

Fats & Oils News

World oilseed production declines

The drought-induced reduction of U.S. soybean production during 1983 has broken the trend in recent years of ever-increasing world supplies of oilseeds and fats and oils.

"The biggest story this year in the world of oilseeds is the obvious contrast with the situation that existed one year ago," Richard T. McDonnell, deputy director of the oilseeds division of the U.S. Department of Agriculture's Foreign Agricultural Service said during the USDA's annual outlook conference held in Washington this past November. Oilseed production is down 16.4 million metric tons, he said (Table I).

USDA statistics on potential world fats and oils production (Table II) show a reduction of less than 1% from 1982/83, primarily because of the oilseed stocks carried into the 1983/84 marketing year. Potential production of edible vegetable oils, fish oil and butter is estimated at 50,060,000 metric tons, compared to 50,254,000 metric tons for 1982/83. *Oil World*, a German fats and oils publication, estimates 1982/83 production of those fats and oils at 49,044,000 metric tons and forecasts 1983/84 production at 51,186,000 metric tons (Table III). *Oil World* estimates total supplies (which would include fats and oils stocks on hand at the start of the marketing year) at 53,549,000 metric tons for 1983/84 compared to 56,571,000 metric tons for 1982/83.

Existing stocks of oilseeds, fats and oils will be reduced during the current market year. Industry observers, therefore, are trying to project what stocks will be next fall, the size of the South American soybean harvest during the first half of 1984 and the potential 1984 U.S. oilseed harvest.

The Brazilian 1984 soybean crop was being forecast at 15 to 16 million metric tons, compared to the 1983 harvest of about 14.75 million metric tons. Those estimates were being made as planting began under favorable conditions with apparently adequate seed supplies for increased soybean acreage. If weather or other factors reduce the South American crop, oilseed stocks at the end of the 1983/84 marketing year could be extremely small. Analysts expect an increase in U.S. oilseed acreage for the 1984 crop year, but this will be affected by price ratios between oilseeds and competing crops at planting time.

In October, the USDA estimated world oilseed production at nearly 179.2 million metric tons for 1982/83 versus 162.8 million metric tons forecast for 1983/1984. U.S. soybean production is expected to drop 19.4 million metric tons below that of 1982/83.

However, McDonnell added, demand still is weak. "Last year, we thought we'd see some turnaround in the world economic situation. Except for the recent upturn in the U.S., that hasn't occurred. We don't see much improvement on the horizon for 1983/84," he said, citing the strong U.S. dollar and balance of payment problems for some key consuming countries.

McDonnell predicted worldwide soybean meal consumption will fall by 5% and there will be a 300,000 metric ton drop in soybean oil consumption, the first such decline in recent years. McDonnell said increased consumption of

TABLE I

World Supply and Use for Major Oilseeds and Products
(in million metric tons)

	1982/83 (preliminary)	1983/84 (forecast)
Production:		
Soybeans	93.9	77.3
Others	85.3	85.5
Total	179.2	162.8
Consumption:		
Soy protein meal	61.0	57.9
Other protein meal	36.4	36.3
Total protein meal	97.4	94.2
Soybean oil	13.4	13.1
Palm oil	5.8	6.3
Other oils	23.7	23.9
Total oils	42.9	43.3
Year-end oilseed stocks:		
Soybean	13.1	5.1
Other	3.1	2.3
Total stocks	16.2	7.5

TABLE II

Potential World Production for Selected Fats and Oils^{a,d}
(in 1,000 metric tons)

	1981/82	1982/83 ^b	1983/84 ^c
Edible vegetable:			
Soybean	13,019	13,464	12,794
Cottonseed	3,463	3,329	3,322
Peanut	3,689	3,309	3,542
Sunflowerseed	5,067	5,769	6,015
Rapeseed	4,608	5,358	5,135
Olive	1,292	2,056	1,318
Coconut	2,847	2,587	2,549
Palm kernel	694	761	842
Palm	5,960	5,723	6,530
Total	40,639	42,356	42,047
Industrial:			
Linseed	711	870	739
Marine oils:			
Fish	1,309	1,072	1,076
Animal fats:			
Butter (fat content)	6,339	6,826	6,937
Tallow and grease	6,161	6,241	6,253
Total (fats and oils)	55,159	57,365	57,052

^aSplit year includes Northern Hemisphere crops harvested in the late months of the first year shown combined with Southern Hemisphere and certain Northern Hemisphere crops harvested in the early months of the following year. Animal, marine, and palm products are calendar year estimates for the second year shown.

^bPreliminary.

^cForecast.

^dOil production calculated from assumed extraction rates represent potential not actual production.

Source: Counselor and attache reports, official statistics, FAS Washington estimates.

Date: October 1983

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TABLE III

Worldwide Production of Fats and Oils (in 1,000 metric tons)

	1973/74	1981/82	1982/83	1983/84
Soybean oil	7,667	13,127	13,945	12,912
Cottonseed	3,015	3,254	3,155	3,059
Peanut	2,515	2,914	2,528	2,557
Sunflowerseed	4,166	5,210	5,895	5,918
Rapeseed	2,361	4,607	5,091	5,259
Olive	1,567	1,583	2,160	1,444
Coconut	2,044	2,871	2,726	2,488
Palm kernel	432	682	762	873
Palm	2,440	5,517	5,417	6,190
Fish	938	1,219	1,009	1,062
Butter (fat content)	5,248	5,884	6,356	6,424
Total	32,393	46,868	49,044	51,186

Source: *Oil World*, Sept. 30, 1983. Figures for 1982/83 are preliminary, figures for 1983/84 are forecasts.

palm and other oils is expected to offset the decline in soy oil consumption. "Overall, world consumption of major vegetable and fish oils will decline by slightly less than 1%," he said.

To meet projected consumption, world soybean stocks are expected to fall by 8 million metric tons, with carryover soybean stocks for 1983/84 representing less than one month's crush, McDonnell said. At the end of 1982/83, estimates showed more than two months' crush on hand. "If our forecasts are right, U.S. carryout (soybean) stocks at the end of 1983/84 will represent 6.7% of this year's total use of soybeans," McDonnell said.

U.S. soybean exports are expected to decline by 5 million metric tons. South American production is expected to increase 1.8 million metric tons. Exports from Brazil, Argentina and Paraguay are forecast to increase 1.2 million metric tons. McDonnell said the major cutbacks in soybean imports are expected to occur in the European Community, Spain and Mexico. "Higher prices are expected to reduce usage of soybean meal and oil in the European Community which will lower soybean import demand. Consequently, EC soybean imports are forecast to decline by about 900,000 tons," McDonnell said, adding, "This comes after a 1.4 million ton fall in EC soybean imports in 1982/83." Spain is expected to reduce imports by 650,000 metric tons while Mexico may cut down imports by 500,000 metric tons.

McDonnell said crush is expected to fall 3.7 million metric tons in the U.S. and 700,000 tons in the EC, to the lowest level since 1976/77.

World soybean meal exports are forecast to decline by about 700,000 metric tons with U.S. meal exports projected to fall by 1.2 million metric tons. Brazilian and Argentine meal exports are expected to total 10.1 million tons, or 700,000 tons over last year.

On the soybean oil scene, McDonnell said a large reduction in Indian soybean oil imports, from 450,000 tons in 1982/83 to 325,000 tons in 1983/84, is anticipated due to a good Indian peanut harvest and increased palm oil imports. Reduced soybean oil imports also are forecast for the USSR, due to improved Soviet oilseed production, and in Eastern Europe, due to financial difficulties. U.S. soybean oil exports are projected to decline by just over 200,000

TABLE IV

Production of Major Oilseeds by Main Producing Countries (in 1,000 metric tons)

	Average 1977/78 through 1981/82	1982/83 (preliminary)	1983/84 (forecast)
Soybean			
United States	52,777	60,677	42,286
Brazil	12,594	14,750	15,300
China	7,908	9,030	9,500
Argentina	3,530	3,570	4,700
Paraguay	531	500	625
Others	4,757	5,386	5,843
Total	82,099	93,913	72,254
Cottonseed			
USSR	4,874	5,000	5,507
China	4,839	7,196	7,400
United States	4,797	4,304	2,755
India	2,658	2,685	2,770
Pakistan	1,287	1,603	1,700
Others	7,060	6,441	6,898
Total	25,514	27,229	27,030
Peanut			
India	6,061	5,500	7,000
China	2,915	3,916	3,900
United States	1,627	1,560	1,324
Senegal	759	955	650
Sudan	902	1,000	1,000
Brazil	390	225	260
South Africa	250	80	280
Total	17,493	17,575	19,000
Sunflowerseed			
USSR	5,189	5,300	5,500
Argentina	1,584	2,200	2,500
United States	2,082	2,493	1,482
Eastern Europe	2,079	2,173	1,931
Others	2,840	4,277	5,017
Total	13,774	16,443	16,430
Rapeseed			
India	1,861	2,500	2,500
China	2,380	5,656	4,400
Canada	2,640	2,246	2,676
Eastern Europe	1,148	1,079	1,344
EC	1,469	2,642	2,468
Others	930	1,003	1,127
Total	10,428	15,126	14,515
Flaxseed			
India	446	475	450
Argentina	673	730	650
USSR	233	150	210
Canada	590	734	476
United States	257	296	188
Others	261	174	200
Total	2,460	2,559	2,174

Split year includes northern hemisphere crop harvested in the late months of the year shown combined with southern hemisphere and certain northern hemisphere crops harvested in the early months of the following year.

Source: USDA FAS Foreign Agriculture Circular (FOP 10-83) Oilseeds and Products, October 1983.

tons whereas Brazilian and Argentine oil exports are expected to be up approximately 130,000 tons.

Speaking on the domestic outlook, Roger Hoskin, agricultural economist with USDA's Economic Research Service, said the percentage decline in soybean production was the greatest for any year since 1936. He cited the payment-in-kind (PIK) program and the drought as reasons for the decline in soybean production to 1.52 billion bushels (nearly 41.3 million metric tons), down from

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2.2 billion bushels. Noting that prices ordinarily are lowest during and immediately after harvest and then rise to a peak in the following quarter, Hoskin said the 1983 pattern would depend on how tightly farmers hold onto their harvest, the pace of exports and livestock slaughter, the corn price pattern and 1984 production prospects.

Hoskin projected U.S. soybean meal use at 23.5 million short tons in 1983/84, with exports in the 5.7 million ton range. Hoskin credited the expected decline in domestic use to an anticipated drop in livestock production. Soybean meal prices for 1983/84, meanwhile, are projected between \$230 and \$250 a ton, a sharp increase over the \$187 averaged for 1982/83.

Hoskin forecast domestic soybean oil consumption at 9.75 billion pounds (4 million metric tons), down slightly from 9.85 billion pounds in 1982/83. He said oil exports are expected to decline by a quarter to 1.5 billion pounds, with stocks falling by nearly half, to 795 million pounds.

Noting that cottonseed and sunflowerseed oil are also in short supply with prices sharply higher than a year ago, Hoskin said the U.S. might increase palm oil imports. "In 1980/81, when soybean oil production declined, palm oil sold at discount to soybean oil for three months, a reversal of normal circumstances. As a result, palm oil imports increased sharply and remained high until spring 1981. Such a situation could be repeated in 1983/84."

In his talk, McDonnell had noted that the sunflowerseed crop reduction of nearly 1 million metric tons, representing 40%, was more dramatic than the soybean crop shortfall. McDonnell projected that sunflowerseed exports to the three primary markets—EC, Portugal and Mexico—would be reduced.

Meanwhile, McDonnell said the U.S. normally exports more than half of the cottonseed oil produced, the bulk going to Venezuela, Egypt, Japan and the Dominican Republic. He said both cottonseed oil production and exports would be down sharply in 1983/84. Hoskin esti-

mated cottonseed production at 30.4 million tons (2.75 million metric tons) and sunflowerseed at 1.5 million metric tons for 1983/84.

U.S. peanuts, in addition, were affected by the drought, with production off 15% from the 1982 level. McDonnell said peanut exports, on a shelled basis, would probably be about 215,000 metric tons in 1983/84 as opposed to 232,000 tons in 1982/83.

Predicting corn oil production to rise 5% to 1.02 billion pounds in 1983/84, Hoskin said palm and corn oil could help relieve some of the tightness in the oils market.

Noting that corn prices have an important influence on soybean prices, Hoskin said the season average price for corn is forecast between \$3.40 and \$3.80 a bushel and soybean prices are expected to be between \$8.85 and \$9.35, based on projected stock-to-use ratio, in line with the USDA forecast price of \$8.50 to \$9.50. A decline in corn prices or a large 1984 soybean crop, however, could drop soybean prices to the lower end of the range.

Hoskin said the proportion of soybean-to-corn acreage will depend heavily on relative prices at planting time. Admitting that forecasts now are tenuous, Hoskin said U.S. soybean acreage in 1984 could range between 70 and 73 million acres. If yields are at or near trend, this could mean production of over 2.2 billion bushels. "Production in the 2 billion range would certainly push down prices probably as early as next summer," Hoskin said.

The third oilseeds speaker, Professor J. William Uhrig of the Agricultural Economics Department at Purdue University, said farmers this fall had been bullish, holding for higher soybean prices. Admitting that some rationing would have to occur, Uhrig said he didn't believe it would happen at harvest but could occur perhaps early in 1984. Uhrig said the market will be volatile until the 1984 production is more assured and the size of the Brazilian crop is known. The strength of demand will also be crucial.

Soy crush volume rises

The United States' soybean processing industry continued to operate at increased capacity during the third quarter of 1983, producing increasing amounts of oil and meal.

Statistics from the National Soybean Processor's Association (NSPA) show a total crush of 252,631,000 bushels, up about 18% over the same quarter the previous year. NSPA plants were operated at 66.92% of capacity for the

third quarter of 1983, compared to 56.70% capacity in the same quarter of 1982.

Oil and meal yield were both higher. For 1983, oil yield was 10.88 pounds per bushel, compared to 10.76 the previous year; 1983 meal yield was 47.72 pounds per bushel, compared to 47.11 the previous year.

U.S. Soybean Crush—Third Quarter 1983

	Total capacity (thousand bushels)	Total crush	% capacity	Oil produced (thousand lbs)	Oil yield	Meal produced (thousand tons)	Meal yield
July	127,197	81,556	64.12	886,089	10.86	1,936	47.47
August	127,197	84,954	66.79	921,364	10.85	2,026	47.69
September	123,094	86,121	69.96	941,597	10.93	2,066	47.99
Total for quarter		252,631	66.92	2,749,050	10.88	6,028	47.72