9	2,380	2,573	1,436	882	123	2,441	132
1997/98	132	5	2,689	2,826	1,597	870	158	2,626	200
1998/99 2/	200	6	2,757	2,963	1,595	830	148	2,573	390

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-----								
1996/97	212	102	34,211	34,525	27,321	6,994	34,316	210
1997/98	210	56	38,171	38,437	28,889	9,330	38,219	218
1998/99 2/	218	50	37,807	38,075	29,600	8,250	37,850	225

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 -----									
1996/97	2,015	53	15,752	17,821	14,264	2,037	16,300	1,520	
1997/98	1,520	60	18,143	19,724	15,264	3,077	18,341	1,382	
1998/99 2/	1,382	58	18,070	19,510	15,450	2,700	18,150	1,360	

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 -----									
1996/97	517	20	7,144	7,681	3,860	116	3,182	7,158	523
1997/98	523	96	6,935	7,553	3,885	149	2,957	6,990	563
1998/99 2/	563	200	5,182	5,945	2,650	75	3,020	5,745	200

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply			Total	Disappearance			End. stocks
	Beg. stocks	Im- ports	Produc- tion		Domestic	Ex- ports	Total	
-----1,000 Short tons-----								
1996/97	51	4	1,752	1,807	1,649	132	1,781	26
1997/98	26	0	1,767	1,793	1,596	109	1,705	88
1998/99 2/	88	0	1,195	1,283	1,250	10	1,260	23

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply			Total	Disappearance			End. stocks
	Beg. stocks	Im- ports	Produc- tion		Domestic	Ex- ports	Total	
----- Million pounds-----								
1996/97	94	0.3	1,216	1,310	1,012	232	1,244	66
1997/98	66	0.1	1,223	1,289	1,003	208	1,211	79
1998/99 2/	79	66.4	850	995	850	100	950	45

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply				Total	Disappearance				End. stocks
	Beg. stocks	Im- ports	Produc- tion	Dom. Food		Crush	Seed& resid.	Ex- ports	Total	
----- Million pounds-----										
1996/97	758	127	3,661	4,545	2,029	692	363	666	3,751	795
1997/98	795	141	3,539	4,475	2,099	544	303	681	3,627	848
1998/99 2/	848	152	3,931	4,932	2,135	775	321	750	3,982	950

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 ¹	5.27	138.00	10.40	21.50	4.90

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
1996/97					
October	21.95	24.55	22.80	41.50	22.67
November	21.80	24.28	22.50	39.20	22.96
December	21.60	24.29	22.30	40.75	22.27
January	22.45	25.21	22.65	43.50	23.39
February	22.41	25.44	23.07	43.88	23.97
March	23.29	26.18	22.70	44.75	24.38
April	23.17	25.10	23.50	45.00	24.60
May	23.68	25.19	23.21	46.20	24.66
June	22.97	25.01	22.33	47.88	24.82
July	21.89	26.53	21.73	48.06	25.34
August	22.06	27.11	22.02	48.00	25.36
September	22.88	28.03	22.90	47.25	25.15
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 ¹	23.99	33.57	24.55	44.25	29.88

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	144.40	84.20	209.60	110.00
1996/97					
October	248.50	183.25	116.00	170.00	167.50
November	251.50	196.60	105.00	146.13	168.30
December	250.60	224.50	113.35	172.67	170.00
January	249.20	207.20	125.00	221.00	165.00
February	262.40	183.75	137.50	228.13	156.25
March	280.50	189.10	121.70	225.00	163.30
April	288.60	197.25	124.00	233.75	168.00
May	306.40	193.75	120.00	222.00	188.30
June	287.90	188.44	106.25	235.00	171.25
July	273.60	170.75	84.00	220.00	124.00
August	273.30	176.25	85.00	213.00	126.25
September	278.30	192.00	89.20	210.00	136.70
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	129.40	88.35	210.00	100.00
July	183.40	146.65	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 ¹	146.45	117.90	63.00	103.75	102.50

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