



Oil Crops Outlook

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Dry Conditions Reduced U.S. Soybean Yields and Harvested Acreage

According to the 2000 summary of U.S. crop production, soybean output was down 7 million bushels from the previous estimate to 2,770 million. Most of the crop reduction was due to a finding of 72.7 million acres harvested, which were down 300,000 from the last report. The final national soybean yield was 38.1 bushels per acre, from the previous estimate of 38.0 bushels. Further declines in harvested acres and yields were found in Michigan, Missouri, and Kansas, which were partially offset by slightly improved crop assessments in other States. December 1 soybean stocks (reported to be 2,239 million bushels) and fall quarter demand helped confirm the lower U.S. crop estimate.

Current crushing profitability is still superior to the poor returns experienced a year ago. U.S. soybean crushing in November reached a record for the month of 143.5 million bushels. However, signs that the crushing pace may slow are appearing. Current crush spreads (between the values of nearby futures contracts for soybean meal and soybean oil less soybeans) at the Chicago Board of Trade have sharply declined since December. Soybean product values (particularly soybean meal) have receded from the December peak because of brightening prospects for South American production and less than stellar demand. Very high meal extraction rates have reduced the need for more soybean crushing to fulfill demand. The domestic soybean crush projection was cut 5 million bushels to 1,600 million bushels. The January forecast of 2000/01 U.S. soybean exports were unchanged at 975 million bushels, as export sales are still near last season's record pace.

Season ending soybean stocks are forecast at 320 million bushels, unchanged from last month and modestly above the 1999/2000 carryout of 288 million. The 2000/01 average price is expected to decline slightly from the previous forecast to \$4.50-\$5.00 per bushel. Nearly half of the soybean crop has already been marketed at prices below \$4.85 per bushel. Even assuming a significant rise in soybean prices over the next 8 months, it is unlikely to significantly affect the weighted season average price. But since current soil moisture levels are not threatening soybean yield potential, a repeat of last spring's strong price rally is not anticipated.

U.S. farmers have been somewhat insulated from these relatively low cash prices by the marketing loan program. As of January 9, U.S. producers have received \$1.9 billion of loan deficiency payments (LDPs) on 2,057 million bushels of soybeans. The U.S. Department of Agriculture (USDA) left loan rates for 2001 crops of soybeans and corn unchanged from last year at \$5.26 and \$1.89 per bushel, respectively. Producers will continue to count on payments such as these (averaging 94 cents per bushel for the 2000 soybean crop), which will tend to encourage soybean planting again next spring. In spite of the comparative cash price strength for corn, the swelling of its fertilizer costs will discourage corn production. Prospects for higher soybean acreage in 2001 have raised July soybean futures prices relative to new crop (November) futures, which also puts a ceiling on near term cash prices.

Weakening Oil Market Offsets Soybean Meal Price Gains

The December Hogs and Pigs report from USDA indicated the December 1 domestic inventory of hogs and pigs was up 1 percent from a year earlier. The herd expansion is proceeding, as intended sow farrowing this winter is up 4 percent over a year ago. However, intended spring farrowings are expected to slow to a 1-percent increase over last year, as weaker pork prices and higher feed and energy costs should start to curb profitability. In addition, very cold weather this winter has boosted livestock feed requirements. A substantial drop in winter wheat seeding may also boost protein meal use by limiting wheat feeding next summer. Consequently, USDA raised the forecast of 2000/01 domestic soybean meal disappearance this month from 31.0 million short tons to 31.2 million.

However, last month's forecast of soybean meal exports, at 7.3 million tons, may be optimistic. Despite a modest uptick in export sales to the European Union, total commitments still trail the year-earlier level. Exports for 2000/01 were forecast down to 7.2 million tons this month, compared with 7.3 million last season. The minimal change to the supply-demand balance leaves the season average soybean meal price forecast unchanged at \$170-\$195 per ton.

Lower crush and a small decline in the oil extraction rate reduce the expected soybean oil output in 2000/01. With such poor oil prices, soybean processors have sacrificed maximum oil yields to more quickly run the more profitable meal out to buyers. This change cuts forecast total supplies by 110 million pounds to 20,140 million. Yet, the bearish mood of the soybean oil market still prevails. While U.S. soybean oil export commitments improved somewhat in December, they still lag last season's very slow pace. USDA reduced its export forecast from 1,550 million pounds to 1,400 million, which is only slightly above the 1999/2000 volume of 1,376 million.

Demand for soybean meal is supporting the crush volume, so without comparable growth in soybean oil demand, season ending oil stocks are expected to climb to a record high 2,290 million pounds. The forecast represents only a modest increase from the 2,169-million-pound inventory already present as of December 1. Central Illinois prices for soybean oil have collapsed to about 12.8 cents per pound in early January, the lowest since January 1973. Oil prices have plunged nearly 50 percent from just 2 years ago. The season average oil price is expected to fall to 13.25-15.25 cents per pound from the December forecast of 13.5-16.0 cents.

Production of Minor U.S. Oilseeds Also Declines

U.S. cottonseed output for crop year 2000 was reduced 73,000 tons by the January *Crop Production* report to 6.4 million. Although very dry conditions produced below-average yields, they were somewhat better than in 1999. Yet, there is no serious deficit in supplies. Cottonseed imports from Australia are still arriving near last year's record pace. Like soybeans, weak prices for cottonseed oil are curtailing the crush rate, which is down 16 percent (August-November 2000) compared with the previous season. Consumption of cottonseed in feeds is expected to modestly increase to 3.6 million tons.

Peanut production fell sharply in 2000, down 541 million pounds to 3,288 million. Although plantings were up slightly, a drought raised abandonment and cut harvested acreage to 1.3 million. Peanut yields fell to 2,499 pounds per acre, the lowest since 1995. The smaller harvest mostly reduces the forecast of ending stocks, which are 825 million pounds versus the large 1999/2000

carryover of 1,233 million. Domestic food use of peanuts has been relatively weak and are forecast down from last season's 2,233 million pounds. Rising peanut butter imports are in part contributing to the drop in peanuts processed for domestic use. Nevertheless, consumption of all peanut products has weakened this fall. The outlook for high quality peanut exports is supportive, but not particularly robust, at 675 million pounds.

Domestic sunflowerseed production in 2000 was 3,584 million pounds, down from the previous forecast of 3,712 million. Sunflower harvested acreage fell to 2.6 million acres, down nearly one-fourth from 1999. Harvested acreage of oil-type sunflowers accounted for most of the decline by falling 0.6 million acres, while confection varieties declined the remaining 0.2 million acres. Sluggish European demand should curtail oil-type exports and a shorter domestic supply should scale back confectionery sunflowerseed exports. With sharply lower seed supplies and falling oil prices, domestic crushers are in no stronger position than foreign processors. Greater supplies of mid-oleic varieties (NuSun) may help boost domestic sunflowerseed oil consumption. But sunflowerseed oil exports, which make up the majority of crushers' sales, are likely to fall again in 2000/01. Like all the minor oilseeds, very low soybean oil prices will pressure sunflowerseed prices near historic lows.

U.S. safflower farmers decreased plantings in 2000 by 22 percent to 215,000 acres. Safflowerseed yields (at 1,434 pounds per acre) fell off from a very high 1999 level, so production declined 30 percent to 283 million pounds. The smaller harvest will help reduce a large stock carryover from 1999/2000.

On the other hand, canola plantings were up 46 percent to 1.6 million acres. Combined with relatively normal yields, the additional acreage pushed canola production to a U.S. record 2,017 million pounds. A larger harvest will likely trim Canadian imports. However, ending stocks may rise, as the expansion of exports will probably lag the gains in supply.

Likewise, U.S. flax acreage surged 39 percent from 1999 to 536,000 acres. With normal yields, 2000 flaxseed output rose to 10.7 million bushels from 7.9 million. The comparatively large domestic crop is expected to reduce imports from Canada, as flaxseed demand is seen growing only modestly. Ending stocks should remain high and prices should stay well below the loan rate.

South American Soybean Crops Developing Well

World soybean production for 2000/01 is projected at 167.2 million metric tons, from 167.3 million last month, entirely due to the reduction in U.S. output. Forecasts for soybean production in Brazil and Argentina were unchanged this month at 34.5 million and 23.5 million tons, respectively. However, current moisture conditions are very favorable for establishing bumper harvests throughout South America. Most soybean crops are far from maturity, although some of the earliest planted fields in northern Mato Grosso of Brazil are ready for harvest. Planting is virtually finished in Argentina.

A moderation in Brazil's soybean crushing (at 21.7 million tons) is forecast, down 0.2 million from the previous projection. Smaller soybean meal output trims the forecast of Brazilian meal exports to 10.0 million tons, which is still above 1999/2000 exports of 9.5 million. Instead, a steady rate of soybean exports totaling 11.0 million tons (up from last month's 10.8-million-ton forecast) is seen. The spike in December soybean prices revived forward sales by Brazilian farmers. Brazilian crop development is 2-3 weeks ahead of last year, so February-April export shipments should accelerate. Although

still relatively small, current Brazilian export registrations for the new soybean crop have reached 1.3 million tons, which are up 35 percent from a year ago.

With a shortfall in the domestic soybean harvest and rising foreign demand, Indian soybean meal prices have become too expensive for some domestic users. Consequently, the greater availability of soybean meal is considered likely to expand Indian exports to 2.6 million tons. So far this season, India's foreign shipments of soybean meal trail only the record 1998/99 pace. This rapid pace is likely to fall off by April as domestic stocks ebb and new crop South American supplies hit the market.

Global cottonseed production is raised 0.7 million tons this month to 33.3 million based on a larger harvest estimate in China. All of China's 7.8-million-tons of cottonseed is used domestically, thus boosting 2000/01 supply and consumption forecasts of cottonseed oil and meal.

The latest forecast of 2000/01 world sunflowerseed output identifies an even larger decline to 23.6 million tons, down from last month's forecast of 24.2 million. Argentine sunflower area is expected down from 2.4 million hectares last month to 2.2 million. As a result, sunflowerseed output is expected to fall to 4.0 million metric tons, which would be the smallest Argentine crop since 1993 and down one-third from last year. In turn, Argentine sunflowerseed crushing and product exports (most of which go to Europe) would also decline. In addition, a downward revision of Ukrainian sunflowerseed yields (netting out moisture and foreign material) reduced the crop estimate to 3.5 million tons. Although Ukraine exports should benefit from less competition from Argentina, a modestly smaller harvest trims its crush potential.

Global production of vegetable oil was estimated higher again in January to 86.7 million tons. A robust 12-percent gain in Malaysian palm oil production for the October-December quarter over a year earlier prompted USDA to raise its 2000/01 forecast to 11.7 million tons. This forecast compares with the previous of 11.4 million and 10.5 million in 1999/2000. Growth in Malaysian palm oil output should slow in the next 6 months as seasonal factors commence. Consequently, Malaysian palm oil exports are forecast 0.2 million tons higher to 9.55 million, and domestic consumption is raised 0.1 million tons. Malaysian stocks of palm oil are currently at a burdensome 1.5 million tons. The price of palm oil remains depressed, which was \$216 per ton in December 2000 compared with \$331 in December 1999. Palm oil's price discount relative to soybean oil has also widened in the last year.

The next release of the *Oil Crops Outlook* is scheduled at 4:00 p.m. ET Friday, February 9, 2001. The report may be accessed at the ERS website at <http://www.ers.usda.gov> or via <http://usda.mannlib.cornell.edu/>.

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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 -----									
1998/99	200	3	2,741	2,944	1,590	805	201	2,595	348
1999/00 1/	348	4	2,654	3,006	1,579	973	164	2,719	290
2000/01 2/	290	3	2,770	3,063	1,600	975	168	2,743	320

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 -----								
1998/99	218	99	37,792	38,109	30,657	7,122	37,779	330
1999/00 1/	330	49	37,623	38,003	30,378	7,331	37,710	293
2000/01 2/	293	65	38,317	38,675	31,200	7,200	38,400	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 -----								
1998/99	1,382	82	18,081	19,546	15,655	2,371	18,027	1,520
1999/00 1/	1,520	83	17,824	19,427	16,055	1,376	17,431	1,995
2000/01 2/	1,995	80	18,065	20,140	16,450	1,400	17,850	2,290

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 -----									
1998/99	563	207	5,365	6,135	2,719	68	2,955	5,742	393
1999/00 1/	393	309	6,354	7,055	3,079	198	3,505	6,781	274
2000/01 2/	274	298	6,439	7,010	3,000	180	3,580	6,760	250

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 -----								
1998/99	88	0	1,232	1,320	1,174	121	1,295	24
1999/00 1/	24	0	1,396	1,420	1,295	104	1,399	21
2000/01 2/	21	0	1,350	1,371	1,250	100	1,350	21

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 -----								
1998/99	79	48.2	832	958	772	111	882	76
1999/00 1/	76	8.1	943	1,027	837	141	978	49
2000/01 2/	49	8.3	960	1,017	835	130	965	52

1/ Estimated. 2/ Forecast.

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

Year begin. Oct. 1	Supply				Disappearance					End. stocks
	Beg. stocks	Im- ports	Produc- tion	Total	Dom. Food	Crush	Seed& resid.	Ex- ports	Total	
----- Million pounds-----										
1998/99	848	155	3,963	4,967	2,153	460	401	562	3,575	1,392
1999/00 1/	1,392	178	3,829	5,400	2,233	713	493	727	4,166	1,233
2000/01 2/	1,233	179	3,288	4,700	2,125	700	375	675	3,875	825

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
1998/99	4.93	129.00	10.60	28.40	5.05
1999/00	4.63	89.00	7.53	25.40	3.79
1999/2000					
September	4.57	73.00	8.76	27.00	4.00
October	4.48	79.00	6.99	25.50	3.75
November	4.45	94.00	6.87	24.10	3.66
December	4.43	99.00	7.52	21.80	3.61
January	4.62	100.00	7.34	14.90	3.75
February	4.79	115.00	8.72	NA	3.43
March	4.91	NA	8.53	NA	3.70
April	5.00	NA	7.93	NA	3.66
May	5.19	NA	9.63	NA	3.77
June	4.93	NA	8.09	NA	3.64
July	4.53	NA	8.16	NA	3.25
August	4.45	78.00	7.82	NA	3.05
2000/01					
September	4.57	93.00	6.34	27.70	3.10
October	4.45	104.00	5.84	26.50	3.17
November	4.55	108.00	6.09	23.10	3.42
December 1/	4.84	110.00	6.28	19.70	3.50

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
1998/99	19.90	27.32	20.10	39.74	25.30
1999/00	15.60	21.52	16.68	35.39	17.81
1999/2000					
October	16.08	20.15	17.78	40.40	21.97
November	15.63	19.69	17.91	41.00	21.96
December	15.30	21.25	17.60	35.40	21.68
January	15.63	21.98	17.91	33.00	20.81
February	15.09	22.65	16.85	32.50	20.06
March	16.21	23.70	17.31	31.60	19.28
April	17.52	24.57	18.07	33.00	18.32
May	16.75	22.97	16.93	36.25	16.63
June	15.65	21.54	15.59	36.00	14.57
July	14.70	21.03	14.68	35.63	13.55
August	14.34	20.17	14.64	35.00	13.03
September	14.24	18.52	14.93	34.90	11.85
2000/01					
October	13.50	18.16	14.40	34.63	10.52
November	13.37	17.83	14.25	35.50	10.37
December 1/	13.12	17.25	14.54	36.40	10.54

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	117.54
1998/99	138.50	109.55	65.20	104.94	84.49
1999/00	167.62	127.43	75.00	108.15	103.42
1999/2000					
October	153.57	111.80	63.75	98.00	89.38
November	154.70	112.00	65.00	103.00	119.50
December	154.00	124.20	68.10	103.00	105.00
January	163.41	126.88	73.75	104.00	91.75
February	170.49	130.50	70.20	104.75	92.60
March	175.50	129.38	77.50	110.00	108.75
April	177.45	125.00	78.35	115.00	111.00
May	189.34	123.25	70.20	115.00	101.00
June	177.45	130.63	87.50	119.60	106.25
July	163.38	131.88	87.50	118.00	115.13
August	157.48	130.50	79.00	118.00	106.50
September	174.60	153.12	80.00	118.00	95.67
2000/01					
October	171.52	150.00	83.00	118.00	110.00
November	179.95	141.88	85.00	118.00	113.75
December 1/	195.65	160.83	88.75	118.00	121.25

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

ERS on the World Wide Web

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