

Situation and Outlook

1999/2000 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 1999/2000, along with discussion on the United States, can be found in the summary. Detailed country specific forecasts for 1999/2000 will be available beginning in July.

SUMMARY

U.S. oilseed supply and use prospects for 1999/2000 are little changed this month. Prospects still point to a record carryover in 1999/2000 of 17.6 million tons for all oilseeds, with soybean ending stocks forecast at 16.2 million tons. The most significant changes this month are a lower soybean oil export forecast and a larger buildup in soybean oil carryover stocks for 1999/2000. Stocks are forecast to reach about 928,000 tons, up 114,000 tons from last month and 340,000 tons from 1998/99. Sharply higher estimates for Malaysian palm oil production for 1998/99 and prospects for a large gain in 1999/2000 are expected to provide stiff competition for soybean oil exports in the months ahead. A cut in India's oilseed crops for 1998/99 is supporting strong vegetable oil imports and moderating the initial impact of the surge in palm oil production on soybean oil exports.

For 1998/99, U.S. export prospects for both soybean oil and soybean meal are reduced, while domestic use prospects are increased. The main factor cutting U.S. meal exports this month is a reduction in China's forecast imports of 300,000 tons, to 2.5 million tons. Turkey's imports are reduced also, while small increases are made for the EU and some East Asian countries. Slight cuts to soybean and soybean meal exports from South America help to moderate the impact of lower import demand on U.S. exports.

Soybean producer prices for 1999/2000 are unchanged this month at \$3.95 to \$4.75 per bushel, but are below 1998/99's revised estimate of \$5.00 per bushel. Soybean oil prices are revised down 1.5 cents per pound to 16.5 to 19.5 cents for 1999/2000 compared to a season-average price of 20.25 cents for 1998/99. Soybean meal prices for 1999/2000 are unchanged from last month at \$120 to \$140 per short ton.

Global 1999/2000 oilseed production prospects are unchanged this month at 298 million tons. Global 1998/99 production is reduced 387,000 tons to 291.7 million tons, reflecting mainly cuts to foreign peanut and sunflowerseed production. World soybean production, at 157.2 million tons in 1998/99, is essentially unchanged as reductions in Argentina, Paraguay, and Italy are offset by an increase of 500,000 tons in India's soybean crop.

Soybeans

World soybean production forecast at 157.2 million tons for 1998/99 was virtually unchanged in total this month following forecast adjustments for some of the major producers. Production is forecast lower in Argentina and Paraguay due to adverse weather earlier in the season and at harvest that has caused quality and production losses. In Italy, soybean farmers of the Po valley, where cultivation of both soybeans and corn is concentrated, switched land to corn to improve returns due to reduced EU aids and unfavorable market prices. South Africa's soybean production forecast was lowered in response to reduced yields from drought conditions. These reductions more than offset a 500,000 ton increase in India's production forecast to 6.0 million tons.

World soybean trade this month was highlighted by weak demand as the reduction in Brazil's and South Africa's import forecast overshadowed increased import forecasts for Italy, Indonesia, Thailand and Turkey. Brazil's import forecast was reduced in response to larger supplies based on a 1.0-million ton increase in its 1997/98 production estimate this month. While, for South Africa, a smaller soybean import forecast reflects a switch from soybeans to soybean meal attributed to favorable world meal prices. As indicated by official export data to date, Indonesia and Thailand soybean imports are showing a recovery from the economic crisis. Thailand's soybean import forecast was raised 8 percent this month to 650,000 which also represents an 8 percent increase from last year's estimate. Italy's larger import forecast reflects its reduced production forecast. The world soybean export forecast was reduced slightly reflecting a 150,000-ton reduction in Brazil's export forecast.

The world soybean ending stocks forecast was reduced this month to 25.7 million tons in response to a reduction in Argentina's supplies. This reduction offsets a 2 percent increase in Brazil's ending stocks this month attributed to an upward revision in last year's crop.

World soybean meal trade projections for 1998/99 continue to highlight South America's strong export potential despite a downward adjustment in Brazil's export forecast. The region's large export position is supported by a 22 percent year to year gain in Argentina's export forecast. Both the United States' and Brazil's export forecasts were reduced this month, but the reduction was partially offset by a 150,000-ton increase in India's export forecast to 3.1 million tons.

Global soybean meal demand reflects some weakness this month although import forecasts were increased for Spain, Korea, Thailand, The Philippines and South Africa. China's import forecast was lowered 2 percent based on reduced trade activities over recent months. Soybean meal demand in Algeria was lowered to 280,000 tons, down 80,000 tons from last month's forecast. Germany's soybean meal import forecast was reduced 100,000 tons this month to 1.96 million tons based on official export data.

The world soybean oil trade situation reflects a reduced U.S. export forecast this month driven by a slower export pace over recent weeks. World soybean oil import demand was reduced slightly, but includes larger import forecasts for Turkey and Tunisia at 25,000 tons and 15,000 tons, respectively. The reduced world soybean oil import forecast this month represents, in part, changes based on a larger palm oil supply and export forecast. Soybean oil import demand was reduced for Bangladesh down 25,000 tons to 300,000 tons, Pakistan down 20,000 tons to

255,000 tons, Russia down 25,000 tons to 40,000 tons, and South Africa down 21,000 tons to 50,000 tons.

Other Oilseeds

World oilseed production for 1998/99, excluding soybeans, was reduced 383,000 tons in June to 134.5 million tons primarily due to lower peanut and sunflowerseed production forecasts partially offset by an improved palm kernel production forecast. Peanut production was reduced 314,000 tons to 28.8 million tons in response to reduced production in India. India's peanut production forecast was reduced 450,000 tons to 7.5 million tons as yields were reduced from earlier levels. Argentine peanut production was reduced an additional 50,000 tons to 425,000 due to poor growing conditions. Total Argentine peanut production is down 200,000 tons or one-third from last season's excellent harvest.

World sunflowerseed production for 1998/99 was reduced 158,000 tons this month to 25.5 million tons. Reduced output in France, Italy, and India more than offset improved yields in South Africa. South African production is up 105,000 this month to a record 945,000 tons, an increase of nearly one-third compared to 1997/98. Recent deregulation of the agriculture sector has allowed growers to diversify away from corn production thereby allowing for an increase in planted sunflowerseed area.

With the lower production forecast, both world export and import forecasts for oilseeds, excluding soybeans, was reduced. Exports were reduced 194,000 tons to 15.3 million tons while imports were reduced 149,000 tons to 15.2 million tons. Lower peanut, sunflowerseed, and copra trade expected in 1998/99 accounted for much of the decline.

World oilseed crush, excluding soybeans, was reduced 789,000 tons to 105.7 million tons. Declines in world peanut and sunflowerseed production played a part in this month's lower oilseed crush. However, a 500,000-ton decline in India's rapeseed crush accounted for a large portion of this month's decline. Reports out of India indicate that growers, dissatisfied with current rapeseed prices, are likely to hold a portion of this season's crop from the market in anticipation of better returns in the coming year. This in turn helped boost world oilseed ending stocks, excluding soybeans, to 3.9 million tons, up 667,000 tons from last month and nearly 700,000 tons above the year earlier level.

Global production of protein meals for 1998/99, excluding soybean meal, was reduced 466,000 tons to 58.4 million tons this month. Reductions in rapeseed, sunflowerseed, and peanut led the way. Forecast production of palm kernel meal was up 74,000 tons for the month in response to an increase in palm kernel production in Malaysia. This increase represents a rebound following the severe drought during the past El Nino event. With the general decline in meal production forecast this month, both world exports and imports of protein meals, excluding soybean meal, were also lower. Exports were reduced 244,000 tons to 15.4 million tons this month following declines in sunflowerseed and peanut meal production. Imports were also reduced 345,000 tons to 15.2 million tons with declines in rapeseed, sunflowerseed, peanut, and copra imports. Total

consumption of protein meals, excluding soybean meal, was reduced 611,000 tons and led by reduced rapeseed meal consumption in India.

The world vegetable and marine oil production forecast for 1998/99, excluding soybean oil, was increased 69,000 tons to 57.3 million tons this month as world palm oil production was increased 400,000 tons. Total world palm oil production is forecast to reach 18.8 million tons this year, up 10 percent from last year and accounting for nearly 56 percent of the total increase in vegetable and marine oil supplies this year. Rapeseed, sunflowerseed, and peanut oil production forecasts were reduced this month in response to the reduced crush noted earlier, but production of all three remain between 7 and 9 percent above the year earlier levels. 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 107,000 tons to 23.2 million tons while imports rose 36,000 tons to 22.9 million tons. The palm oil export forecast was increased 308,000 tons this month to 11.8 million tons while the import forecast was increased 337,000 tons to 11.8 million tons.

Forecast vegetable and marine oil consumption, excluding soybean oil, was reduced this month in response to a reduction in sunflowerseed and rapeseed oil consumption. Forecast palm oil consumption was increased 319,000 tons this month to 18.6 million tons in response to the expected increased supplies of palm oil. The 1998/99 vegetable and marine oil ending stocks forecast, excluding soybean oil, was increased slightly this month to 4.7 million tons. Increased palm oil stocks, up 102,000 tons to 1.9 million tons more than offset a lower sunflowerseed oil stock forecast this month.

Jim L. Matthews (202) 720-5448
Floudia Bradley (202) 720-2257
William V. George (202) 720-6234
