



Oil Crops Outlook

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Economic Research Service

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U.S. Soybean Planting Advances Despite a Wet Spring

Weather in the eastern Corn Belt was generally dry in May, aiding planting progress and crop emergence. By the first week of June, U.S. producers had planted 84 percent of soybeans, compared to the 5-year average of 71 percent. Conversely, in the western Corn Belt, farmers struggled more to get crops planted in between rain events in May, but had mostly caught up by month's end. Except in the Southeast, current soil conditions indicate ample moisture for establishing good stands of soybeans.

The same weather patterns have affected other oilseeds as well, with excess moisture in North Dakota slowing sunflower and canola planting. Difficulties in planting spring wheat may further expand acreage planted to minor oilseeds. Dryness in Georgia is deteriorating the early condition of peanuts.

Within the next 3 months, 9-month loans for about 200 million bushels of soybeans will mature. In the absence of significant weather problems this summer, the lapse of these loans will exert even greater pressure on near term cash prices as farmers market these remaining supplies. The 1998/99 average farm price for soybeans is expected to slide to \$5.00 per bushel. Subsequent weather will determine whether soybean prices have yet found a bottom. If normal weather prevails, 1999/2000 prices are projected at \$3.95-\$4.75 per bushel. Low U.S. prices, the smaller South American harvests and accelerated export pace compared to a year ago, and an improving world economy set the stage for a dynamic U.S. export performance next fall. American soybean exports are forecast to improve from 770 million bushels this year to 930 million in 1999/2000.

Domestic soybean crushing has defied low margins lately by remaining at a relatively steady pace. Concessional sales of soybean meal to Russia helped sustain the U.S. market in May. But with Brazilian and Argentine crush reaching record highs, and Southeast Asian palm oil output soaring again, domestic processors may find their respite from intense competition temporary. EU imports of soybean meal have been very strong, but these are almost an exclusive market for South American processors right now. U.S. 1998/99 exports of soybean meal were forecast lower this month to 6.7 million short tons, but should rebound next year to around 8.2 million tons. Historically low prices have stabilized growth in domestic soybean meal disappearance, which is expected to total 30.1 million tons this year and slow to 30.7 million in 1999/2000.

Export potential for U.S. soybean oil was downgraded for the current season because of increasing global competition from palm oil. Current export commitments are down one-third from the level of a year ago. Projected U.S.

1998/99 soybean oil exports were scaled back 150 million pounds to 2,300 million. The competition will carry over into the 1999/2000 marketing year, so U.S. exports were projected down from 2,300 million pounds to 2,000 million. Domestic disappearance should climb to 15,400 million pounds this season, and rise modestly to 15,750 million in 1999/2000. Total soybean oil demand would be just 50 million pounds higher in 1999/2000, swelling carryout stocks to nearly 2 billion pounds from 1.3 billion this year. The excess of soybean and soybean oil supplies will drive U.S. oil prices even lower, to 16.5-19.5 cents per pound, compared to the anticipated 1998/99 average of 20.25 cents. The central Illinois soybean oil price fell to an average 17.9 cents per pound in May, the lowest since 1987.

Brisk South American Export Pace Develops

Drier weather in the last 2-3 weeks has helped the Argentine soybean harvest to stagger toward completion. Despite a promising start, adverse late season weather lowered the estimate of Argentina's 1998/99 soybean production to 18.3 million metric tons from 18.5 million last month. This change would also trim Argentina's end of September soybean stocks to 6.2 million tons. The ill-timed rains have also been detrimental to cottonseed and peanut yields. Similar weather problems curtailed Paraguay's soybean harvest to 3.1 million tons, reducing the country's expected crush 100,000 tons to 0.5 million.

Brazil's 1997/98 soybean crop was revised up 1 million tons this month to 32.5 million. The robust crushing rate this year suggested that there were more available supplies, either from the domestic harvest or from imports. To compensate for the change, Brazil's imports for 1997/98 and 1998/99 were cut back to a more typical level. The 1998/99 harvest forecast stayed unchanged at 31.0 million tons. But prospects for Brazilian soybean exports and crushing were diminished by expectations for larger Indian soybean meal trade. Projected Brazilian soybean and soybean meal exports for 1998/99 were cut to 9.5 million and 10.8 million tons, respectively. September 30 soybean stocks would creep higher to 5.5 million tons.

India's soybean crop this year was adjusted up to 6.0 million tons from the previous forecast of 5.5 million. Consequently, larger Indian soybean meal exports of 3.1 million tons were expected and domestic consumption was raised even with last year's 1.2 million tons.

Sluggish soybean meal imports continue to characterize China's market. A fundamental change in policy and a slowing in consumption by livestock have precipitated a sharp falloff in meal imports, from 4.2 million tons in 1997/98 to the current 1998/99 forecast of 2.5 million.

Rebound in World Palm Oil Production Stimulates Surge in Demand

While above last year, global 1998/99 soybean oil exports are forecast lower this month to 7.3 million tons based on a vigorous recovery in palm oil production. Projected 1998/99 Malaysian palm oil output was increased 0.4 million tons to 9.3 million, adding 0.3 million tons to exports (for a total of 7.8 million). The plunge in Malaysian palm oil prices since last December has snowballed with fears of importers defaulting or deferring new shipments. Likewise, Indonesian production gains and another reduction in the export tax on crude palm oil from 40 to 30 percent adds to the price pressures.

A large portion of the gains in palm oil trade is seen going to India, where even small price shifts can cause a substantial change in consumption. Lower world prices, smaller estimates of domestic rapeseed oil and peanut oil supplies, and last August's reduction in oil import tariffs have favored Indian palm oil consumption. Indian palm oil imports were forecast up to a record 1.9 million tons. While domestic output of soybean oil has been robust, Indian imports are also doing well, with October-April trade at 248,000 tons, compared to zero last year. Indian consumption of all vegetable oils this year is expected up 17 percent from 1997/98.

A pickup in U.S. palm oil buying also contributed to a higher 1998/99 import forecast to 130,000 metric tons, slightly above the 1997/98 total. Other major importers, including China, Pakistan, and Bangladesh, are expected to take advantage of lower palm oil prices and increase consumption and imports. China has been absent from this rally to date. The government is attempting to promote domestic oilseed crushing, and has delayed deciding import quotas for vegetable oils this year. The newly harvested rapeseed crop could extend this import lull for a bit longer. But when oil imports are eventually licensed, it is likely that relatively more palm oil will be bought.

Pakistan reacted to falling vegetable oil prices by raising import duties by two-thirds on soybean oil and palm oil. This action is intended to raise government revenue and protect domestic oilseed producers and processors. As a result, Pakistan's 1998/99 soybean oil imports were expected to slow somewhat, reducing this month's forecast to 255,000 tons from 275,000 tons. The competition with palm oil trimmed the Bangladesh soybean oil import forecast to 300,000 tons, although this would still top last year's 260,000-ton import volume.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Tuesday, July 13, 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	6	2,757	2,963	1,560	770	203	2,533	430
1999/00 2/	430	5	2,880	3,315	1,635	930	155	2,720	595

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	50	36,807	37,075	30,100	6,700	36,800	275
1999/00 2/	275	50	38,825	39,150	30,700	8,200	38,900	250

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	63	17,550	18,995	15,400	2,300	17,700	1,295
1999/00 2/	1,295	55	18,395	19,745	15,750	2,000	17,750	1,995

1/ Estimated. 2/ Forecast.

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

Year begin. Aug. 1	Supply				Disappearance				End. stocks
	Beg. stocks	Im- ports	Produc- tion	Total	Crush	Ex- ports	Other	Total	
----- 1,000 Short tons-----									
1997/98	523	96	6,935	7,553	3,885	149	2,957	6,990	563
1998/99 2/	563	155	5,497	6,215	2,800	65	3,100	5,965	250
1999/00 2/	250	15	6,955	7,220	3,350	130	3,165	6,645	575

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply				Disappearance			End. stocks
	Beg. stocks	Im- ports	Produc- tion	Total	Domestic	Ex- ports	Total	
-----1,000 Short tons-----								
1997/98	26	0	1,767	1,793	1,596	109	1,705	88
1998/99 2/	88	0	1,260	1,348	1,280	45	1,325	23
1999/00 2/	23	0	1,510	1,533	1,425	70	1,495	38

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply				Disappearance			End. stocks
	Beg. stocks	Im- ports	Produc- tion	Total	Domestic	Ex- ports	Total	
----- Million pounds-----								
1997/98	66	0.1	1,223	1,289	1,003	208	1,211	79
1998/99 2/	79	66.4	895	1,040	865	110	975	65
1999/00 2/	65	10.3	1,070	1,145	950	125	1,075	70

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	152	3,963	4,964	2,150	630	334	600	3,714	1,250
1999/00 2/	1,250	165	3,770	5,185	2,180	830	326	750	4,085	1,100

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 ¹	4.46	NA	9.51	NA	4.74

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 ¹	17.85	24.25	19.90	35.00	22.96

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	144.05	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	82.50
May ¹	133.20	108.75	67.50	93.75	80.60

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