

## Situation and Outlook

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### SUMMARY

U.S. oilseed supply prospects for 1999/2000 are down from last month as hot dry weather in the South Central and Eastern United States has reduced yield prospects. Soybean yields are forecast at 2.63 tons per hectare (39.2 bushels per acre), 0.06 tons below last month's trend indication. Forecast soybean production of 78.1 million tons is down 782,000 tons from July but still a record. A slightly smaller carryin and modest declines in projected exports and crush this month result in ending stocks of 14.7 million tons, down 1.4 million tons from last month but above the previous record carryout of 14.6 million tons in 1985/86.

Reduced U.S. soybean supplies and firmer soybean meal prices this month are projected to cut exports of soybean meal in 1999/2000. Nevertheless, soybean meal exports, projected at 7.3 million tons, are sharply ahead of the year-earlier level, aided by expectations for lower soybean crops abroad and strengthening demand, particularly in Asian markets. Domestic soybean meal use is projected to rise less than 2 percent as growth in high-protein-consuming animal units slows. U.S. soybean oil use prospects are unchanged this month but ending stocks are up 22 million tons to a record 1.1 million tons.

U.S. season-average farm prices are projected at \$4.10 to \$4.90 per bushel, up 20 cents from last month. Soybean meal prices are increased by \$7.50 per short ton to \$130 to \$155 per ton. Soybean oil price prospects of 15.0 to 18.0 cents per pound are unchanged this month.

World oilseed production for 1999/2000 is projected at 298.5 million tons, off 2.6 million tons from last month but still a record and up 6.9 million tons from last year. U.S. oilseed crops are up 4.3 million tons from last year to a projected record 89.1 million tons, despite a reduction of 2 million tons this month. Other U.S. oilseed crops are up slightly from last month, with modest gains in peanuts and sunflowerseed partially offset by a decline for cottonseed. Foreign oilseed projected production, at 209.4 million tons, is off 0.6 million tons from last month but up nearly 3 million tons from last year, characterized by gains in nearly every oilseed except soybeans. Palm oil production of 20.6 million tons is unchanged from last month but up nearly 7 percent from 1998/99. Foreign oilseed production cuts this month are mainly in China, with the rapeseed crop down 0.3 million tons to 9.7 million tons and the cottonseed crop off 0.4 million tons.

Global trade and use for oilseeds and products for 1999/2000 reflect generally strong consumption growth for both protein meals and vegetable oils but only modest growth in trade as many producer/importer countries such as India and China are projected to recover from reduced crops in 1998/99. Soybean and product trade projections this month reflect several major but largely offsetting changes for both 1998/99 and 1999/2000, with little impact on global consumption. For the EU, soybean imports and crush are cut noticeably while soybean meal imports are increased and soybean oil exports reduced. Argentina's soybean imports and crush

are increased, along with product exports. Other significant changes for both years include downward revisions for China's soybean meal imports and consumption.

## **Soybeans**

World soybean production in 1999/00 is forecast at 157.24 million tons, reflecting a slight reduction in U.S. soybean production from last month based on the first survey-based production estimate from NASS. World soybean exports are slightly lower this month due to a 2 percent cut in the U.S. estimate reflecting the smaller anticipated supplies this month compared to last month. Reduced import prospects for Germany, the Netherlands and Belgium-Luxembourg more than offset increased import forecasts for Taiwan to lower forecast world imports. World soybean ending stocks for 1999/00 were reduced 7 percent to 25.8 million tons reflecting a 1.4 million ton decrease in ending stocks in the U.S. and a slight reduction in South America's ending stocks in response to a smaller carry in forecast for Argentina.

World soybean meal exports in 1999/00 are forecast at 40.2 million tons, up slightly as a 4 percent reduction in U.S. exports were more than offset by increases for India and Argentina. The global soybean meal import projection of 40.2 million tons includes a reduction in China's soybean meal import demand from last month's projection that is offset by a higher import estimate for the EU. The EU's soybean meal use forecast continues to reflect fairly low soybean meal prices coupled with policy changes that banned the use of bone meal in feed rations. China's soybean meal import estimate was lowered to 1.9 million tons for last year and the forecast marketing year reflecting slow import performance partially attributed to the value-added tax being reimposed on soybean meal. The global soybean oil situation for 1999/00 is virtually unchanged this month as a 10 percent cut in the EU's export forecast to 1.4 million tons more than offsets a larger export forecast for Argentina. The aforementioned drop in soybean imports and larger imports of soybean meal in the EU will result in smaller exportable supplies of soybean oil.

## **Other Oilseeds**

World oilseed production for 1998/99, excluding soybeans, was reduced 787,000 tons in August to 141.3 million tons in response to lower forecast world cottonseed and rapeseed production. World cottonseed production was reduced 646,000 tons to 34.1 million tons in response to lower forecasts for the United States, China, and Uzbekistan. Despite the declines this month, world cottonseed production is expected to increase nearly 5 percent compared to 1998/99. Production in the United States is expected to climb nearly 29 percent to 6.3 million tons as growers return to cotton production and growing conditions improve over last season. China's cottonseed production forecast for 1999/2000 is currently 7.5 million tons, 8 percent below a year earlier.

The world rapeseed production forecast was reduced 250,000 tons this month in response to lower forecast production in China. Production in China for 1999 is forecast to reach 9.7 million tons, down 300,000 tons from the July forecast while still 17 percent ahead of last year. Strong demand for vegetable oil in China has helped keep rapeseed returns high prompting the increase in production.

World oilseed trade, excluding soybeans, was increased this month in response to an increase in expected rapeseed imports by China. Though total imports for the year are expected to be reduced from 1998/99, rapeseed imports for China are expected to reach 1.3 million tons, up 100,000 tons from the July forecast. Similarly, Canada's rapeseed export forecast was raised 100,000 tons for the month to 2.8 million tons as Canada has been the principal beneficiary of strong import demand by China.

Forecast world oilseed crush, excluding soybeans, was reduced 205,000 tons in August to 112.1 million tons. Lower rapeseed and cottonseed crush forecasts account for much of the decline. World cottonseed crush, forecast at 25.6 million tons for 1999/2000, was reduced 100,000 tons from the previous month's figure due to the lower supply forecast. However, year-to-year crush is expected to remain higher, rising 4 percent compared to 1998/99 due to the improved crop outlook in the United States. The world rapeseed crush forecast, at 36.1 million tons, was reduced 150,000 tons this month due to a drop in China's production forecast. Forecast world oilseed ending stocks, excluding soybeans, was reduced 237,000 tons to 4.4 million tons. A 227,000-ton decline in the U.S. cottonseed ending stocks forecast and a 100,000-ton decline in Canada's rapeseed ending stocks forecast account for much of this decline. Despite the decline in stocks this month, total oilseed ending stocks for 1999/2000, excluding soybeans, are forecast 6 percent above last year.

With a reduction in forecast cottonseed and rapeseed supplies this month, forecast meal and oil production was reduced. Forecast world protein meal production, excluding soybean meal, was reduced 141,000 tons this month to 62.0 million tons. Cottonseed meal production, at 11.9 million tons, and rapeseed meal production, at 21.7 million tons, were reduced 56,000 and 100,000 tons respectively and account for most of the change in production this month. However, total meal production, excluding soybean meal, is still expected to rise nearly 7 percent compared to 1998/99. World protein meal consumption, excluding soybean meal, was reduced 57,000 tons to 61.6 million tons due to reduced cottonseed and rapeseed meal supplies. The reduction was smaller than the decline in production, offset partially by an increase in world fishmeal consumption.

Forecast world vegetable and marine oil production, excluding soybean oil, was reduced 53,000 tons to 61.0 million tons. Rapeseed oil production, at 13.3 million tons, was reduced 84,000 tons from last month's forecast. Reduced crush in China accounts for most of the decline this month. Cottonseed oil production, at 3.8 million tons, was also reduced 18,000 tons in August. Offsetting these declines was an increase in palm kernel oil production, up 36,000 tons to 2.6 million tons. Trade and consumption of vegetable and marine oils, excluding soybean oil, remained relatively unchanged this month. Increased consumption of imported sunflowerseed oil in Spain offset reduced consumption of rapeseed and cottonseed oil in China resulting in a world vegetable and marine oil consumption forecast, excluding soybean oil, of 60.4 million tons, unchanged from July.

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