

Situation and Outlook

SUMMARY

U.S. oilseed production and supply prospects for 1999/2000 are higher this month. USDA's June acreage survey indicated more soybean and cotton acres planted with small declines for peanuts and minor oilseed crops compared to a year earlier. Minor oilseed acreage was substantially below March intentions, mainly because of excessive moisture in the upper Midwest. Total U.S. oilseed production is projected at a record 91.1 million metric tons, led by gains in soybeans. Soybean production is projected at a record 79.9 million tons (2.9 billion bushels), more than 6 percent above last year, using a trend yield of 40 bushels per acre. As of early July, growing conditions are very similar to 1994/95 when yields set a record of 41.4 bushels per acre.

Despite larger production than indicated last month, ending stocks of soybeans and other oilseeds are little changed, with projected soybean stocks of 16.1 million tons (590 million bushels) slightly below a month ago. Improved U.S. soybean crush and export prospects, mainly for 1998/99, cut carryin stocks by 964,000 tons to 10.7 million tons (395 million bushels). Domestic meal use prospects are raised for 1998/99 and 1999/2000 because of stronger than anticipated feed demand. U.S. soybean and soybean meal exports in 1998/99 are increased to reflect dwindling soybean export supplies in South America. Lower new-crop supply prospects for that region bode well for U.S. exports in 1999/2000.

Upward revisions this month for Southeast Asia's palm oil crops and an apparent shift in China's import policies favoring oilseeds rather than products have sharply curtailed U.S. soybean oil export prospects in 1999/2000. Larger global rapeseed crops are also likely to offer stiff competition for soybean oil exports. U.S. soybean oil exports are projected to drop to 907,000 tons, well below the recent 1997/98 peak of 1.4 million tons. Sharply lower prices and rising U.S. consumer incomes bode well for domestic consumption, projected to rise by about 3 percent to 7.1 million tons. Nevertheless, 1999/2000 ending stocks are projected to reach a record 1.1 million tons.

The U.S. soybean season-average producer price for 1999/2000 is lowered slightly this month to \$3.90 to \$4.70 per bushel, the lowest since the early 1970's. The soybean meal price range is projected at \$125 to \$145 per short ton, sharply below last year but slightly improved from last month. Soybean oil, projected at 15.0 to 18.0 cents per pound, is off sharply from last month and last year and would be the lowest since 1986/87.

Global oilseed production is projected at a record 301 million tons, up 3 million tons from last month and 9.3 million tons from last year. U.S. production, at 91.1 million tons, is up 6.2 million tons from 1998/99 and accounts for much of the gain. Foreign production is forecast at 209.9 million tons, up 3.2 million tons or 1.5 percent for the year. Foreign gains are concentrated in rapeseed and in Southeast Asia's crops of copra and palm kernel. World palm oil production is projected to reach a record level at 20.6 million tons, or 7 percent above 1998/99, as tree yields continue to recover from El Nino drought conditions in 1997/98 and the early part of 1998/99. Record global rapeseed production, projected at 13.4 million tons, includes significant gains in

almost all major producing countries except Canada, where a modest decline to 7.3 million tons is forecast. China, the EU, Australia, and India are expected to have record rapeseed crops.

Large global supplies, sharply lower oilseed product prices, and likely improvement in economies in Asia, Latin America, and East Europe bode well for consumption growth for both protein meals and vegetable oils in 1999/2000. Some improvement is anticipated in China's consumption as well following the slowdown in 1998/99, while EU consumption will remain strong. Both global protein meal use and vegetable oil disappearance are projected to grow by 5 percent.