World Outlook

Alan Holz, Oilseeds and Products Division, Foreign Agricultural Services, U.S. Department of Agriculture

MEAL

World production and exports of oilseeds and meals are expected to establish all-time highs in 1979. The gains are expected to be substantially less than those of 1978. Foreign availabilities of oilseeds and meals for export will likely recover following declines in 1977 and 1978. The recovery reflects expanded oilseed plantings in Brazil, Argentina and Canada as well as expected inprovement in 1979 Brazilian soybean yields following last year's drought.

In 1978 apparent foreign meal consumption was up sharply because of increased supplies at lower prices. This is resulting in a super large gain in U.S. exports. Foreign stocks in key exporting countries such as Brazil are now nearly depleted. Thus foreign meal customers must now depend largely on U.S. supplies until southern hemisphere 1979 crop availabilities become available in March-April 1979.

In 1979, growth in foreign demand for meal is expected to be significantly less than in 1978 due to somewhat higher prices as well as a higher meal/grain price ratio outside the European Community. We anticipate that part of the expanded 1979 foreign meal production will remain in the producing countries to replenish stocks. Combined U.S. exports of oilseeds and meals, in terms of soybean meal equivalent, may reach 1978's record volume.

Although potential world meal output is expected to continue above trend in 1979, meal prices are expected to remain above those of a year ago, reflecting the weakness in the value of the U.S. dollar relative to several major foreign currencies that has cheapened the prices for U.S. products to foreign consumers in terms of their own currency. In addition, animal numbers in most foreign markets have expanded and livestock feed profitability ratios continue to be favorable. Also of key importance is the fact that at current prices, meal in the European Community is still competitively priced in relation to grain.

More than 80% of the growth in world meal production and 70% of the growth in world exports will be in the form of soybeans and meal. The lion's share of the export gains will likely be in soybeans as such, since crushing margins are favorable and European crushing capacity is expanding.

OIL

In the oil sector, new records are expected in 1979, both for potential world production and trade. The gain will be in the foreign sector with potential U.S. oil output indicated to dip slightly, reflecting reduced estimates for animal fats and cottonseed oil. The indicated expansion in foreign oil production includes soybean oil from 1979 crops in Brazil and Argentina, 1978 crop rapeseed oil in Canada, 1978 crop peanut oil in Senegal, as well as 1979 palm oil in West Malaysia, Indonesia and Sabah. The last time annual world oil output registered consecutive above trend levels was in 1971 and 1972.

World exports of oilseeds and oils are forecast to register a fourth consecutive above trend gain in 1979. The gain is expected to be from the foreign sector, with U.S. trade declining slightly following the sharp gain achieved in 1978. Increased movements of soybeans and oil, in terms of oil, are expected to account for over one-third of the gain in world exports of oilseeds, oils and fats. Most other expected gains in oil exports will be as palm, rapeseed, peanut and sunflower. Exports of coconut oil and tallow and greases will likely decline from their 1978 levels. Unless oil imports by India, the People's Republic of China and other developing countries continue to expand significantly, the meal sector is expected to be the pace setter in the world oilseed complex in 1979.

Anticipated expansion in Southern Hemisphere 1979 soybean crop accounts for 68% of the net gain in aggregate world meal output and virtually all of the forecast gain in world meal exports. On the oil side, the forecast gain in Southern Hemisphere 1979 soybean output accounts for one-third of the indicated gain in aggregate world oil production and nearly one-half of the expected gain in world oil equivalent exports. If the weather adversely affects the upcoming soybean harvest in Brazil and Argentina, foreign consumers would need to draw more heavily on U.S. exports. Even though our Southern Hemisphere forecasts are on track, possible shifts in Brazilian export policy as well as shipping delays in Argentina could cause U.S. exports to exceed the current estimates.

Current 1978-79 forecasts of oil and meal production include the following key crop estimates:

Canadian rapeseed production is now estimated at 3.15 million tons, up nearly 1.2 million tons or 60% above the 1977 volume.

India's 1978 peanut crop is now estimated at 5.8 million tons, in-shell basis, compared with the 6.1 million ton upward revised estimate for 1977.

Senegal's 1978 commercial peanut crop is believed to be about 870,000 tons compared with only 345,000 tons in 1977.

Soviet 1978 sunflowerseed production is now estimated to be in the magnitude of 6.0 million tons or slightly above the 5.9 million harvested in 1977.

Brazilian 1979 soybean crop harvest is forecast at 13.5 million tons, up 3.5 million above the drought-affected 1978 volume.

Argentine 1979 crop soybean production is indicated at 3.2 million tons, up 600,000 tons from the 1978 estimate.

West Malaysia's 1979 palm oil production is forecast at a record large 1.85 million tons, up 350,000 tons or 23% from the below trend 1978 estimate.

In calendar 1979, Philippine copra output is forecast to decline to 2.35 million tons, down more than 10% or 300,000 tons below the record large 1978 estimate.

World pressed olive oil output in 1978-79 is estimated at 1.5 million tons up 12% or 168,000 tons above the 1977-78 level.

Aggregate animal fat output in calendar 1979 is expected to fall below trend, declining slightly from the record large 1978 volume of 14.6 million tons.

Peru's calendar 1979 fishmeal and oil output is forecast to continue about unchanged from the estimated 1978 levels of 485,000 tons and 100,000 tons, respectively. Catch restrictions reportedly must continue in order to rebuild fish stocks.

MORE FOREIGN SOYBEANS EXPECTED IN 1979

The major foreign producers/exporters of soybeans are Brazil and Argentina. In 1979 soybeans in these countries are estimated to account for 12.3 million tons of meal output and 2.7 million tons of oil output. That's only a small proportion of world meal and oil output. But these countries will export such a large proportion of their output that the gain, if it materializes, will represent a substantial part of the gain in world exports.

Soybean plantings in these countries have expanded simply because farmers there find this crop more profitable than grain. This reflects the fact that average grain yields

there are substantially less than those achieved in the United States. Double cropping soybeans with wheat has added to this expansion. Sharp expansion in Brazilian soybean crushing capacity has boosted product exports at the expense of soybean exports. In Argentina the sharp expansion in plantings has temporarily outrun crushing capacity. Thus most of her exports have been directly as beans.

During the next decade, if corn production technology can boost yeilds enough in these countries, it is possible that Southern Hemisphere soybean producers will switch more land back to corn, depending on the relative profitability of these crops.

INDIA'S VEGETABLE OIL SITUATION

India's combined vegetable oil production in 1979, based on estimated 1978 harvests, will increase slightly from 1978 production. In 1965 India, with a population of 482 million, produced 2.92 million metric tons of oil for a per capita production of 6 kilos. In 1975 production had risen to 3.14 million metric tons for 613 million people, or 5.1 kilos per capita. During 1978, vegetable oil production was 3.28 million metric tons for 662 million people, or 5.0 kilos per capita. The estimated 1979 production of 3.33 million metric tons for an estimated 678 million people represents a per capita production of 4.9 kilos. Given continued availability of foreign exchange, India's vegetable oil imports have no way to go but up.

LESS COCONUT OIL

Despite increased exports of copra and coconut oil from the Philippines, coconut oil prices have been very strong in relation to other oils. Part of the price strength reflects the fact that Indonesian coconut oil demand is now outrunning supply. To stabilize prices in that country, a substantial volume of cooking oil must be imported; coconut is the preferred oil. There also have been reports of large movements of coconut oil to the Soviet Union. Add to this the fact that exportable supplies from the Philippines will likely decline in 1979 due to the lagged effects of reduced rainfall and you have high prices.

Over the longer term, there are reports that copra production in the Philippines and Indonesia should register substantial gains as new high yielding hybrid trees begin bearing. Although palm kernel oil availabilities will continue their upward trend, no substantial production gains for lauric acid oils seem likely before the 1980s. This could cause some lauric acid oil users to seek other supply sources where this is possible.

MORE PALM OIL

Many who were pessimistic about the huge glut of palm oil that made inroads into the United States' traditional markets were surprised a few months ago when palm oil prices moved at a premium to soybean oil. Apparently, West Malaysia's 1978 palm oil production this year will fall 10% below the Palm Oil Growers Council forecast. Although their forecast seemed optimistic, the dip in January-June palm oil output was unprecedented.

West Malaysia's palm oil output dipped by 13%, or 139,000 tons, during the October 1977-June 1978 period despite an estimated 12% expansion in mature tree numbers. Apparently the yield reduction reflected the lagged effect of below normal rainfall. However, exports for the same nine-month period increased by about 2%.

Beginning in July 1978, there was a sharp recovery in West Malaysia's palm oil output, and substantial gains will likely continue with calendar 1979 output forecast at 1.85 million tons, up 23%, or 250,000 tons, above the 1978 estimate. Sharp export gains could follow in 1979. However, it should be noted that Malaysia's quarterly export pattern has differed significantly from that of production because of her expanded capacity to hold stocks.

The shortfall in Malaysian palm oil output was not the only factor that turned the palm oil market around. The huge gains in India's palm oil imports from Malaysia may not only have reduced shipping costs compared with those to Europe and the United States, but the reduced flow to these markets was no doubt constructive for prices.

Over the longer term, the growth rate in palm oil production, chiefly from Malaysia, will continue to outpace aggregate world fats and oils production. By 1985 the resulting export availability in the producing countries is expected to account for over one-fifth of aggregate world fats and oils exports, compared with only 12% in 1977. To what extent countries like India and the People's Republic of China will boost their vegetable oil imports in the next decade will impact greatly on consumer prices and producer profits.

WHAT'S HAPPENING IN THE PEOPLE'S REPUBLIC OF CHINA

Little solid information exists on this huge country; in fact, we find it difficult even to nail down a population series for the country. All we have to work with are estimates from U.S. Agricultural Attache reports and USDA research, trade data from reporting trade partners, weather data and composite value judgments concerning oil extraction rates and the proportion of various oilseeds crops available for crushing and/or export.

Given the above, it appears that no significant gains are believed to have been made by the PRC in domestic fats and oils production in recent years. Aggregate estimates of fats and oils production with population comparisons are in Table I.

TABLE I

	Estimated fats and oils output (In 1,000 metric tons)	Population (In millions)	Per capita production (In kilos)
1965	2.16	710	3.0
1970	2.16	772	2.8
1975	2.81	839	3.3
1977	2.70	866	3.1
1978	2.75	880	3.1
1979	2.82	894	3.2

In 1972, the PRC imported about 2,000 metric tons of soybeans from Brazil and 10,000 metric tons of soybean oil from the United States. In 1973 the PRC imported 198,000 tons of beans and 58,000 tons of oil from the U.S., followed by 570,000 tons of beans in 1974. In 1975 and 1976, all the PRC inported was a total of 57,000 tons of beans and 16,000 tons of oil from Brazil and none from the U.S. During 1977 soybean imports totaled 47,000 tons from the U.S. and 309,000 from Brazil, while oil imports totaled 62,000 tons from the U.S. and 73,000 tons from Brazil. ●