

## Situation and Outlook

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Beginning this month, 1999/00 forecasts for U.S. soybean and products and total U.S. oilseed and products are reported in tables 10 and 11. Global soybean and total oilseeds outlook for 1999/00, along with discussion on the United States, can be found in the summary. Detailed country specific forecasts for 1999/00 will be available beginning in July.

### SUMMARY

U.S. oilseed production for 1999/2000 is projected to increase by 4.7 million tons, nearly 6 percent, to a record 89.7 million tons. Soybean production will account for most of this gain, rising 4.4 percent to a record 78.4 million tons or nearly 2.9 billion bushels. Significant gains will also be recorded for other oilseeds except peanuts, which are likely to decline modestly. The U.S. soybean production forecast is based on intended record soybean planting of 73.1 million acres and a trend yield of 40 bushels per acre. Record production, combined with the third largest carryin stocks point to a soybean supply of 90.2 million tons. Supply growth would outpace gains in exports and domestic crush, resulting in projected record ending stocks of 16.2 million tons, exceeding the prior record set in 1985/86. The 25.3-million-ton export forecast and the 44.5-million-ton crush will be new highs if achieved. Exports of both soybeans and soybean meal are forecast to expand sharply, helped by stagnation in foreign oilseed supplies and a likely significant drop in foreign soybean production. In contrast, U.S. soybean oil exports are projected to decline in 1999/2000 to 1.0 million tons as expected production of palm oil rebounds and rapeseed oil production grows.

Global oilseed production for 1999/2000 is projected at a record 298 million metric tons, up about 6 million tons from 1998/99. Most of the gain is in the United States, with foreign oilseed production projected at 208.3 million tons, up only 1.2 million tons. With smaller carryin stocks, total foreign supplies of 224.1 million tons will be essentially unchanged from 1998/99.

Global oilseed output for 1998/99 is reduced 1.1 million tons this month to 292.1 million tons, due mostly to reductions in South American oilseed crop estimates totaling about 800,000 tons (500,000 tons for soybeans). Other foreign changes include a cut of 300,000 tons in India's rapeseed crop and a 576,000 ton upward revision in global palm oil production. U.S. oilseed production is revised up 286,000 tons to 84.9 million tons, due to an upward revision for cottonseed.

U.S. season-average soybean prices are projected to show another steep drop in 1999/2000, falling to \$3.95 to \$4.75 per bushel from \$5.05 estimated in 1998/99 and \$6.47 the prior year. Soybean meal prices also are forecast to decline in 1999/2000, to \$120 to \$140 per short ton.

This would be a very modest decline compared to a drop of \$50 per ton in 1998/99. Soybean oil prices will be under pressure from a sharp expansion in foreign vegetable oil supplies and are projected to drop to 18 to 21 cents per pound in 1999/2000.

## **Soybeans**

The world soybean production forecast for 1998/99 was reduced slightly to 157.2 million tons reflecting a smaller crop for Argentina, Bolivia, and Paraguay. Argentina's soybean production forecast was reduced this month in response to continued concern over rainfall that caused damage to the crop. Bolivia's soybean production forecast is reduced 150,000 tons to 1.1 million tons due to drought in the major soybean producing area of Santa Cruz. In Paraguay, dry weather in February and March had a negative impact on yields while heavy rains in April reduced potential harvested area and seed quality.

World soybean trade is highlighted by increased exports by Brazil. In addition, Canada's soybean export forecast was raised 200,000 tons in response to official Canadian export data that shows current marketing year exports through January have exceed earlier forecasts. Among the trade partners listed, China and Iran together are reported to have taken 33 percent of Canada's soybean exports followed by the EU. Paraguay's soybean export forecast was lowed based on this month's reduction in their soybean production forecast. World soybean imports are forecast up slightly from last month. Larger imports for Indonesia, Mexico, Morocco and Norway, based on a strong import pace to date, more than offsets the reduction in imports forecast for Egypt, Canada and the Philippines. The world soybean ending stocks forecast was reduced to 25.8 million tons this month in response to lower expected production in Argentina and improved export prospects in Brazil.

Forecast world soybean meal trade for 1998/99 continue to highlight South America's strong export potential due to larger supplies. The U.S. export forecast for 1998/99 is reduced 181,000 tons in response to the improved exports by Argentina and soft global import demand. In addition, the world soybean meal export forecast includes a reduction in exports by the Philippines and Egypt where anticipated output growth from new crushing facilities has not materialized.

The world soybean oil trade forecast was increased this month due to increases in expected exports by the U.S. and Argentina. World soybean oil import demand remains unchanged but includes a 100,000-ton increase in India's import forecast due to the strong pace of purchases made in recent months. In addition, soybean oil import forecasts for Iran and Korea are increased 75,000 tons and 25,000 tons, respectively, while offsetting reductions were made for Morocco, Mexico, Egypt, and Bangladesh.

## **Other Oilseeds**

World oilseed production for 1998/99, excluding soybeans, was reduced 537,000 tons in May to 134.9 million tons primarily due to lower sunflowerseed, rapeseed, and peanut production forecasts. Sunflowerseed production was reduced 312,000 tons to 25.7 million tons this month. Lower production in Argentina, Burma, and Kazakhstan led the way. Argentina's sunflowerseed production forecast was reduced 200,000 tons this month to 6.5 million tons as wet weather late in the season is likely to impact harvest. However, total sunflowerseed production is still expected to rise 1.0 million tons from last season as growers responded to favorable prices by expanding production in 1998/99. World rapeseed production was reduced 213,000 tons to 36.6 million tons in response to a lower production forecast for India. India's rapeseed production forecast was revised lower to 5.8 million tons as a result of unfavorable weather in Uttar Pradesh, India's second largest producer of rapeseed. However, production is still expected to rebound nearly 900,000 tons from last season's poor showing. World peanut production for 1998/99 was reduced 199,000 tons to 29.1 million tons as production forecasts were reduced for Argentina, Indonesia, and parts of Africa. Argentina's production forecast was reduced 75,000 tons this month to 475,000 tons, a drop of 24 percent from last season's harvest. Cool, wet weather in the latter half of the growing season is expected to reduce the harvest and crop quality this year. Other changes this month include a 94,000-ton increase in world cottonseed production to 32.8 million tons, and small increases in world palm kernel and copra production.

World oilseed exports, excluding soybeans, were increased 335,000 tons in May to 15.5 million tons in response to improved rapeseed export prospects for Canada. Canadian exports are forecast to increase 20 percent to 3.6 million tons in 1998/99 as China emerges as a significant market and exports to Japan remain strong. Global oilseed imports were also increased this month, led by an increase in China's rapeseed import forecast. Forecast world oilseed crush for 1998/99 was reduced 89,000 tons to 106.5 million tons primarily due to a lower sunflowerseed crush forecast. The other oilseed ending stocks forecast for 1998/99 was also lowered this month as a reduction in rapeseed stocks, primarily in Canada, accounted for most of the 214,000-ton decline to 3.2 million tons.

Global production of protein meals for 1998/99, excluding soybean meal, was increased 92,000 tons to 58.9 million tons this month. Increases in rapeseed, copra, and palm kernel meal production more than offset declines in sunflowerseed meal production. Forecast rapeseed meal production was increased 85,000 tons despite a 213,000-ton decline in crush due to an adjustment of India's rapeseed meal extraction rate. Forecast exports of protein meals, excluding soybean meal, was reduced 224,000 tons in response to lower export forecasts for all but peanut and palm kernel meal. Forecast consumption of protein meals for 1998/99, excluding soybean meal, was increased 195,000 tons this month to 60.0 million tons. Increased rapeseed, copra, and fish meal consumption accounted for the increase. The protein meal ending stocks forecast for 1998/99 was also increased this month due to increases in Poland's rapeseed meal stocks and copra meal stocks in the Philippines.

The world vegetable and marine oil production forecast for 1998/99, excluding soybean oil, was

increased 534,000 tons to 57.2 million tons as world palm oil production was increased 576,000 tons. Total world palm oil production is forecast to reach 18.4 million tons this year, up 8 percent from last year and accounting for nearly 40 percent of the total increase in vegetable and marine oil supplies this year. Forecast trade of vegetable and marine oils, excluding soybean oil, were also increased this month in response to the increase in palm oil production. Exports were increased 321,000 tons to 23.1 million tons while imports were increased 304,000 tons to 22.8 million tons. Forecast vegetable and marine oil consumption, excluding soybean oil, was raised this month in response to the increase in palm oil supplies. Total consumption is forecast to reach 57.0 million tons, up 462,000 tons. Palm oil consumption was increased 533,000 tons to 18.3 million tons. The 1998/99 vegetable and marine oil ending stocks forecast, excluding soybean oil, remained nearly unchanged this month at 4.7 million tons.

### **Philippine Coconut Oil Exports Lag - More Rainfall to Drive Recovery**

During the 12 months ending February 1999, Philippine coconut oil exports dropped 18 percent or about 210,000 metric tons less than a year earlier. However, during the 12-months ending Sept. 1999, Philippine coconut oil exports are forecast to drop more than 450,000 tons from 1997/98. The reduction in Philippine coconut oil exports reflects the lagged effects of sharply reduced rainfall in the face little change in the number of bearing trees and domestic usage. The export shortfall and higher prices cut U.S. coconut oil imports during the 12-months ending Feb. 1999 to 497,400 tons, or 25 percent less than during the previous 12 months. During the past two decades, U.S. FY coconut oil imports ranged between 353,200 tons in 1988/89 and 653,000 tons in 1997/98. Philippine coconut oil yields are driven by rainfall and have followed a strong seasonal pattern with normal peaks and troughs in September and February, respectively. Year to year changes in rainfall has also resulted in sharp changes in annual output and exports which appear to follow a longer term cycle. The last cyclical peak in Philippine rainfall was during the 12 months ending Sep. 1995 at 116 percent of its long-term average compared with 86 percent a year earlier. During the 12 months ending September 1995, Philippine coconut oil exports totaled 1.33 million tons, compared with 0.77 million tons the previous year. During the 12 months ending Feb. 1999, Philippine coconut oil exports at 1.0 million tons were 18 percent less than a year earlier. The decline reflected the lagged effects of reduced rainfall at 69 percent of its long term average, compared with 110 percent a year earlier. However, recent recovery in Philippine rainfall should begin to boost yields by August and this will set the stage for a large recovery in Philippine coconut oil outputs and exports in the year ending September 2000. The Philippines are the world's leading coconut oil producer-exporter accounting for between 70 and 90 percent of world coconut oil exports in recent years, depending upon changes in rainfall driven output. The U.S. is the leading coconut oil importer, with nearly all of the volume moving into non food uses. The Philippine's oil output recovery sets the stage for downward pressure on lauric acid oil prices and could result in some recovery in U.S. coconut oil imports in 2000.

## **U.S. Oilseed & Product Exports to Recover in FY-2000**

The FY-2000 volume of U.S. oilseed and product exports, excluding corn gluten feed and meal is expected to recover to about 37.2 million tons, or 17 percent above the depressed FY-99 forecast. However, larger stocks may continue to depress prices. Thus the total U.S. oilseed and product export value, excluding corn gluten feed and meal, is expected to recover only slightly above the FY-99 estimate of \$8.1 billion. The expected reduction in FY-2000 oilseed and product prices reflects: [a] a record large 63 million ton oilseed harvest in South America in 1998; [b] weak demand in some Asian countries; [c] a 5.6 million ton increase in South American soybean stocks on Oct. 1, 1998; [d] record large soybean stocks exceeding 60 million tons in the three major producer-exporter countries on Apr. 1, 1999; [e] prospective 2000 U.S. soybean supplies in the magnitude of 90 million tons, or 10 million tons more than a year earlier; and [f] a five-million ton increase in U.S. ending stocks of soybeans next year. If our forecasts are on track, U.S. soybean stocks on Aug. 31, 2000 could exceed 16 million tons, the largest ever. In 2000, U.S. soybean stocks could approximate 80 days of total use, compared with 62 days in 1999 and only 28 days in 1998. However, in days of use, next year's U.S. soybean ending stocks will be much less than in 1986 and 1968 when stocks amounted to 104 days and 126 days of total use, respectively, (see U.S. soybean and product supply-use charts and soybean prices (f) ending stocks).

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