February 2000 - Prices and Economic Indicators

ENDING STOCK/USE RATIO & PRICES In the face of a 12 percent reduction in foreign oilseed ending stock-use coverage to a level 18 percent below its 10-year average, U.S. soybean ending stock-use coverage is forecast to dip 9 percent and continue 7 percent above its 10-year average.

REGION & COMMODITY or PRICE	UNITS	98/99	FEB. EST. 99/00	MAR. EST. 99/00	10-YR. AV.	MAR. EST % DEV fm. 10-YR. AV.
U.S. Soybean stks.	days	49	48	45	42	7%
For. Oilseed stks.	days	27	23	24	29	-18%
U.S. Soy Oil stks.	days	31	44	44	40	10%
For. Veg. Oil stks.	days	34	33	34	38	-10%
Soybean price 1/	$/bu	4.93	4.75	4.70	5.99	-22%
Soy meal price 2/	$/st.	138.5	155.0	160.0	193.6	-17%
Soy oil price 3/	ct./lb	19.9	16.0	15.5	23.2	-33%

1/ U.S. farm price. 2/ 48% bulk at Decatur. 3/ Crude bulk Decatur.

IMPLICATIONS (1) The reduction in foreign oilseed and oil ending stock-use coverage, as well as below average prices will benefit U.S. oilseed and product exports in 2000/2001. (2) Weakness in the new crop soybean/corn futures price ratio will not curb U.S. soybean planting this spring in the corn belt, reflecting the favorable soybean/corn loan price ratio. (3) Depressed vegetable oil/grain price ratios could result in reduced planting of high oil-content oilseeds in a number of countries. (4) foreign demand for meal will continue to expand despite higher meal prices reflecting improved real income growth in a number of countries. (5) Despite depressed prices, vegetable oil commitments may lag until stocks peak and oil prices show evidence reversing the negative momentum.

KEY INDICATORS February U.S. indicators exceeding their respective 12-month trailing averages include: U.S. soybean exports and disappearance; the soybean crush margin; the hog/corn price ratio; the soybean/cotton price ratio; the meal/grain price ratios; U.S. soybean oil stocks; and also Malaysian palm oil stocks. In contrast, indicators that fell short of their respective 12-month trailing averages include: vegetable oil /grain price ratios; the wheat/corn price ratio; soybean oil as a share of soybean product value; and the value of the EURO in U.S. dollars.

FEBRUARY 2000 PRICE SUMMARY Cash prices for U.S. soybeans and meal showed counter seasonal strength, but corn rallied with above-normal strength. However, soybean oil prices showed larger than normal weakness on building stocks. All these prices were significantly below their respective monthly 10-year averages. Despite forecasts of reduced ending stock/use ratios for corn and soybeans this season, prices for both soybeans and corn remain below their respective February 1999 levels. Oil prices registered sharp counter seasonal weakness in relation to meal. The soybean/corn price ratio continued to weaken below its 10-year average. The February 2000 index of prices received for all U.S. farm products was up 2 percent from the previous month, but 4 percent less than a year ago.

Annual percentage changes in February U.S. prices for selected commodities include: 48-percent soybean meal, +31; coconut oil, +8; livestock & products, 0; soybeans, -1; corn, -4; soybean oil, -24; and palm oil, -43. February cash prices for most selected commodities, except soft oils, were all above their respective 12-month averages.

FEBRUARY 2000 PRICES - HISTORICAL PERSPECTIVE

Commodity prices & Price ratios	10-yr Feb. Hi	10-yr Feb. Lo	10-yr Feb. Av.	Feb. 1999	Feb. 2000
Soybeans at farm ($/bu)	7.38	4.80	6.02	4.80	4.75
Soybeans Nov. Fut. ($/bu)	7.23	5.12	6.23	5.12	5.30
Corn at farm ($/bu)	3.37	2.00	2.47	2.05	1.96
Soybean/corn ratio	2.78	2.08	2.45	2.34	2.42
48% Soy meal ($/s.t.)	262.4	132.3	187.8	132.3	170.5
Soy oil (cents/lb.)	28.8	18.9	23.2	20.0	15.1
Soy meal/corn ratio	2.77	1.81	2.13	1.81	2.44
Soy oil/meal ratio	3.72	1.71	2.54	3.02	1.77

IMPLICATIONS (1) Despite some recovery in meal prices, lower grain prices and improved hog prices will boost feed profitability and this could expand livestock product output and build meal demand in some countries. (2) However, higher meal/grain price ratios may curb meal feeding rates, particularly in the EU-15. (3) Despite indications of a below normal foreign oil ending stock/use coverage, the soybean oil/meal price ratio registered a large counter seasonal decline in February, reflecting a 13 percent increase in U.S. soybean oil stocks from the previous month to a level 33 percent above a year earlier. (4) Relative weakness in oil prices will not prevent a decline in U.S. vegetable oil exports unless foreign oil usage exceeds expectations or Malaysia's palm oil output expansion slows and stocks are worked to lower levels.

Feb. 2000 price changes with comparisons are as follows in percent:

Commodity Prices & Price Ratios	Feb. 10-yr High % dev. from 10-yr Avg.	Feb. 10-yr Low % dev. from 10-yr MY Avg.	Feb. 10-yr Av. % dev. from 10-yr MY Avg.	Feb. 00% Dev. from 99/00 MY Forecast
Soybeans at farm	**+23.2%**	**-19.9%**	**+0.5%**	**+1.1%**
Soybeans Nov. Fut.	**+16.8%**	**-17.3%**	**+0.6%**	**+8.7%**
Corn at farm	**+39.3%**	**-17.3%**	**+2.3%**	**+0.5%**
Soybean/corn ratio	**+11.8%**	**-16.6%**	**- 1.7%**	**- 2.0%**
48% Soy meal prices	**+35.5%**	**-31.7%**	**- 3.0%**	**+6.6%**
Soy meal/corn ratio	**+24.9%**	**-18.6%**	**- 4.0%**	**+3.3%**
Soybean oil prices	**+24.6%**	**-18.4%**	**0.0%**	**-2.6%**
Soy oil/meal ratio	**+51.5%**	**-30.5%**	**+3.4%**	**-8.6%**

In February 2000, U.S. prices for corn, soybeans and products were all below their respective 10-year averages for that month. The soybeans/corn and soybean oil/meal price ratios were also below their respective 10-year average, although the soybean meal/corn ratio recovered 35 percent during the last 12 months to a level somewhat above its long term average.

Longer term implications of the above changes:
*** Until the soybean/corn market price ratios recover above the U.S. soybean/corn loan ratio, U.S. producers will likely continue to expand soybean planting.
*** Despite recent expansion, U.S. soybean area accounts for only 41 percent of global soybean area and U.S. oilseed area accounts for less than 20 percent of global oilseed, compared with 50 percent and 24 percent, respectively in 1985.
*** Furthermore, the current season's average of U.S. oilseed yields is only 3.5 percent above its 10-year average. In contrast, foreign oilseed yields are expected to exceed their 10-year average by more than 10 percent.
*** Until oil/meal price ratios improve, producers of high oil content oilseeds will likely shift land from oilseeds to grain. The first evidence of this shift will be Canadian planting intentions. This will be a sharp contrast from this season when the 6.6 million-ton expansion in foreign rapeseed output more than offset the combined drop of 2.3 million tons in U.S. oilseed output and the 1.5-million decline in foreign output of all other oilseeds.

SOYBEANS NASS reported mid-February farm prices for soybeans at $4.75 per bushel, or 1 percent below the year earlier level and the lowest for that month since 1987. However, soybean prices scored above normal strength beginning in January when monthly prices pushed above its 12-month trailing average. This was triggered by less than expected Dec. 1, 1999 U.S. soybean stocks and a downward revision in the 1999 U.S. soybean production estimate which were both reported on January 12. Through December 1999, monthly soybean prices were below its 12-month average for 30 consecutive months. Prior to that during Feb-Jun 1997, monthly soybean prices exceeded the 12-month average for only 5 months. The February 2000 soybean price is the lowest since 1987. In March, the midpoint of the 1999/2000 U.S. farm soybean price forecast range was $4.70 per bushel, or 22 percent below its 10-year weighted average and the lowest since 1972/73.

CORN NASS reported mid-February farm prices for corn at $1.96 per bushel, or 4 percent below the year earlier level. However, monthly corn prices have exceeded its 12-month trailing for two months. Despite significant improvement since last October, the February 2000 corn price was the lowest for that month since 1988. In 1999/2000, the U.S. farm price for corn is forecast to average $1.90 per bushel, or 21 percent below its 10-year weighted average and the lowest since $1.50 per bushel in 1986/87.

SOYBEAN/CORN RATIO The U.S. soybean/corn price ratio has been trending lower since June. The February 2000 level at 2.42:1.0 was 3 percent above a year earlier, but 2 percent below the current forecast. On Mar. 2, 2000, cash price closes indicated a soybean/corn price ratio of 2.41:1.0, but year 2000 crop futures indicate that ratio at only 2.12:1.0.

OUTLOOK For the year 2000 crop, U.S. farmers are guaranteed a soybean/corn loan price ratio of $5.26/$1.89 (2.78:1.0), or much above the recent futures price ratios. Thus, we expect 2000 U.S. soybean plants to exceed last year's 73.8 million acres.

With record area, normal yields plus an above-normal carry-in, the year 2000 U.S. soybean supply could register a double digit percentage increase. If this large supply increase materializes, next year's U.S. ending stocks will sharply exceed this year's forecast of 45 days of total use, and reach the highest usage level since 78 days of use in 1987.

If that happens, soybean prices could continue at depressed levels for the foreseeable future. During the 1960's and 1970's, U.S. soybean prices rallied to new cyclical peaks every three or four years. Despite inflation, the 1996/97 peak in season average prices for U.S. soybeans at $7.35 per bushel failed to exceed the peak season average prices in previous inventory cycles in 1989, 1984, and 1981.

KEY INFLUENCES ON SOYBEAN PRICES (1) In Feb. 2000, the U.S. soybean price was 25 percent below its 1985-99 trend. During the same month, the CRB futures price index was only 5 percent below its 1985-99 trend. This may indicate that 80 percent of the negative deviation from trend was due to factors within the oilseed complex rather than exogenous factors, compared with only 40 percent a year ago.

Oilseed complex price shifters include changes in: [a] U.S. oilseed beginning stocks; [b] U.S. oilseed production; [c] Foreign oilseed beginning stocks; [d] Foreign oilseed production; [e] U.S. domestic demand for oilseed products; [f] Foreign demand for oilseed products; and [g] Oilseeds stocks in the U.S. and abroad, as shown below.

ITEM	98/99 MMT	99/00 MMT	00 Ch MMT	00 Ch %	89-98 Ann. Av. % Ch
U.S. Beg Oilseed Stk.	6.45	10.78	4.33	67%	-5%
U.S. Oilseed Prod.	84.37	82.10	-2.27	-3%	4%
For Beg Oilseed Stk.	18.26	17.27	-0.99	-5%	4%
For Oilseed Prod	208.42	213.65	5.23	3%	3%
World Oilseed Sup.	317.50	323.80	6.30	2%	3%
U.S. Oilseed Exp.	22.63	25.66	3.03	13%	3%
U.S. Oilseed Dom Use	58.08	57.74	-0.34	-1%	3%
U.S. Meal Dom Use	31.30	31.80	0.50	2%	3%
U.S. Meal Exp.	6.71	6.60	-0.11	-2%	5%
For Oilseed Use	231.37	240.16	8.79	4%	3%
World Oilseed End Stk.	28.05	25.78	-2.27	-8%	3%
For Oilseed End Stk.	17.27	15.75	-1.52	-9%	4%
U.S. Oilseed End Stk.	10.78	10.03	-0.75	-7%	2%

Key factors affecting soybean prices

Bearish U.S. oilseed carry-in stocks, this season were up 67 percent from a year earlier. The bulk of the increase was soybeans which increased 74 percent. In comparison, the U.S. grain carry-in was up only 33 percent with corn up 37 percent.

Bearish Last July, early estimates indicated U.S. oilseed supplies would increase 13 percent and results in a 46 percent increase in ending stocks, despite strong export recovery and above average expansion in global usage. Global oilseed stocks were forecast to increase 12 percent.

Bearish Foreign oilseed production, largely rapeseed, exceeded the July estimates for both 1998/99 and 1999/2000. Also, Malaysian palm oil output has exceeded the July forecast. These upward revisions pushed global oil ending stocks significantly above the July estimates for both 1998/99 and 1999/2000. This pressured vegetable oil prices below previous expectations.

Bullish Although current estimates show that 1998/99 global oilseed supplies slightly exceeded the July forecast, foreign usage also exceeded the July forecast. This boosted U.S. oilseed exports above the July estimate and together with a cut in the U.S. output estimate trimmed the 1998/99 carry-out 10 percent below the July forecast.

Bullish With less than previously estimated U.S. carry-in stocks the weather took its toll and trimmed 1999/2000 U.S. oilseed output 9 million tons below the July forecast and 2 million below last year.

Bullish After the Dec. 1, 1999 U.S. soybean stocks were reported on Jan.12 to be less than a year earlier, reflecting the downward revision in the 1999 soybean crop estimate, it became apparent that this season's U.S. oilseed carry-out would fall short of a year earlier. That improved soybean price prospects, but too late for many farmers to benefit because U.S. soybean producers marketed 65 percent of the 1999 crop during Sept-Jan. 1999-2000.

Bearish U.S. oil stocks continue to build, as Malaysian palm oil output continued at full throttle with a 30 percent increase during the 12 months ending January. This is hurting oil prices and U.S. oil exports.

Bullish The low oil prices will likely curb planting of high oil content oilseeds as producers in Canada, the EU-15 and Australia shift toward grain.

Bearish This is key. U.S. soybean planting intentions, which will be reported on Mar. 31, will likely increase somewhat and with normal weather will produce a double digit increase in output. In that event, next year's carry-out would increase significantly and trim prices to lower levels. However, the final outcome will depend heavily on the weather which has been known for surprises.

IN Summary The factors above are interrelated and move in lead-lag patterns, the full impact of which will take months to unfold. The expected increase in U.S. soybean planting is already factored into future's prices, but yields are uncertain. Expanded U.S. soybean output could cut oilseed/grain price ratios and possibly boost grain planting in 2000. That will help U.S. oilseed exports, but any year in which U.S. soybean stocks increase is bearish for soybean prices.

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