

Oil Crops Outlook



United States Department of Agriculture
Economic Research Service

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Oilseed Yields Wilt Through Heat Wave

Soybean crop conditions were generally quite good in early July. Central Illinois spot prices reflected this by falling below \$4.00 per bushel. But intense heat in much of the Nation stressed soybean crops in the last half of the month. Temperatures moderated in early August, but soil moisture in most areas has been drawn down substantially. For soybeans, the current period is a pivotal time in the development stage. As of August 8, 91 percent of soybean fields had reached the blooming stage and 65 percent were setting pods. This faster than average pace may have dulled some of the adverse effects from the heat, but additional rainfall will be needed soon.

While many of the major western production regions still have adequate subsoil moisture and can achieve average yields, more severe moisture shortages are threatening yield potential in the eastern Corn Belt and the northern Delta regions. Much of the South has experienced dry weather, although it has not been as bad as the extreme drought a year ago. Crops deteriorated quickly from a month ago, when 71 percent of U.S. soybeans were rated in good-to-excellent condition. As of August 8, just 54 percent had that same status, compared to 66 percent a year earlier. This month's forecast, based on conditions observed around August 1, trims the national average soybean yield to 39.2 bushels per acre.

Although forecast production of 2,870 million bushels is down 65 million bushels from the July forecast, it would still top last year's record harvest by 113 million bushels. However, the reduction from trend yield would shrink the expected oversupply. An ample cushion carried over from this season, estimated at 385 million bushels, will prevent prices from rising very much, provided weather conditions do not deteriorate further. Ending stocks for 1999/2000 would moderate somewhat to 540 million bushels, versus 590 million in last month's forecast. Consequently, new crop soybean futures prices have rallied about 75 cents in the last several weeks to the highest level since early May. Even so, current prices are still about \$1 per bushel less than a year ago. USDA projects the 1999/2000 average farm price at \$4.10-\$4.90 per bushel, below last year's average of \$5.00, but above last month's \$3.90-\$4.70 forecast.

Defying the squeeze on profits, U.S. soybean processors crushed record volumes for May and June. Cutbacks in Brazilian crushing can partly explain the buoyant U.S. market, although Argentine processors are also setting volume records. This month, USDA raised its forecast of 1998/99 crush 5 million bushels to 1,585 million. On the other hand, smaller new-crop supplies would shave 10 million bushels from last month's 1999/2000 crush forecast to 1,645

million. Likewise, U.S. soybean exports are projected lower at 915 million bushels, which would be up from 790 million this season.

Much of the expansion in crushing is supported by an anticipated increase in exports of soybean meal. Soybean prices would have to rise even more to prevent South American producers from planting less area than this year. In view of the uncertain U.S. weather outlook, greater planting incentives (and more foreign competition) cannot be ruled out. For now, it would appear that lower South American production would favor larger U.S. soybean meal exports. This season's forecast was revised upward to 6.95 million short tons and is projected to increase to 8.0 million in 1999/2000.

The crushing gains are also linked to strong growth in domestic soybean meal disappearance. Very hot weather and a contracting hog herd will curb meal consumption in the last quarter, but October-June use was high enough to warrant a larger estimate of 30.6 million short tons for 1998/99. However, the odds of repeating the same 6-percent growth in 1999/2000 are remote. Higher meal prices and a minimal increase in livestock are expected to slow domestic disappearance to just 31.1 million tons next year. A tightening of world meal supplies is anticipated to lift domestic soybean meal prices to \$130-\$155 per short ton, up from the 1998/99 average of \$137.50.

The reduction in soybean oil supplies implied by the August crop forecast is offset by a larger expected 1998/99 carryover, leaving the 1999/2000 average price projection unchanged at 15.0-18.0 cents per pound. Yet, with growth in domestic use only slightly outweighing the decline in soybean oil exports, carryout stocks would still grow to an unprecedentedly large 2,520 million pounds.

Cottonseed and Peanut Supplies Expected Higher

Southern dryness should also cause below average cotton yields, reducing the 1999/2000 cottonseed production forecast to 6.9 million short tons. Despite this setback, a rebound in acreage and yields from last year's plunge will vastly ease tight supplies of cottonseed. Imports, which extended supplies last season by soaring to an estimated 150,000 tons, would fall back to 10,000 tons in 1999/2000. Cottonseed prices should ease considerably from the 1998/99 average of \$112 per ton.

Cottonseed exports should again approach 1997/98 levels around 150,000 tons. Greater cottonseed supplies will permit 1999/2000 crushing to rebound to around 3.6 million tons from the previous year's drop to 2.7 million. Lower oil prices would return domestic demand for cottonseed oil to a more normal level of 1,005 million pounds, versus 830 million in 1998/99. Weighed down by soybean oil prices, cottonseed oil prices are expected to plunge as much as 7 cents from the 1998/99 average of 28.75 cents per pound.

Peanut crop conditions are basically good, with 65 percent rated good-to-excellent as of August 8. U.S. peanut production in 1999 is forecast to decline just 3 percent to 3,849 million pounds, based on minimal reductions in harvested acreage and yield. Even with robust growth in crush and exports, ending stocks of peanuts are projected to fall modestly from a very large 1,440 million pounds in 1998/99 to 1,350 million in 1999/2000.

Smaller U.S. Soybean Crop Alters Expected World Trade Flows

A smaller than anticipated U.S. soybean harvest will favor Argentina's 1999/2000 soybean meal exports, supporting the Argentine crush near this season's level and reducing ending stocks. Proportionately greater supplies of soybean meal from Argentina are expected to moderate EU 1999/2000 soybean imports at 16.3 million tons, up from 16.1 million this season. EU soybean meal imports are now forecast down only slightly from 1998/99 to 20.0 million tons. Sunflowerseed production within the EU is forecast to the smallest since 1985 because of declining area and a drought that may slash Spanish output nearly in half.

While soybean meal demand in western Europe continues to surge, the lag in Chinese buying persists. Forecast imports by China for this year were revised lower to 1.85 million tons, and 1999/2000 imports are projected to stagnate at the same level. Trimming China's 1999/2000 domestic rapeseed production to 9.7 million tons means a record harvest is no longer expected, yet it would be up 17 percent from last year. Combined with massive rapeseed imports, China has even become an exporter of surplus rapeseed meal production. In addition, with historically low cotton area, Chinese cottonseed output is projected to fall to 7.25 million tons. Crushing for both these oilseeds was forecast lower, reducing domestic supplies of protein meal and edible oil.

Brisk Indian Imports Counter Sluggish Chinese Vegetable Oil Imports

Global vegetable oil prices have firmed with declining prospects for U.S. oilseeds. But before the most recent escalation in prices, cheap vegetable oils had stimulated consumption in India. Record June imports swelled the forecasts for India's 1998/99 imports of palm oil, soybean oil, and sunflowerseed oil to 2.2 million, 0.8 million, and 0.5 million tons, respectively. Total vegetable oil imports would be nearly double the 1997/98 volume. With a general election beginning in September, Indian government officials have resisted appeals to impose price-supporting import controls. At least for this year, India has supplanted China as the world's largest importer of vegetable oils. Internal vegetable oil stocks should accumulate, so 1999/2000 imports are expected to moderate.

After months of relative inactivity, Chinese oil imports may soon accelerate. Now that domestic oilseed supplies have waned, the government has distributed long delayed 1999 import quotas for vegetable oil. However, an emphasis on increasing domestic oil output by crushing oilseed imports has limited the oils quota to a less-than-expected 1.2-1.3 million tons, compared to 2 million last year. Some importers have also deferred buying as they wait for global oil prices to bottom out so they can maximize their profit margins. USDA forecasts China's 1998/99 soybean oil imports down to 1.25 million tons, compared to last month's forecast of 1.5 million and 1997/98's 1.65 million. Chinese soybean oil imports are projected modestly higher for 1999/2000 to 1.3 million tons. Greater growth in Chinese palm oil imports is anticipated, rising from 1.4 million tons this year to 1.8 million in 1999/2000.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Monday, September 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	2,961	1,585	790	201	2,576	385
1999/00 2/	385	4	2,870	3,259	1,645	915	159	2,719	540

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	45	37,537	37,800	30,600	6,950	37,550	250
1999/00 2/	250	50	39,050	39,350	31,100	8,000	39,100	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	73	17,945	19,400	15,350	2,350	17,700	1,700
1999/00 2/	1,700	65	18,505	20,270	15,750	2,000	17,750	2,520

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	150	5,365	6,078	2,730	50	2,948	5,728	350
1999/00 2/	350	10	6,907	7,267	3,600	150	3,117	6,867	400

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	1,235	1,323	1,195	105	1,300	23
1999/00 2/	23	0	1,620	1,643	1,500	100	1,600	43

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	38.0	880	997	830	102	932	65
1999/00 2/	65	10.3	1,150	1,225	1,005	135	1,140	85

/ 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	2,130	475	324	600	3,528	1,440
1999/00 2/	1,440	165	3,849	5,454	2,170	805	328	800	4,104	1,350

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 1/	4.04	NA	9.09	NA	4.40

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 1/	15.29	24.70	17.08	39.00	22.43

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 1/	132.75	115.85	62.50	100.00	75.00

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