World Fats & Oils Report

Production exceeds 52 million MT

World production of the major vegetable and marine oils in 1987/88 may exceed 52 million metric tons (MT), up 1.76 million MT over the previous year. Increases are expected for all oils except peanut and coconut (Table 1).

The U.S. Department of Agriculture (USDA) figures for 1987/88 oil production, in million MT (with last year's levels in parentheses), include the following: soybeans, 15.26 (15.1); palm, 8.4 (8.1); sunflowerseed, 7.15 (6.6); rapeseed, 7.47 (6.78); cottonseed, 3.34 (3.05); peanut, 2.82 (3.11); coconut, 2.71 (2.99); olive, 1.71 (1.64); fish, 1.41 (1.34); palm kernel, 1.13 (1.09); and linseed, 0.66 (0.64).

Most of palm oil's recovery is due to improved Malaysian output. Half of the world's palm oil production will be exported from Malaysia this year. Although Malaysia will remain the world's dominant oil exporter, USDA said, "The chaos which currently plagues world oilseed trade" is the greatest obstacle facing the palm oil industry. "Unlike the decade of the 1970s when oilseed trade was largely done in a free market setting, trade in the 1980s is increasingly being determined by government policies and export subsidies," USDA said, adding that nations such as Malaysia, without specific trade subsidies, will need to lower prices to hold market shares.

The U.S. government's own Export Enhancement Program (EEP) has been a major factor affecting the ability of Malaysia and other nations to trade in fats and oils during the past year. EEP, according to USDA, was "designed to allow U.S. exporters to compete against subsidizing countries, especially the European Economic Community (EEC), and to encourage U.S. trading partners to begin serious negotiations on trade problems. The EEP was applied to vegetable oils to signal disapproval of EEC policies subsidizing vegetable oil production." Among the countries eligible this year for oil subsidized under EEP have been Algeria, Morocco, Tunisia, Turkey and India.

West German, Dutch and Spanish oil processors say their oil exports have been hurt by EEP because they must offer their oils at a discount. From October 1987 to June 1988, exports of five major oils from France, The Netherlands, West Germany, Spain and the United Kingdom rose to 2.07 million MT, a 100,000 MT increase compared to last year, *Oil World* said. However, without EEP, exports might have risen 18%, or 350,000 MT. According to Brazil's Association of Vegetable Oil Industries, EEP could cost its members $1 billion in 1988. As of mid-May, Brazil's export registrations of oil and soybeans were well below last year's levels. Argentina also reportedly has begun to feel the effects of EEP.

European processors also claim that EEP is responsible for low

TABLE 1

World Production of Oils (in million metric tons)

Oil	1983/84	1986/87	1987/88
Soybean	12.77	15.10	15.26
Palm	6.29	8.10	8.40
Rapeseed	4.86	6.78	7.47
Sunflowerseed	5.45	6.60	7.15
Cottonseed	2.95	3.05	3.34
Peanut	2.93	3.11	2.82
Coconut	2.77	2.99	2.71
Olive	1.64	1.54	1.71
Fish	1.49	1.34	1.41
Palm kernel	0.80	1.09	1.13
Linseed	0.67	0.64	0.66
Total[a]	42.13	50.34	52.06

[a]Totals for individual oils, when added, may not equal overall totals due to rounding.

Source: U.S. Department of Agriculture's Foreign Agricultural Service Circular Series FOP 6-88, *World Oilseed Situation and Market Highlights.*

crush margins which, in turn, have caused longer-than-normal summer shutdowns of crushing facilities. Growth in European oilseed crushings has slowed steadily since July/Sept 1987, when the growth rate was 16%. In October/December 1987, it was 13%, and according to *Oil World*, it fell to 8% in January/March 1988. *Oil World* also projected growth to be 4% in the April/June quarter. Even with a slowing growth rate, total West European crush was forecast at a record 20.41 million MT from October 1987 to June 1988.

In a survey of 41 countries, *Oil World* found an overall slowdown in soybean crush and increases in sunflowerseed, cottonseed and rapeseed crush in the third quarter of this marketing year. The EEC and Brazil accounted for much of the soybean crush decline. EEC's crush dropped from nearly 3.34 million MT in April/June 1987 to 3.27 million MT in April/June 1988. Brazil crushed only 4.86 million MT of soybeans, compared with 4.97 million MT for the same period last year (Table 2).

Meanwhile, USDA expects that EEP and other export programs will return the U.S. to status as a net exporter and will bring 1987/88 oil export levels to 1.5 million MT—80% higher than last year (Table 3). USDA recently announced it would spend $10 million on an export program for sunflowerseed oil for yet unannounced target markets. The program is similar to EEP except that exporters receive bonuses or subsidies in the form of crude sunflowerseed oil rather than as Commodity Credit Corporation (CCC) certificates.

FEDIOL, which represents EEC oilseed crushers, has proposed a countervailing tax on U.S. soybean meal imports as a retaliatory measure to EEP. However, some say that tax is contrary to GATT and, thus, a tax on oilmeal consumption is more likely to occur. Discussion of the oils and fats tax continues in the EEC and some believe it will be reintroduced again.

World consumption of vegetable and marine oils is forecast to reach 51.52 million MT this year,

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TABLE 2

Selected Crush Figures for 1986/87 and 1987/88 (in thousand metric tons)

	April-June 1987	April-June 1988	October 1986/June 1987	October 1987/June 1988
EEC				
Soybeans	3,337	3,270	10,609	11,070
Rapeseed	984	1,291	3,090	4,056
Sunflowerseed	847	916	2,875	3,177
Argentina				
Soybeans	1,475	1,617	2,934	3,156
Sunflowerseed	645	944	1,948	2,182
Brazil				
Soybeans	4,970	4,860	9,841	9,055
The Philippines				
Copra	444	320	1,759	1,361
U.S.A.				
Soybeans	7,670	8,002	25,158	25,384
Sunflowerseed	105	220	515	765
Cottonseed	472	800	1,934	2,637
U.S.S.R.				
Sunflowerseed	956	1,165	3,995	4,398
Cottonseed	829	1.010	3.070	3,090
Soybeans	465	610	1,018	1,455

Source: June 16, 1988, issue of *Oil World Statistics Update.*

TABLE 3

U.S. Export of Vegetable Oils for the First Half of the 1986/87 and 1987/88 Marketing Years (in metric tons)

Oil	October 1986/February 1987	October 1987/February 1988
Soybean	141,883	308,383
Sunflowerseed	52,009	160,777
Cottonseed	35,089	65,215
Linseed	932	1,281
Peanut	924	1,227
Other	30,518	51,930
Totals	305,707	649,895

Source: U.S. Department of Agriculture's Foreign Agricultural Service Circular Series, FOP 5-88, *World Oilseed Situation and Market Highlights.*

TABLE 4

South Asian Oil Production, Consumption and Import Levels for 1987/88 (in thousand metric tons)

	India	Pakistan	Bangladesh
Production	2,739	379	85
Consumption	4,729	1,219	381
Imports	1,980	825	310
Palm oil	1,100	450	140
Rapeseed oil	400	—	—
Soybean oil	400	350	150

Source: U.S. Department of Agriculture's Foreign Agricultural Service Circular Series, FOP 6-88, *World Oilseed Situation and Market Highlights.*

Drought affects outlook

Dry conditions in North America in the early part of the growing season and the threat of a continued drought through July, a crucial month for U.S. soybeans, caused soybean prices to skyrocket this summer at the Chicago Board of Trade and trading centers around the world. At the end of June, the American Soybean Association's (ASA) newsletter *Soybean Update* reported speculation that soybean prices could surpass the $12.90-per-bushel mark.

The soybean-producing states in the midwestern U.S. and Canada's primary rapeseed areas—Saskatchewan, Alberta and Manitoba—will bear the brunt of losses if drought conditions continue. Assuming there will be rain, *Oil World* has forecast total U.S. 1988/89 oilseed production at 57.4 million metric tons (MT) and Canadian production at 5.8 million MT.

Oil World has lowered its 1988/89 world oilseed production forecast to 202.2 million MT for the eight major oilseeds. The German publication estimated 1987/88 output at 199.53 million MT; USDA's 1987/88 forecast is 205.02 million MT.

If world oilseed production reaches an anticipated 205 million MT, it will be the first time over the 200 million MT hurdle and the first time soybean production exceeds 100 million MT. Total production could be 10.7 million MT higher than last year and 40 million MT higher than in 1983/84. Since the 1983/84 marketing year, rapeseed output has increased 60% and sunflowerseed production rose 32%; soybeans, meanwhile, have registered a 22.9% rise (Table 1).

In addition to 102.24 million MT of soybeans, growers are expected to harvest 30.66 million MT of cottonseed, 22.87 million MT of rapeseed, 20.48 million MT of sunflowerseed, 19.35 million MT of peanuts, 4.44 million MT of copra, 2.64 million MT of palm kernel and 2.34 million MT of flaxseed. Only peanuts and flaxseed production decreased compared with 1986/87. Drought in India, the world major peanut producer, was responsible for most of the peanut decline. Lower production in Canada and Argentina reduced flaxseed levels.

Oil World and other sources have said Western Europe's oilseed production will not continue to rise next year. Growers are less likely to expand production now that the European Economic Community (EEC) has established maximum levels for which it will pay subsidies. EEC production of rapeseed, sunflowerseed and soybeans in 1987/88 was estimated at 9.44 million MT.

TABLE 1

World Production of Oilseeds, Copra and Palm Kernel (in million metric tons)

Commodity	1983/84	1986/87	1987/88
Soybeans	83.17	97.92	102.24
Cottonseed	25.25	27.15	30.66
Rapeseed	14.26	19.50	22.87
Sunflowerseed	15.51	19.25	20.48
Peanut	18.84	20.46	19.35
Copra	3.73	4.80	4.44
Palm kernel	2.06	2.52	2.64
Flaxseed	2.14	2.69	2.34
Total[a]	165.01	194.29	205.02

[a]Totals for individual commodities, when added, may not equal overall totals due to rounding.

Source: U.S. Department of Agriculture's Foreign Agricultural Service Circular Series FOP 6-88, *World Oilseed Situation and Market Highlights.*

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a 3.5% increase over last year. Consumption rose by nearly 6% in South Asia (India, Pakistan and Bangladesh; Table 4). Most of the increase was attributed to more imports. China, the world's largest consumer, will use more than 5 million MT of fats and oils this year.

Also, ending stocks of oil and seed will be lower than last year. Oilseed ending stocks, forecast at 21.1 million MT, are down 2.22 million MT from 1986/87, and oil stocks should drop to 5.63 million MT, the lowest ending stock level since 1984. Only cottonseed, rapeseed, rapeseed oil and linseed oil will have ending stock levels higher than last year.

The country summaries that follow are based primarily on reports filed with the Foreign Agricultural Service by agricultural officers at embassies around the world. This information was supplemented with data from other USDA reports and from *Oil World.*

Argentina

Preliminary harvest figures indicate Argentina's 1988/89 record oilseed crop surpassed 13 million MT. Soybean production for 1988 was forecast at 9 million MT, 2 million MT more than last year, and sunflowerseed production totaled 2.8 million MT, a recovery from last year, but still well below the 4.1 million MT harvested in 1985/86. Argentina also will produce 295,000 MT of peanuts and 550,000 MT of flaxseed.

Soybeans, the country's most important oilseed crop, have taken over the corn belt; soybean area for 1988 was estimated at 4.3 million hectares, surpassing corn by 1.4 million hectares. The trend toward increased soybean production could push Argentina's total annual soybean output to 10 million MT in 1990.

According to USDA, approximately one-fourth of Argentina's total export earnings come from soybeans, soy oil and soy meal. This year, Argentina will export 2.2 million MT of soybeans, 4.6 million MT of soy meal and a near record 1 million MT of soy oil. In 1987,

the country exported 1.29 million MT of soybeans, 3.54 million MT of soy meal and 818,000 MT of soy oil. Other exports for this year include 200,000 MT of sunflowerseed, 1.1 million MT of sunflowerseed meal, 700,000 MT of sunflowerseed oil, 100,000 MT of peanuts, 31,000 MT of peanut meal, 51,000 MT of peanut oil, 15,000 MT of flaxseed, 330,000 MT of linseed meal and 158,000 MT of linseed oil.

Exports should continue at a steady pace now that the private sector has taken over ports previously managed by the government. Storage facilites also are increasing. Estimates indicate Argentina can store about 90% of its harvest. In the past, Argentina had been forced to export at harvest due to limited storage. Crush capacity likewise is expanding, but this year's crush could push the nation's 11 million MT capacity to its limits; the soybean and sunflowerseed crush combined could reach nearly 9 million MT.

In response to a Section 301 trade suit filed by the U.S., the Argentine government in January raised its export taxes to 4.5% on soybean meal and oil. These include a 3% export tax plus a 1.5% tax on the value of the exported products to fund the National Agricultural Research Institute. The 1988 export taxes, which are scheduled at 11% for soybeans, 12% for flaxseed and peanuts and 10% for sunflowerseed, are all lower than last year. Even though crushers complain that the narrowing of the differential export taxes will leave them little profit, they still are expected to crush more than 70% of the soybean crop for export.

Austria

Total oilseed production in Austria is expected to more than triple from 28,000 MT in 1986/87 to 100,000 MT this year. Rapeseed could account for 65,000 MT of the total; sunflowerseed will make up the balance, USDA said.

USDA described the Austrian government's plan to increase rapeseed production as "fairly successful," but noted that in order to save funds and not drive up yields, the government will limit subsidies on yields greater than 2.8 MT per hectare.

In its efforts to reduce grain output, the Austrian government continues to give more support to oilseed and pulse production. However, further expansion of oilseed area will be difficult, USDA said, noting that climate and a lack of suitable soils limit sunflower area. Rapeseed area could be expanded, but current production levels meet domestic needs. To increase demand for rapeseed oil, the Austrian government is sponsoring research geared at developing tractor fuel from rapeseed oil. A pilot plant is processing methyl alcohol and rapeseed oil, but the fuel is not economical.

Soybean production is negligible, with USDA forecasting a soybean area of no more than 5,000 hectares in 1988. Area is expected to increase next year.

Austria is expected to import 540,000 MT of oilmeals this year; meal import levels could fall to 441,000 MT in 1988/89 after the nation's first crushing facility goes on-line. *Oil World* has reported the facility will be in operation in the first quarter of 1989. Total crush capacity is set at 150,000 MT.

Projected domestic rapeseed and sunflowerseed meal production, along with increased pulse production, could compete with soybean meal imports which are forecast to decrease to 400,000 MT in 1988/89, from this year's projected 475,000 MT. No rapeseed or sunflowerseed meal imports are expected for next year, but 1988/89 fish meal and linseed meal import figures are close to this year's levels of 10,000 and 32,000 MT, respectively.

Oil imports for 1987/88 are projected at 88,000 MT, including 30,000 MT of rapeseed oil, 29,000 MT of sunflowerseed oil, 22,000 MT of soybean oil, 6,000 MT of coconut oil and 1,000 MT of linseed oil. Next year, soybean oil-import levels will remain the same, but sunflowereed oil-import levels could fall to 4,000 MT. Forecasting that Austria will not import rapeseed oil, USDA noted that Hungary will most likely be harmed by Austrian domestic oil production because it is Austria's main supplier of sunflowerseed and rapeseed oil.

Belgium

Belgium's crushing picture shows a decline in total crush and a shift to rapeseed and sunflowerseed at the expense of soybeans. In 1986/87, Belgian processors used more than 80% of their capacity to crush a record 2.09 million MT of seed. This year, crush is anticipated to fall to 2.06 million MT and next year, to 2.05 million MT.

Approximately 1.34 million MT of soybeans were crushed during 1986/87; next year, soybean crush is forecast at 1.25 million MT. During the same period, sunflowerseed crush will increase from 212,000 MT to 275,000 MT, and rapeseed crush will hold steady at 475,000 MT per year.

According to USDA, Belgium used 75% of its soybean crush capacity in 1986/87, compared to 87% in 1984/85. Last year, 91% of the nation's soft seed crush capacity was used. All soft seed capacity and about 69% of soybean capacity are expected to be used in 1989.

Changing crush patterns are altering import trends. Soybean imports have dropped to 1.37 million MT, from 1.48 million MT in 1986/87; next year, soybean imports are expected to drop further. Soybean imports from Latin America and greater production in the European Economic Community (EEC) present the largest challenge to U.S. soybean exports. Rapeseed and sunflowerseed imports, set for 487,000 MT and 240,000 MT, respectively, are both down.

Despite a decline in crush, oil production should increase to 538,000 MT next year. This year's 534,000 MT output includes 226,000 MT of soybean oil, 190,000 MT of rapeseed oil, 100,000 MT of sunflowerseed oil and 18,000 MT of linseed oil. In 1984, soybean oil represented 68% of total production; in 1989, it may account for 40%. Soybean's decline relative to rapeseed and sunflowerseed has been attributed to crushing margins and EEC policies. About 1.46 million MT of meal will be produced.

Domestic production remains marginal compared to the nation's requirements and total EEC production. Rapeseed production will make up 12,000 MT of this year's 19,000 MT oilseed harvest. Flaxseed represents the balance.

Belgium will export 1.28 million MT of meal and 494,000 MT of oil in 1987/88. Soy oil exports to countries outside the EEC could be hampered by competition from the U.S. Export Enhancement Program. Total meal imports are up slightly to 1.26 million MT; meanwhile, 314,000 MT of oil will be exported.

Domestic oil consumption, estimated at 362,000 MT, has reached a saturation point. Although consumption is not expected to change much, there will be greater substitution of oils. In 1987, rapeseed, sunflowerseed, fish and corn oils challenged soybean oil. This year and next, rapeseed and sunflowerseed oil will be soybean oil's greatest competitors.

Bolivia

Better prices, availability of credit and improved transportation are expected to boost Bolivian oilseed production. These factors caused USDA to predict in early forecasts that soybean output would reach 120,000 MT in 1987/88 and 140,000 MT in 1988/89. In 1986/87, 81,000 MT of soybeans were produced. Cottonseed production figures for this year and next were set at 8,000 MT.

This year, processors offered credit to Bolivian growers for seed, the government offered production loans, and the crushing industry and the producers' associations reportedly have an agreement in which producers offer seed to domestic crushers first in exchange for competitive world prices.

Crush capacity in Santa Cruz, the main production area, is 130,000 MT. However, plants there and in other regions of the country are under-utilized. USDA estimated 113,000 MT of seed will be crushed as margins move toward the breakeven point. Although hurt by contraband vegetable oil imports from Argentina and Peru, crushers have been encouraged by increased soybean meal demand from the domestic poultry industry.

Also, the export potential has been enhanced with the government's reintroduction of a 10% refund. According to USDA, this acts as an export subsidy because it helps Bolivia's soybean and soybean meal exporters offset the cost disadvantages involved in shipping the product to ports.

Work on the Puerto Quijano facility, funded by the Agency for International Development and the Empresa Central Aguirre, was to be completed by June 1988. As a

result, crops can be barged down the Paraguay River to Argentina rather than the more costly transport by train through Brazil to a deepwater port. Exports will be only 35,000 MT of soybean meal and 10,000 MT of soybeans this year but could rise to 50,000 MT and 20,000 MT, respectively, next year.

A World Bank study carried out last year concluded that soybean area could expand to 1.5 million hectares, allowing Bolivia to become a significant exporter. However, USDA said that level of expansion is not likely due to limitations on capital, management capabilites, labor and transportation costs. Some land development will occur when Bolivia receives scheduled development loans.

Even though per capita income is declining, demand for vegetable oils is increasing. Approximately 23,000 MT of vegetable oil will be consumed this year. Demand for margarine and shortening as substitutes for imported butter and lard is particularly strong.

Brazil

Brazil's 1988 oilseed harvest has been forecast at nearly 20 million MT, a recovery from last year's 18.6 million MT harvest, but still slightly below the 1985 record 20.4 million MT harvest. Cottonseed production increased by 31% to 1.425 million MT, and soybean output reached an estimated 17.6 million MT. The increased production has been attributed partly to better prices for cotton and soybeans during planting. Peanut production declined 15% from last year's 195,000 MT harvest because peanut growers switched to more profitable soybeans.

Private sector interests—mainly agricultural cooperatives, the fertilizer industry and crushers—are carrying out a soybean yield improvement campaign in Rio Grande do Sol. Although this is the largest soybean-producing state in Brazil, its yields are below the national average. The goal is to bring yields up to 3 MT per hectare by 1990, but many producers don't believe this will be possible without better imputs and conservation practices. Some sources say the government must provide growers with credits if the campaign is to succeed.

There also is interest in developing sunflowerseed area in Rio Grande do Sol, with talk of increasing the area from the current 4,000 hectares to 200,000-300,000 hectares in the next 10 years. Supporters of sunflowerseed production say the crop will allow growers more production diversity, and sunflowerseed could provide oil in January and February, traditionally a time when soybean oil is in short supply.

Although soybean production is up 300,000 MT, soybean, soy oil and soy meal exports are all down. Brazil will export approximately 2.7 million MT of soybeans compared with 3.27 million MT in 1987. About 7.7 million MT of soy meal and 700,000 MT of soy oil will be exported; these levels are down 67,000 MT and 38,000 MT, respectively.

Brazilian oil exporters are concerned that their soy oil exports to India may be hindered by competition from U.S. oil traded under the Export Enhancement Program (EEP). Brazil's trade policy traditionally has been liberal, with beans and products exported freely, and probably will remain so, except for periods when the government chooses to limit export registrations to maintain stocks for domestic demand.

In 1987, Brazil imported 500,000 MT of soybeans, 60,000 MT of soy oil, 5,000 MT of peanuts and 1,000 MT of palm kernel oil to meet domestic needs. Oilseed and oilseed product imports for this year are expected to include 200,000 MT of soybeans, 50,000 MT of soybean oil and 10,000 MT of peanuts.

Meal and oil consumption are projected to decline slightly as inflation increases. Inflation, which was 65% in 1986, could rise above 400% this year. Total oil consumption is forecast at 1.928 million MT, down 5,000 MT from 1987. Vegetable oil consumption decreased by 12% in 1987 compared with the year before. Total meal consumption in 1988 is forecast at 3.47 million MT.

Canada

Record yields for canola and soybeans could push total Canadian oilseed production to 5.96 million MT in 1987/88. Canola production, at an estimated 3.85 million MT, was 34% above the 10-year average, and next year's output could be a record 4.2 million MT.

USDA also has forecast Canadian growers will produce nearly 1.27 million MT of soybeans this marketing year—310,000 MT more than last year.

Poor prices caused Canadian flaxseed growers to reduce production. Preliminary figures indicate this year's flaxseed output will drop to 788,000 MT, down from 1.03 million MT in 1986/87. The downward trend is expected to continue through next year. Canada, however, remains the largest flaxseed producer in the world.

Good growing conditions and a relatively disease-free crop boosted sunflowerseed production to 52,000 MT. Peanut production is climbing slowly, with the current crop estimated at 800 MT. The first commercial peanut crop was planted in 1980/81 as an alternative to tobacco.

Oilseed exports, however, are not keeping pace with the production increase. Total oilseed exports for 1987/88 are projected at 2.7 million MT, lagging behind the record 1986/87 levels as canola shipments to Japan, Mexico and Europe drop. Canola exports for this year are forecast at 1.8 million MT, down from 2.13 million MT. In 1986/87, Japan accounted for 78% of total canola seed exports, and Mexico imported nearly seven times the amount of canola it imported in 1984/85. Much of the lag in imports in the early part of this year was attributed to reduced Japanese demand due to an oil surplus. Mexican processors, meanwhile, are forecast to import more Argentine sunflowerseed. These factors are considered temporary, and export levels should rebound next year. Canada will be a net exporter of soy-

beans this year, with exports estimated at a record 250,000 MT.

The Canadian Export Development Corporation has expressed interest in increasing export credit guarantees for agricultural products. All oilseeds and products are eligible for short-term (up to 360 days) and medium-term (up to three years) export credit guarantees. Guarantees cover 95% of commercial and 100% of political risks. Such credit guarantees have been used in canola sales to Mexico.

"Recognizing the current difficulties facing western farmers," the Canadian government also announced a new assistance program to aid canola producers who ship their crops to western Canada. This takes the place of rights granted under the Western Grain Transportation Act (WGTA) which allowed producers to send canola and canola products across Canada at reduced rates. Some estimate that elimination of the WGTA freight subsidies would have nearly quadrupled the cost of moving products to West Coast ports. Under the Canada/U.S. Trade Agreement, the WGTA subsidies on shipments to the U.S. through western ports are to be eliminated on Jan. 1, 1989.

Despite a decline in oilseed exports, demand for meal and oil for domestic consumption and for export, particularly for canola products, spurred a crushing boom in the early part of the marketing year. From August to February, domestic crush ran almost 8% above the record 1986/87 level.

Total domestic crush is forecast at 2.66 million MT, up from 2.56 million MT last year. Canola crush could reach 1.6 million MT this marketing year. Canada will produce 645,000 MT of canola oil, 170,000 MT of soybean oil, 12,000 MT of sunflowerseed oil, 10,000 MT of linseed oil and 10,000 MT of fish oil. About 1.78 million MT of meal will be produced. Of the 280,000 MT of canola oil scheduled for export this year, about 87,000 MT will go to the U.S. The granting of generally recognized as safe (GRAS) status has caused exports to the U.S. to rise from 4,000 MT in 1984 to a projected 100,000 MT in 1988/89.

In the oilseeds research sector, USDA said a Canadian seed company is trying to adapt an Australian flaxseed variety to Canadian growing conditions. The Linola variety contains lower levels of linoleic acid which causes linseed oil to turn rancid rapidly, thus decreasing its suitability as an edible oil. Linola is seen as a possible alternative to canola in crop rotations. Meanwhile, the newly established Flax Council of Canada is trying to improve the industrial market for linseed oil as well as to develop new edible linseed products such as flour and cooking oil.

Chile

A decline in wheat area, continuation of a protective import policy and favorable prices encouraged growers to increase oilseed area and output in 1988, USDA said, predicting this trend will continue in 1989. Production in 1988 is forecast at 144,000 MT, up from 112,000 MT in 1987. Next year, an estimated 90,000 hectares will be planted, with a forecast harvest of 148,000 MT.

Most of the increase this year is attributed to a substitution of rapeseed for wheat and sugar beets; rapeseed production is expected to reach an estimated 100,000 MT. Sunflowerseed production, meanwhile, is forecast at 44,000 MT, approximately 10,000 MT more than in 1987. That rise is attributed to the availability of more varieties suited to shorter growing seasons, allowing sunflowerseed to be double-cropped with wheat.

Chile's vegetable oil import price band policy, put in effect in 1984, has been effective in increasing domestic oilseed, oil and meal production. Last year, the government added an import price band on oilseeds to protect domestic oilseed producers after domestic crushers tried to import seed. The floor level for the price band is based on a five-year moving average of international crude oil prices. As other members of the ALADI group—Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela—are given a discount on import duties, most of Chile's imported oil comes from those countries, with Paraguay, Brazil and Argentina the major suppliers. A total of 44,000 MT oil will be imported this year, nearly all of it soybean oil.

Fish oil and fish meal, the dominant sources of oil and meal in Chile, have been affected adversely in recent years due to El Niño and a prohibition on the expansion of the national fishing fleet as a method to conserve fish supplies. Despite this, total oil production is forecast to increase to 260,000 MT. Fish oil production will hold steady at last year's level of 170,000 MT. In addition, 42,000 MT of rapeseed oil, 18,000 MT of sunflowerseed oil and 18,000 MT of safflowerseed oil will be produced. Oil consumption is increasing as the economy improves.

China

This year, China is expected to produce more than 33 million MT of oilseeds, 2 million MT more than in 1986/87. However, the nation still will import 926,000 MT of oil and 450,000 MT of seed to meet oil demand.

Total oil consumption is projected to reach 5.05 million MT, nearly 500,000 MT more than last year. Even with the larger oilseed harvest and an increase in oil imports, per capita oil consumption is less than five kilograms per person annually in some parts of the country, USDA said. In urban areas, the government's oil ration is six kilograms per person.

The 1987/88 harvests for soybeans, cottonseed, rapeseed, peanuts and sesameseed, estimated at 12 million MT, 7.1 million MT, 6.73 million MT, 6.17 million MT and 600,000 MT, respectively, were all above the 1986/87 levels. Sunflowerseed production, however, fell to 1.35 million MT this year. Output could recover to 1.45 million MT next year because the government has raised the sunflowerseed purchase price. Early projections indicate production of all major oilseeds will improve next year.

China's export/import and crushing trends are changing as the demand for meal and oil grows. The pressure to export agricultural products to earn hard currency has lightened due to rising domestic demand, USDA said. China will remain a net oilseed exporter—this year's exports are projected at 1.83 million MT, of which 1.3 million MT are soybeans—but net export levels should be lower than last year. Export projections for the four major crops are as follows (with the 1986/87 figures in parentheses): soybeans, 1.3 million MT (1.75 million MT); peanuts, 380,000 MT (398,000 MT); cottonseed, 100,000 MT (80,000 MT); and rapeseed, 40,000 MT (40,000 MT). Only soybeans will be imported, with the level forecast at 450,000 MT, 258,000 MT more than last year.

Total oil imports, estimated at 926,000 MT, are 90,000 MT higher this year than last year. Palm and soybean oils, which will be imported in equal amounts, represent about 750,000 MT of the total; rapeseed oil imports are forecast at 125,000 MT. Oil exports, projected at 120,000 MT, will include 60,000 MT of peanut oil, 30,000 MT of sunflowerseed oil, 20,000 MT of rapeseed oil and 10,000 MT of cottonseed oil. Imports are constrained by limited port and refining capacities. Oil production is set for 4.2 million MT, nearly half of which is rapeseed oil.

Crushers are beginning to crush a larger percentage of the domestic soybean crop for meal rather than using it for food. Now, about a third of the domestic soybean crop is crushed compared to 20% several years ago. Larger proportions of soybean meal are used in compound feeds, and the use of soybean meal as a fertilizer has stopped. Approximately 1.26 million MT of soybean meal were consumed in 1986/87. That may climb to 2.08 million MT next year. Soybean meal exports are forecast at 1.6 million MT.

A shortage of arable land limits oilseed area expansion. Emphasis has been placed on soybean breeding work to produce higher-yielding varieties. Chinese bean yields average 1.4 MT/hectare; the world average is 1.9 MT/hectare.

Colombia

Continuing its efforts to expand domestic oilseed production, Colombia will harvest approximately 501,000 MT of oilseeds in 1988, up from 431,000 MT in 1987. Most of the rise is due to increased soybean and cottonseed output, with soybean production reaching 216,000 MT and cottonseed reaching 229,000 MT. In the Cauca River Valley, the major soybean growing area, soybeans still face competition from cotton and sorghum.

Oil production, likewise, is expected to increase and could reach 293,000 MT, up from 257,000 MT last year. Approximately 176,000 MT of this year's production will come from palm oil. Palm oil production has increased dramatically as earlier plantings reach the productive stage.

The Colombian government is emphasizing short-run, single-season crops as it evaluates its policies governing domestic oilseed supply, USDA said. The government previously had given more emphasis to palm oil, but now may be concerned that palm oil production is rising too rapidly and represents too much of the domestic oil supply, USDA said. Also, Colombia may be worried that it will have difficulty marketing excess palm oil.

Although soybean production is up from 1987, soybean imports also have risen as crushers try to meet the demands of the expanding poultry industry and to counterbalance shortages caused by declines in contraband meal availability. Colombia will import an estimated 216,000 MT of soybeans this year, nearly 20,000 MT more than in 1987. Total meal production is estimated at 397,000 MT, of which 280,000 MT are soybean meal.

Crushers continue to support soybean expansion into areas other than the Cauca Valley; they also are encouraging sunflowerseed and canola production, but both remain minor crops. The snack industry has tried to convince growers to produce peanuts by offering production contracts and providing seed, but production remains about 7,000 MT per year. Sesameseed production is forecast at 8,000 MT, less than half the output in 1986. Declines are blamed on low yields and poor export potential.

Czechoslovakia

Czechoslovakian rapeseed and sunflowerseed production continue to expand. In 1987/88, total oilseed production could reach 404,000 MT, an increase of 38,000 MT. Approximately 337,000 MT of rapeseed and 62,000 MT of sunflowerseed will be grown.

In 1986/87, about 10% of the rapeseed crop was double-zero. This year, that level could increase as Czechoslovakia moves toward greater production of varieties low in erucic acid and glucocinolates. The balance of the oilseed harvest will be made up of soybeans grown in Moravia and Slovakia.

Czechoslovakia will use most of its oilseeds and oilseed products domestically this year, exporting only 5,000 MT of rapeseed oil. As rapeseed production increases, Czechoslovakia could expand its exports.

Approximately 5,000-6,000 MT of Chinese soybeans will be imported. About 4,000 MT will be used in the confectionary industry and the rest will be crushed for oil and meal. Meal imports are forecast at 560,000 MT, including 425,000 MT of soybean meal, 70,000 MT of peanut meal, 10,000 MT of cottonseed meal, 15,000 MT of sunflowerseed and 40,000 MT of fish meal. The current Five Year Plan envisions soybean meal imports reaching 550,000-570,000 MT per year, but trade sources say the country is unlikely to import more than 450,000 MT of soybean meal per year due to limited availability of hard currency.

Egypt

A decline in the cottonseed crop pushed Egypt's overall oilseed production down to 808,000 MT this year, a drop of nearly 40,000 MT. A combination of cold weather, insects and better profits for corn

lowered cottonseed production to 582,000 MT.

Soybeans, which were introduced to Egypt in the late 1970s, improved slightly to 144,000 MT and may reach 165,0000 MT next year. The lack of knowledge about the crop among producers is likely to inhibit large increases. Peanuts and sunflowerseed make up 40,000 MT and 20,000 MT, respectively, of this year's harvest. Both crops are used as snack foods rather than as sources of oil. About 20,000 MT of flaxseed also will be grown.

The decline in the cottonseed crop will make already short vegetable oil supplies even tighter. Approximately 146,000 MT of vegetable oil will be produced, including 80,000 MT of cottonseed oil and 51,000 MT of soybean oil. To meet domestic demand, 250,000 MT of sunflowerseed oil, 80,000 MT of cottonseed oil, 40,000 MT of palm oil, 7,000 MT of linseed oil and some corn oil will be imported. Overall, oil imports declined by 25,000 MT compared to last year. Soybean imports, however, nearly doubled to 115,000 MT.

Egyptians will consume about 497,000 MT of edible oil, 30,000 MT less than last year. Some estimates indicate annual per capita vegetable oil consumption is 10 kilograms, but consumption figures fluctuate with oil availability. Recent shortages may have been caused when importing responsibilities switched from the Ministry of Supply to the Ministry of Industry.

Egypt's public sector has the capacity to crush 700,000 MT of cottonseed and 300,000 MT of soybeans; the private sector's soybean crush capacity is 125,000 MT. Combined, the public and private sector have an estimated 200,000 MT of excess capacity. There is interest in increasing oilseed imports to meet the excess capacity, but the government, in particular, is financially constrained. The government reserves local production for public sector facilities, forcing private soybean crushers to use imported beans. Oil shortages in the past few years have encouraged the private sector to increase imports, and USDA said the private sector could become a major player in coming years.

Finland

Finland's 1987/1988 rapeseed harvest dropped to 90,000 MT, 35% less than the 1986/87 harvest and well below the annual goal of 115,000 MT set by the Finnish government. A late spring and poor conditions last summer are blamed for the production loss. The production goal for 1988/1989 is 130,000 MT.

Rapeseed is the only oilseed grown commercially in Finland. About 97% of Finland's rapeseed crop is spring turnip; the balance is spring rapeseed. Four of the six spring turnip rape varieties used are double-zero types. Hankkija, a farm cooperative group, is working with Continental Seed, a branch of Continental Grain, to develop a high-yielding, double-zero hybrid suitable for Finland's short growing season.

All rapeseed produced in Finland will be crushed by three companies, each allocated a percentage of the crop by the government. They will crush about 104,000 MT of rapeseed (down 20,000 MT from last year) to produce 65,000 MT of rapeseed meal and 36,000 MT of rapeseed oil. All but 8,000 MT of rapeseed oil will be used domestically.

The shortfall in rapeseed production, along with a continued demand for meal, has forced the government to set higher import levels for soybeans. An estimated 197,000 MT of soybeans, mainly from the U.S., could be imported this calendar year.

Finnish meal consumption is forecast at 309,000 MT, including 169,000 MT of soy meal, 75,000 MT of rapeseed meal and 65,000 MT of fish meal. Meal is rarely imported because the government is concerned about the quality of meals produced outside of Finland.

France

France has more than doubled rapeseed and soybean production since the 1986/87 marketing year. USDA estimates that rapeseed production for 1987/88 reached 2.66 million MT, compared to 1.07 million MT last year; in the same period, soybean production grew from 84,000 MT to 197,000 MT. Sunflowerseed growers, meanwhile, produced 2.3 million MT of sunflowerseed—413,000 MT more than last year. Total production reached 5.2 million MT, a 2.12 million MT increase over 1986/87.

In 1988/89, total production will drop slightly to 5.12 million MT. Sunflowerseed area has been cut, so output should drop to 2.2 million MT, thus ending a decade of increasing sunflowerseed production. However, soybean production is expected to reach 235,000 MT—nearly three times the 1986/87 harvest. The rapeseed crop may fall slightly to 2.64 million MT. French growers planted more for the 1988/89 rapeseed crop, but are unlikely to match this year's high yields.

France, like the rest of the EEC, is increasing production of double-zero rapeseed, and double-zero varieties may account for half the rapeseed plantings this fall. By 1990, 90% or more of the plantings are expected to be double-zero as the EEC approaches the deadline to switch to these varieties.

After 1990, single-zero rapeseed will lose its eligibility for EEC crushing subsidies. All rapeseed grown in the community will have to not surpass a maximum glucosinolate standard of 20 micromoles per gram. There are five new rapeseed varieties in France that meet this standard. Those varieties are in their last year of testing and could be registered in time for the fall planting.

French oilseed imports have fallen and exports have risen in recent years due to steady production increases. In 1987, the value of French oilseed exports offset the trade deficit value of vegetable oils and meals. This year, France will import only 410,000 MT of soybeans, a sharp decline from the 607,000 MT imported in 1986/87. Very small amounts of rapeseed and 29,000 MT of sunflowerseed also will be purchased. Peanut imports have been holding steady at 50,000 MT. Imports of soy meal are forecast at 3.3 million MT—353,000 MT less than last year. Linseed, peanut, copra and fish meal also are imported.

Sunflowerseed exports will top 1.4 million MT and may surpass 1.5 million MT next year. Rapeseed exports could climb to 1.36 million MT—799,000 MT more than last year. Rapeseed meal exports will reach 90,000 MT, a 73% increase, and rapeseed oil exports will nearly double to 330,000 MT. Sunflowerseed meal, soybean meal, sunflowerseed oil and soy oil exports are down. Domestically, the substitution of rapeseed and sunflowerseed meal for soybean meal continues.

Increased seed production boosted rapeseed oil production to 434,000 MT and meal output to 620,000 MT, but forecasters anticipate a drop in the manufacture of soybean and sunflowerseed products.

The French consume approximately 810,000 MT of oil for edible and industrial purposes. Recent trends indicate the abundance of rapeseed oil is increasing the food use of rapeseed oil, while sunflowerseed oil and soybean oil consumption is declining. France's oilseed industry has been actively seeking industrial outlets for rapeseed oil. The industry and the French Petroleum Institute are funding a pilot plant in Compiegne to produce methyl esters from rapeseed oil for use in diesel fuels.

Hungary

Total oilseed production reached nearly 1.03 million MT in 1987, due to favorable weather for sunflowerseed, but this year's oilseed crop is forecast at only 957,000 MT, due to projected declines in sunflowerseed and rapeseed harvests. The sunflowerseed crop is expected to drop to 784,000 MT from last year's 857,000 MT, and the rapeseed crop is forecast at 106,000 MT, down 14,000 MT from last year.

Hungarian growers have increased their use of new sunflowerseed hybrids, but fungi infections remain a problem. Even though resistant varieties are being introduced, their yields are lower than those of traditional varieties. Like the rest of Europe, Hungary is moving away from high erucic acid rapeseed varieties. Low erucic varieties accounted for 60% of the crop in 1987. However, because the paint and chemical industries still demand high erucic oil, domestic production to meet that need will continue.

Only soybean output is forecast to increase this year. Producers, heartened by attractive prices and bonuses from the government for high-protein crops, might produce 67,000 MT of soybeans, compared to 51,000 MT last year.

The increase in soybean production plus the current overhaul of three plants will force Hungary to have more of its crop crushed outside the country. Processors in Yugoslavia, who usually crush 10,000 MT of Hungarian beans annually, are expected to crush 35,000 MT for Hungary this year. As a result of plant overhauls, the Hungarian government hopes to have 1 million MT of crush capacity per year by 1990.

India

A decline in all major oilseed crops, except rapeseed, sunflowerseed and safflowerseed, lowered Indian oilseed production to 13.1 million MT in 1987/88, a drop of 1.5 million MT. Lower oilseed output may force India to import a record 1.94 million MT of vegetable oil to supplement domestic oil production this year.

For the fourth consecutive year a drought struck Gujarat, India's major peanut-producing area, causing peanut production to fall to 4.4 million MT, a 25% decline from last year. Although the crop may recover to 5.7 million MT in 1988/89, the increase will be tempered by a shortage of quality seed. In Gujarat alone, seed availability is reported to be only half that needed.

India is the world's leading peanut producer, and the crop supplies most of the edible oil consumed in India. The peanut shortage limited peanut exports to 4,800 MT (shelled basis) from April 1987 through March 1988, India's fiscal year. In the previous fiscal year, exports totaled 29,500 MT. At one time, India was a major peanut exporter, but local demand and concerns over aflatoxin have limited exports in recent years.

Poor conditions also lowered cottonseed, soybean, sesameseed and copra production to 3 million MT, 800,000 MT, 350,000 MT and 300,000 MT, respectively. Soybean production in India accelerated between 1980 and 1985, particularly in the state of Madhya Pradesh, which now accounts for approximately 80% of the crop.

The 1987/88 production figures for rapeseed, sunflowerseed and safflowerseed improved over last year. Rapeseed, India's second most important oilseed crop, rose to 2.9 million MT. Producers grew 500,000 MT of sunflowerseed and next year may raise 600,000 MT, if the weather remains normal. The government reportedly is shifting interest to sunflowerseed because of its oil content. Safflowerseed production reached 450,000 MT, an increase of more than 33%. India also will produce 350,000 MT of sesameseed and 400,000 MT of flaxseed.

Vegetable oil production continues to be dominated by peanut and rapeseed oil. This year, peanut oil will make up 1.03 million MT and rapeseed 850,000 MT of the 2.95 million MT total. Approximately 280,000 MT of rice bran oil and 266,000 MT of cottonseed oil also will be produced. Sunflowerseed, safflowerseed and sesameseed oils make up most of the balance.

Palm oil, the most commonly consumed oil in India, is not produced domestically. This year, more than 1.2 million MT will be imported. However, even with greater consumer acceptance of palm oil, soybean oil imports may reach 360,000 MT, up 40,000 MT from last year. The expected increase is attributed partially to the U.S. Export Enhancement Program. Rapeseed oil imports are forecast at 300,000 MT and sunflowerseed oil imports at 80,000 MT.

The government's policy is to import the cheapest oil possible to save foreign exchange. To encourage domestic production, the government provides tax concessions and incentives to the vanaspati industry to use oils from domestically produced rice bran, cotton-

seed and soybeans. It also prohibits vegetable oil imports by private traders and forbids the export of edible oils. However, castor oil exports are permitted.

The government remains firm in its commitment to strictly limit oilseed imports, because it believes oilseed imports might hamper the expansion of domestic oilseed production. Crushers continue to complain about this policy because much of the nation's crush capacity is unused. Some estimates indicate that India has a 23-million-MT-crush capacity, but only has 10 million MT of seed available. USDA reports that soybean processors in Madhya Pradesh, in particular, are experiencing serious financial problems because imports are not permitted. The state government, anticipating a major surge in soybean production in the area, encouraged a massive investment in soybean processing; however, the crop has not been large enough to fill crush capacity.

Iraq

Iraq remains dependent on imports for its oil needs. In 1988, it will import approximately 160,000 MT of Malaysian palm and palm kernel oils, 35,000 MT of sunflowerseed oil and 5,000 MT of corn oil.

Only small quantities of sunflowerseed and sesameseed are produced in Iraq. However, the Ministry of Agriculture and Irrigation is trying to encourage soybean and sunflowerseed production by offering high prices to producers. The ministry's plan is to bring sunflowerseed production to 40,000 MT; in 1985, only 10,400 MT were produced.

Malaysian palm and palm kernel oils make up 80% of Iraq's vegetable oil imports. However, USDA noted increased interest in liquid oils as Iraqi consumer tastes move away from solid vegetable and animal-origin ghees. That interest has pushed sunflowerseed oil consumption to about 30,000 MT in each of the past three years. Sunflowerseed oil and corn oil imports have been aided by the availability of credit under USDA GSM-102 credit guarantee programs.

Soybean meal imports are forecast at 370,000 MT. Both meal and protein concentrate purchases are increasing as the poultry industry expands. A contract from 1987 calls for 28,000 MT of U.S. tallow to be imported for use in the soap and detergents industry.

Italy

Following several years of steady increases, Italy's oilseed production may drop to 1.69 million MT

in 1988/89—a decline of more than 10%. The entire cutback will be in soybean output, forecast at 1.3 million MT next year, compared to 1.59 million MT this year. Italian growers curtailed planting in response to the EEC decision to guarantee prices for only 1.3 million MT of soybeans for the entire EEC. Sunflowerseed and rapeseed production is expected to increase to 300,000 MT and 70,000 MT, respectively.

Lower supplies of domestic soybeans may cause Italian processors to increase seed imports to 700,000 MT next year.

Total crush, estimated at nearly 2.18 million MT this year, continues to rise. The increase is mainly the result of the high margins received by the domestic industry and EEC processing subsidies. In 1987/88, soybeans will account for 83% of the crush, while sunflowerseed will make up 14%.

A rise in olive oil production could boost this year's total oil production to 1.02 million MT. This figure includes 550,000 MT of olive oil, 291,000 MT of soybean oil, 121,000 MT of sunflowerseed oil, 28,000 MT of rapeseed oil, 22,000 MT of corn oil and small amounts of peanut oil. Domestic consumption has fallen slightly due to health concerns, but olive oil still holds more than half of the domestic oil market. Corn oil consumption is increasing at the expense of seed oils.

Japan

Japan will cut back oilseed imports this year following a slowdown in oil and meal demand. USDA has forecast oilseed imports of 6.2 million MT for 1988 and 1989. Soybeans, at 4.65 million MT, and rapeseed, at 1.55 million MT, make up the bulk of oilseed imports. Japan also purchases copra, flaxseed and peanuts.

Japan has chosen to import more livestock products rather than to increase domestic meat production, thus reducing meal demand. Forecasters anticipate growth in oil production to slow as consumption of edible oils and fats nears the saturation point. The projected crush for this year is 5.3 million MT, with meal production forecast at 4.74 million MT and oil at 1.33 million MT. About 690,000 MT of soy oil, 635,000 MT of rapeseed oil, 355,000 MT of fish oil, 58,000 MT of coconut oil and 33,000 MT of linseed oil will be produced, as well as smaller amounts of cottonseed, rice bran, sesameseed, safflowerseed and castor oils.

The production of edible processed fats dropped last year, the first decline since 1974, according to Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF). Production amounted to 651,000 MT—a slip of 1.2% from 1986. Refined lard production fell nearly 14%, and margarine production declined by 3%. Fat spread, a relatively new product, rose to 24,000 MT—a 29% increase. Meanwhile, the Japan Mayonnaise Association said total mayonnaise and dressing production rose to 272,800 MT last year. Competition in the vegetable oil market is tightening as more products are introduced into the gift market.

Meanwhile, oilseed production may reach 289,000 MT, of which 287,000 MT will be soybeans. Japan also grows peanuts and rapeseed. The nearly 42,000 MT increase in soybean output is due mainly to government incentives. MAFF pays growers the equivalent of $60 per bushel for food-use soybeans; some estimates indicate the government spends 30 billion yen, or about $236 million per year, on soybean price supports. Tofu manufacturers also are willing to pay higher prices for domestically produced soybeans.

Korea

Korea will import 1.15 million MT of soybeans this year—nearly 12% more than last year. In addition, 260,000 MT of soybean meal, 167,000 MT of rapeseed meal and 17,000 MT of fish meal will be imported to meet the demands of the feed industry.

Import quotas for soybeans and soybean meal were increased for 1988 in anticipation of growth in the industry. Last year, feed producers were forced to use locally grown commodities or nonquota imports such as wheat bran, rapeseed meal, cottonseed meal and lupinseed as substitutes for soybean products. The government had limited import levels so that a soy oil buildup would not occur.

Improvements in peanut and soybean production could push total oilseed output to 267,000 MT this year, a recovery from the 239,000 MT produced in 1987. Growers produced an estimated 64,000 MT of peanuts, 60% more than last year, and approximately 203,000 MT of soybeans, a 2.5% increase over 1986/87. Since 1983, the government has encouraged soybean output, but it was not until it increased marketing subsidies and purchase prices last year that bean production rose. In 1988/89, the government hopes growers will plant 170,000 MT of soybeans, but that level is unlikely without higher purchase prices. In an attempt to achieve 95% self-sufficiency in peanuts, rapeseed, sesameseed and perillaseed by 1991, Korea limits imports, guarantees purchase prices and purchases all offered crops.

Increasing consumer incomes, population growth and expanding demand from the food processing industries are stimulating vegetable oil consumption. Vegetable oil consumption in 1987 was estimated to total 540,000 MT—a 5% increase over 1986. About 168,000 MT of soybean oil will be produced and about 190,000 MT of palm oil will be imported for use in the food and industrial sectors.

Malaysia

Increased rainfall has improved Malaysia's palm oil production outlook for 1987/88. Production is forecast at 4.75 million MT this year and 5 million MT next year, up from 4.56 million MT in 1986/87.

Expected to export approximately 4.2 million MT of palm oil, 550,000 MT of palm kernel oil, 48,000 MT of coconut oil and 44,000 MT of soybean oil this year, Malaysia remains the world's largest exporter of vegetable oils. Last year, Malaysia accounted for 25%

of the world's vegetable oil trade. India imported nearly one-quarter of all the palm oil exported from Malaysia, Singapore purchased 544,000 MT and Pakistan bought 422,000 MT.

Malaysian government officials have suggested offering long-term supply contracts to major consumers such as India, Pakistan and China. These countries reportedly have been asked to consider different pricing arrangements whereby buyers can purchase 30% of their vegetable oil requirements from Malaysia under long-term contracts.

USDA predicts Malaysia will remain an export leader despite the buffeting the palm oil industry has received in recent years from prices and politics. In 1986 and 1987, the average yearly prices of crude palm oil were 579 Malaysian dollars (M$) per MT and 773 M$ per MT, respectively; by January 1988, the price had recoverd to 1,200 M$ per MT, well above the 10-year average price of 975 M$ per MT. In 1986 and 1987, Malaysian exports also were threatened by a proposed fats and oils tax in the EEC, by charges from U.S. groups claiming that palm oil was an unhealthy product and by the U.S. Export Enhancement Program.

As palm oil becomes more important to the Malaysian fats and oils industry, copra production continues to decrease. In calendar year 1988, approximately 166,000 MT of copra will be harvested—down from 175,000 MT last year. Copra is now the fifth-ranking crop in terms of acreage; the top crops are rubber, palm oil, rice and cocoa. In 1987, it earned only 60 million M$, compared to 3.3 billion M$ earned by palm oil in the first 11 months of 1987.

The decline in the copra industry has forced crushers to close a number of facilities. Between 1970 and 1987, the number of copra mills decreased from 64 to 20. Some copra is imported from the Philippines to use a portion of the excess mill capacity. Although the oleochemical industry is emerging in Malaysia, only small amounts of coconut oil are used in this way. Of the 99,000 MT of coconut oil that will be produced this calendar year, 34,000 MT will go to the edible oil sector, and 20,000 MT will be used for industrial purposes.

There is no commercial cultivation of soybeans in Malaysia because experimental plantings have been unsuccessful. However, demand for soybeans and soybean meal is increasing. This year, Malaysia will import 290,000 MT of soybeans, 195,000 MT of soy meal and 2,000 MT of soy oil. Next year, imports could increase to 325,000 MT of soybeans and 220,000 MT of soybean meal.

Soybean meal consumption increased 8% in 1986/87 and is expected to rise 7-8% annually in 1987/88 and 1988/89. Part of the 370,000 MT of soy meal consumed this year will go into the country's growing aquaculture program. Unilever has established a tiger prawn project costing 106 million M$ in Johore, and Interfish Corp., a Danish company, has invested 25 million M$ in an aquaculture project in Sarawak.

China remains Malaysia's main soybean and soybean meal supplier, but Brazil and Argentina could take a larger share should China have difficulty meeting Malaysian demand. The U.S. remains a residual supplier.

Mexico

Scarce water and limited credit may hold the Mexican oilseed crop to slightly more than 980,000 MT for 1988/89. The soybean harvest is forecast at 450,000 MT, and cottonseed production is expected to total 350,000 MT. Soybean area is expected to decline by a third, USDA said, explaining that growers were more likely to plant cotton if they had to conserve water.

The 1987/88 oilseed harvest totaled nearly 1.3 million MT, well above the 1.09 million MT produced in 1986/87. The large 1987/88 harvest was attributed mainly to increased soybean and cottonseed production, including approximately 750,000 MT of soybeans and 370,000 MT of cottonseed.

Mexico continues to have problems with safflowerseed production due to a lack of quality seed. The 1987/88 plan was to plant 300,000 hectares of safflowerseed, but that figure was cut back to 210,000 hectares. The projected harvest is 170,000 MT. Sesameseed production and copra production are set at 50,000 MT and 110,000 MT, respectively, for calendar year 1988.

Sunflowerseed output could drop to 10,000 MT in 1987/88, despite efforts by the Mexican Institute of Oils, Fats and Proteins (IMAP) to promote its production. IMAP has offered subsidized imputs, technical assistance and a guaranteed price of approximately $200 (U.S.) per MT, but Mexican growers are unwilling to grow an unfamiliar crop. Several pilot projects begun in west central Mexico could raise production to 15,000 MT next year. IMAP is conducting similar projects in conjunction with the Canola Council of Canada to encourage canola production in Mexico.

The Mexican crushing industry continues to work below capacity and many smaller producers have shut down. This year's total crush is estimated at 2.7 million MT—down 42,000 MT from last year. This is due partly to a shift away from oilseed imports.

Seed imports this year are expected to decline to 1.7 million MT. These will include 1.15 million MT of soybeans, 275,000 MT of sunflowerseed, 250,000 MT of rapeseed and 10,000 MT of cottonseed. However, meal and oil purchases will increase. The decline in oilseed import figures for this year is due, in part, to the Economic Solidarity Pact, which froze wages and prices on basic consumer items and financially squeezed crushers and refiners. Some reports indicate production costs are higher than retail prices. The import licensing permit policy has been loosened as a result of pressure from the refining industry seeking a way to lower imput costs. People holding permits for oilseed imports now may exchange them for an equivalent amount of product.

Total meal imports, forecast at 155,000 MT, include 150,000 MT of soybean meal and 5,000 MT of fish meal. Last year, only 96,000 MT of soybean meal were imported. Oil imports are projected to nearly double from 92,000 MT in 1986/87 to 175,000 MT this year. Sunflow-

erseed oil, totaling 100,000 MT, will make up the bulk of Mexico's purchases. Other purchases include 40,000 MT of soybean oil, 20,000 MT of coconut oil, 10,000 MT of rapeseed oil and 5,000 MT of cottonseed oil.

Nigeria

The Nigerian oilseed industry appears to be recovering, as peanut and soybean output rises and growers give more attention to previously neglected palm plantings. Peanut production, which reportedly reached 1 million MT in 1966, fell sharply during the 1970s due to rosette disease. Last year, production was approximately 572,000 MT, but could increase to 675,000 MT this year and 715,000 MT next year. Some assistance is provided to growers through World Bank-funded extension services.

Soybean levels, meanwhile, could reach 75,000 MT this year and 85,000 MT next year. More growers are interested in the crop due to last year's protein meal shortage and the government's campaign focusing on food uses for soybeans. The 1987/88 cottonseed crop, set at 77,000 MT, is slightly below last year's, but is expected to increase to 129,000 MT in 1988/89.

Palm oil production, set at 640,000 MT, and palm kernel oil production, estimated at 80,000 MT, represent the majority of the projected 768,000-MT-oil output this year. An estimated 39,000 MT of peanut oil will be produced by the industrial sector; an unknown amount will be processed in Nigerian homes. Smaller amounts of soy oil and cottonseed oil also will be made.

Encouraged by the high naira value (caused by the government's devaluation of the naira) of palm kernel exports, palm oil producers have begun to take better care of palm plantings and have planted new stands. However, investment in the industry remains risky due to long production lead-time and variable rainfall. Unpredictable rainfall causes much lower yields than in Malaysia. Some analysts believe the yield factor will prevent Nigeria from being fully competitive. NIFOR, a governmental research institute, is trying to develop varieties for new or replacement plantations.

In January 1988, Nigeria published a new customs tariff reaffirming the vegetable oil import ban and setting a 15% duty on soybeans, peanuts, sunflowerseeds, palm kernels, oilseeds and oleaginous fruits. Even with the oil import ban, USDA said about 50,000 MT of palm oil could be imported. In the past, shortages have been met with oil smuggled into the country.

A soybean crushing facility with 70,000 MT capacity has been built in Benue state. When the plant goes on-line, demand may be created for imported soybeans, USDA said.

Pakistan

The oilseed production in Pakistan could top 3.2 million MT, surpassing last year's record 2.97 million MT harvest. Cottonseed, which accounts for the bulk of Pakistan's total oilseed production, made up 2.89 million MT of this year's harvest—250,000 MT more than last year. Favorable weather, low pest infestation and increased use of fertilizer were responsible for the improvement. Next year, cottonseed production is expected to drop to 2.7 million MT, which could bring total oilseed production down to 3.09 million MT.

Drought resulted in decreased rapeseed and peanut production this year. The rapeseed crop is forecast at 200,000 MT and peanuts at 60,000 MT. Combined production of soybeans and sunflowerseed, both nontraditional crops, has risen to about 50,000 MT, or 2% of total output. The government continues to encourage production of soybeans and sunflowerseed, with the Agricultural Development Bank of Pakistan and the World Bank funding projects in the oilseed sector.

Although overall oilseed production has risen in recent years, Pakistan still will import nearly 70% of the oil needed to meet domestic demand. Approximately 825,000 MT of edible oils will be imported in 1987/88, including 450,000 MT of soybean oil, 350,000 MT of palm oil, 14,000 MT of rapeseed oil and 10,000 MT of coconut oil. Last year, 378,000 MT of palm oil and 139,000 MT of soybean oil were imported. Pakistan has been able to increase its soybean oil imports under the U.S. P.L. 480 (Food Aid) program and the GSM-102 credit guarantee program.

Pakistanis will consume approximately 1.2 million MT of edible oil this year—slightly more than last year—as per capita availability of edible oil moves up to 10.2 kg. About 90% of the oil consumed will be in the form of vegetable ghee. Ghee production is forecast at 950,000 MT in 1988 and is likely to pass the 1 million MT mark in 1989.

Pakistan's oilseed crushing capacity totals more than 4.2 million MT; this year, approximately 80-85% of that capacity will be used. The inefficiency of many facilities forces Pakistan to import oil rather than seed. This year's domestic oil production projection is 372,000 MT. That figure is not expected to increase significantly until plants are modernized and domestic prices for oilseeds improve.

Even though the government has been slow in providing incentives to the private sector to modernize facilities, it recently granted Cargill Inc. the right to establish an integrated unit for crushing domestic sunflowerseed and soybeans for poultry use.

Paraguay

Paraguayan growers will produce approximately 1.43 million MT of soybeans, cottonseed, peanuts and sunflowerseed in 1988/89, nearly 25% more than last year and 10% above the 1985 level. A projected 90% increase in the cottonseed crop and 16% increase in soybean output caused the rise. The tentative production figure for next year is 1.5 million MT.

Soybeans generally account for about 80% of production and 95% of oilseed exports in Paraguay. This year's production is forecast at 1.1 million MT, and exports are projected at 1.13 million MT. A portion of the excess exports may be Brazilian soybeans that entered without registration.

Approximately 270,000 MT of the 285,000 MT cottonseed crop will be crushed. Paraguay forbids cottonseed exports, but 31,000 MT of cottonseed oil and 124,000 MT of cottonseed meal will be exported. Meanwhile, 35,000 MT of peanuts and 9,000 MT of sunflowerseed will be harvested. The expansion in oilseed production is boosting the Paraguayan economy following a five-year slump.

Paraguayan and Brazilian officials anticipate increased transshipment of Paraguayan products through Brazilian ports. A maximum of 850,000 MT of soybeans will move through four exits destined for Brazilian export ports. Paraguay hopes to build a railroad line to link with a Brazilian "production line" going directly to the port of Paranaguá.

Peru

Cottonseed's recovery pushed total Peruvian oilseed production to 154,000 MT this year, up from 117,000 MT last year. Increasing textile demand and good prices for cotton encouraged Peruvian growers to produce about 140,000 MT of cottonseed—31,000 MT more than in 1987.

Cottonseed output in Peru remains dependent on the international price for cotton as the government does not offer guaranteed producer prices and has depressed the exchange rate that producers receive for exported cotton. The current need for foreign exchange may cause the government to loosen this policy, thus leading to increased domestic availability of cottonseed. Approximately 26,000 MT of cottonseed oil will be produced from this year's crop.

Improvement in the fish sector, the major source of oil and meal in Peru, could boost total oil output to 215,000 MT and total meal output to 1.3 million MT this year. About 160,000 MT of fish oil and 800,000 MT of fish meal could be produced as the industry recovers from the effects of El Niño, the ocean current whose periodic appearance causes havoc in the fishing industry. Most of the 760,000 MT of fish meal produced will be exported. In 1987, most fish meal exports went to China, Taiwan, West Germany, Algeria, Iran, the U.S. and Indonesia.

Domestic demand for protein meal is increasing. Current government programs call for imports of 180,000 MT of soybean meal. Demand could be higher, depending on the needs of the poultry sector and the availabilty of foreign exchange.

Soybeans, forecast to total 10,000 MT this year, still are a minor commodity in Peru despite efforts of the Ministry of Agriculture to develop the crop in the national oilseeds program. One goal is to develop soybean germplasm for seed suitable for the coastal and jungle areas. Palm oil and palm kernel oil production figures are set at 22,000 MT and 2,000 MT, respectively. This sector, financed by the Agrarian Bank and the World Bank, expects to produce 30,000 MT of palm oil in 1990.

The Philippines

Total Philippine oilseed production is forecast at 1.8 million MT—16% less than last year. Copra, which generally represents about 97% of production, fell to 1.75 million MT, down from 2.1 million MT last year. Palm oil production reached 41,000 MT and peanuts rose to 43,000 MT. Soybean harvests continue to hover in the 7,000-MT range. Expansion is limited by the lack of suitable seed, organized government support and technical extension programs.

The Philippine Coconut Authority (PCA) continues to support copra production, but has altered its approach slightly. Instead of emphasizing replanting, PCA is promoting fertilization to increase productivity. Research indicates yields could increase by 200%, if fertilizer were used. Financial constraints, however, limit development programs.

Reduced supplies are limiting copra, coconut oil and copra meal exports. Coconut dessicators and copra processors are competing for supplies; export figures indicate that dessicators are boosting their export share. In the first quarter of 1988, dessicated coconut exports increased 18%, while copra, coconut oil and copra meal exports dropped 51%, 16% and 44%, respectively. During the year, an estimated 100,000 MT of copra, 840,000 MT of coconut oil and 540,000 MT of copra meal will be exported. The EEC's decision to delay imposition of maximum aflatoxin levels for copra and copra meal imports until January 1989 may aid Philippine exports.

Total oilseed and oil imports will decline this year, but oilmeal imports will rise to 460,000 MT, with most of the increase coming from soy meal.

Copra dominates crush in the Philippines. Annual copra crush capacity is rated at 3.64 million MT, but much of it is under-utilized. Crush this year is forecast at 1.7 million MT; oil production is estimated at 1.07 million MT, and copra meal production is set at 595,000 MT. There are plans to build a new coconut mill on Mindanao. Palm oil still represents only 4% of total oil output, but should increase once areas planted after 1980 begin to produce.

Forecasters anticipate domestic edible oil consumption to increase faster than the population growth rate of 2.8%. This year's consumption figure is projected at 242,000 MT, up nearly 11% over last year. Part of that increase will be in margarine and shortening consumption, which is rising an average of 4% per year. Also, the baking industry is on the upswing and manufacturers are introducing new brands of edible oils.

Poland

This year's 1.2 million MT rapeseed crop is down from last year's record 1.3 million MT and the 1988/89 crop is forecast to drop 14% below this year's level. Despite the projected decline, all of Poland's 720,000 MT of crush capacity will be used this year and next. Surplus seed—400,000 MT this year and 240,000 MT next year—will be exported to earn hard currency.

Hard currency earnings from oilseed sales partially will pay for the nearly 1.5 million MT of protein meal the government plans to import to help improve the livestock and poultry industries. Crushing constraints will prevent soybean imports, the only oilseed imported in the past. Approximately 1.15 million MT of soybean meal will be imported, up from 926,000 MT in 1986/87, when other meals were purchased. Seed imports are unlikely until the country upgrades its crush capacity.

There is pressure on the Polish government to expand crushing capacities so that rapeseed products rather than rapeseed can be exported. The government's 1986 plan called for the construction of three new plants, but only the one at Szamotuly, with a projected capacity of 150,000 MT, is scheduled to be on-line by 1991.

Total meal and oil production, predominantly rapeseed, remain constant at about 500,000 MT and 300,000 MT, respectively, due to crush limitations.

About 20% of Poland's rapeseed crop will be double-zero next year, up from 10% this year. By 1990, the plan is to have the rapeseed harvest be 50% double-zero. Rapeseed varieties in Poland, although called "low erucic," still have relatively high-erucic acid contents which limit export possibilities. The country still plans to produce high-erucic varieties for industrial purposes.

Polish consumers are demanding better availability of fats and oils products. Consumption of margarine and vegetable salad/cooking oil was up 9% and 12%, respectively, in 1987, and this trend is expected to continue. Margarine production rose to 204,000 MT in 1987, compared with 190,000 MT in 1986. This could increase more, now that new margarine facilities are in operation in Warsaw and Bielsko-Biala. Processing, however, is limited by insufficent refining and hardening capacities.

Spain

A near-record olive crop will raise Spain's total oil production to 1.47 million MT. Although this is the "off year" for olives in Spain, olive oil output could reach 691,000 MT, the second highest level ever. Next year's level is expected to return to a more normal 500,000 MT. Even though production is up, only 250,000 MT of olive oil are scheduled for export, compared with 272,000 MT last year. In spite of this, Spain remains one of the world's major exporters of olive oil.

Better yields pushed sunflowerseed production to 1 million MT, but cottonseed output slipped to 125,000 MT. Combined soybean, rapeseed and peanut production could total 20,000 MT. The memory of the 1981 toxic oil scandal, competition from winter grains and pulses, and agronomic difficulties keep rapeseed production static. Soybeans have the potential to expand when more appropriate varieties are available, and there is some speculation that Spain could become a major soybean producer by the end of the decade. Total oilseed production should drop to 992,000 MT next year as growers reduce sunflowerseed area; sunflowerseed acreage had increased almost continuously since 1970.

Forecasters have estimated that oilseed and oil meal imports will drop to 2.54 million MT and 2.25 million MT, respectively, partly due to a decline in protein meal consumption. Soybeans account for nearly all seed imports and about 1.74 million MT of meal imports. Falling protein meal demand also will lower total crush to 3.76 million MT this year. Cottonseed and rapeseed product production have declined slightly, and soy meal output fell 127,000 MT to 1.74 million MT. About 374,000 MT of soy oil will be produced, compared with 402,000 MT last year. Sunflowerseed meal and oil production increased to 416,000 MT and 370,000 MT, respectively.

Spain remains a net exporter of oil even with this year's lower olive and soybean oil export levels. Spanish exporters blame competition from U.S. oil distributed under the Export Enhancement Program for this year's nearly 100,000 MT drop in soybean oil exports. In 1988/89, total oil exports are projected to fall to 529,000 MT—154,000 MT less than in 1986/87.

Sweden

Early forecasts for 1988/89 indicate that Sweden might produce 302,000 MT of rapeseed, a 19% increase over the 253,000 MT 1987/88 harvest estimate. Slightly more than 60% of next year's harvest will be double-zero varieties.

The projected increase in the 1988/89 rapeseed harvest could push rapeseed oil production to 111,000 MT next year. However, only 100,000 MT will be produced this year due to the lower-than-anticipated 1987/88 rapeseed harvest. About 62% of rapeseed oil produced during this year and next will be exported.

Rapeseed is the only oilseed grown commercially in Sweden. Growers have experimented with sunflowerseed and poppyseed, but with little success. Lupine production also is being discussed.

Research continues on rapeseed varieties, and a triple-zero spring turnip rapeseed is expected to enter the market by 1990. Tor, a double-zero winter variety under investigation, has shown poor winter hardiness, but breeding work continues; plant breeders hope to have that variety available to growers in two years. Winter turnip rapeseed production has been limited. A study by the Swedish Oilseed Association indicates that the fatty acid profile of this variety could be improved to make it a suitable source of frying oil.

The Swedish government is giving greater support to oilmeals. Soybean meal use will increase again as fish meal imports are reduced to 65,000 MT, down 20,000 MT from last year. Soybean meal use for 1988 could reach 165,000 MT, up from the 140,000 MT consumed in 1987; about 155,000 MT of meal will be imported—35,000 MT more than last year. In Sweden, fish meal use usually decreases only when other meals are given a competitive advantage or by voluntary agreement within the mixed feed industry. Demand for domestically produced, double-zero rapeseed meal, Meal 200, continues to be larger than supply. After 1988, meal imports could begin to decline as the government attempts to reduce its national emergency stocks.

In 1987, for the fourth year in a row, Sweden's production of full-fat margarines declined. Production of Bregott, a butter-margarine mix, declined 4% in 1987, while the manufacture of low-fat margarines containing 40% fat increased by 16%. Karlshamns AB, Sweden's largest producer of fats and oils for the food industry, recently acquired Capital City Products based in Columbus, Ohio.

United Kingdom

A record 1.3 million MT rapeseed crop in 1987/88 will keep British mills running near total capacity this year. The total oilseed crush, estimated at 1.75 million, includes 1.05 million MT of rapeseed, 500,000 MT of soybeans, 100,000 MT of sunflowerseed, 60,000 MT of palm kernel and 43,000 MT of flaxseed.

Forecasters suggest the United Kingdom will need to find markets for the oil and meal before rapeseed crush can expand. This year, 619,000 MT of rapeseed meal and 367,000 MT of rapeseed oil will be produced; rapeseed meal exports are set at 30,000 MT, and rapeseed oil exports may total 25,000 MT. Until a greater proportion of the crop is double-zero, export potential is considered limited.

Increasing numbers of producers are moving toward double-zero varieties; some estimates suggest that between 40% and 80% of the next crop will be double-zero. One incentive for the change is the £16 crushing premium granted for double-zero seed. Three double-low varieties from West Germany are commercially available, but none meet the glucosinolate standard required by the EEC after 1990.

Flaxseed, the only other oilseed grown in the United Kingdom, is viewed as a crop with potential. Currently, 10,000 MT of flaxseed are produced, but some speculate that level could be quadrupled to meet domestic need. This year, 35,000 MT of flaxseed will be imported. Some EEC money has been put into flaxseed trials in Scotland.

Despite production increases, the United Kingdom remains oil deficient. Edible and industrial consumptions combined have increased to about 1.36 million MT. About 857,000 MT will have to be imported to supplement the 550,000 MT of oil produced domestically. Only 55,000 MT of oil will be exported this year.

Uruguay

Uruguay's recognition of China and the subsequent withdrawal by Taiwan of its embassy and all commercial and technical cooperative agreements with Uruguay may temporarily hinder Uruguayan oilseed export potential. Taiwan purchased most of Uruguay's soybean crop in the past, but this year only 20,000 MT of the 80,000 MT soybean harvest will be exported.

China has announced that trade, including oilseeds, will increase in the next five years, but the Chinese commercial attaché has not named prices or terms for any agreements. Even if the Chinese buy Uruguayan soybeans, they are unlikely to pay a premium price. Taiwan paid Uruguayan farmers a bonus, in addition to the soybean purchase price. Any large expansion in soybean production will depend on Chinese demand.

In addition to soybeans, Uruguay also will produce 49,000 MT of sunflowerseed, 3,000 MT of flax and 1,000 MT of peanuts. Sunflowerseed's future is uncertain because producer prices are low and there is a shortage of good quality seed. No sunflowerseed will be exported because it is needed to meet domestic oil demand. However, some sunflowerseed oil imports are likely.

Oil consumption should reach 22,000 MT, of which 17,000 MT will be sunflowerseed oil. The balance will be corn and soybean oils.

Venezuela

Venezuela remains dependent on imports to meet four-fifths of its vegetable oil and meal demand. Approximately 175,000 MT of soybeans, 700,000 MT of soybean meal, 110,000 MT of sunflowerseed oil, 80,000 MT of soybean oil and 50,000 MT of cottonseed oil will be imported. All of the soybeans are of U.S. origin; most of the oil will be from South America.

The Venezuelan government established an agricultural self-sufficiency program in 1984, but oilseed sufficiency has improved by only 5%. This year's oilseed output is forecast to include 67,000 MT of sesameseed, 53,000 MT of cottonseed, 21,000 MT of copra, 10,000 MT of peanuts and 3,000 MT of soybeans.

The oilseed program has run into financial and land problems. Sesameseed and cottonseed have not been as successful as the government anticipated. There is interest in promoting sunflowerseed and soybeans, but growers are unfamiliar with these crops. CIDSoya, a research group sponsored by government and the private sec-

tor, has declared the 1988/89 marketing year the "Year of the Soya." The group is encouraging growers to bring area up to 20,000 hectares, a 10-fold increase over this year.

Palm has drawn a great deal of attention because it is suited to much of the country's growing conditions. Some speculate that palm production, which currently is insignificant, could eventually meet 20% of the country's needs. The crop is being pushed by major oilseed processors who already have planted 4,000 hectares. Companies, in particular, have been willing to establish palm oil plantations because the government counts future production of this crop when it allocates import licenses for oilseeds and oilseed products; processors can improve their import share by supporting domestic production.

Despite palm's potential, critics are opposed to large-scale crop development because they believe a plantation crop such as palm would be contrary to agrarian reform, and they also question the healthfulness of the oil.

Plans to develop new crushing facilities are under way; one is planned for the state of Zulia, and a feasibility study for a plant in the Amacuro Delta region is being conducted. About 196,000 MT of meal and 63,000 MT of oil will be produced as a result.

West Germany

High subsidies have encouraged West German growers to expand oilseed area to 448,000 hectares for the 1987/88 crop. Total production increased to 1.26 million MT—290,000 MT more than in 1986/87. Forecasters suggest that next year's oilseed harvest may surpass 1.3 million MT.

An estimated 1.24 million MT of rapeseed were harvested this year, and approximately 1.25 million MT will be harvested in 1988/89. Sunflowerseed production jumped to 24,000 MT and may go to 60,000 MT next year. In 1985/86, only 4,000 MT of sunflowerseed were produced.

This year and next, processors will import less oilseeds than in 1986/87, when imports totaled 5.43 million MT. Most of the curtailment will be in soybean imports, predicted to drop to 2.9 million MT in 1987/88 and 2.75 million MT in 1988/89. Imports this year of rapeseed, sunflowerseed, flaxseed, peanuts and copra are forecast at 1.14 million MT, 480,000 MT, 360,000 MT, 111,000 MT and 70,000 MT, respectively. Oil imports, which include 169,000 MT of coconut oil, 120,000 MT of fish oil, 240,000 MT of palm oil and 84,000 MT of palm kernel oil, declined to 925,000 MT, but should hit 991,000 MT next year.

Total crush also has fallen. In 1988/89, crush may slip to 5.24 million MT, down from 5.73 million MT last year. Between 1986/87 and 1988/89, rapeseed crush will decrease by 100,000 MT and soybean crush by 520,000 MT. Low or negative crush margins have caused oilseed millers to limit their soybean crushes. Many crushers blame the U.S. Export Enhancement Program for their profit loss. Sunflowerseed crush, however, may improve to 450,000 MT this year, due to better sunflowerseed crush margins. Total meal production, at 3.95 million MT, is down, but oil production, at 1.66 million MT, is up.

The closing of Archer Daniels Midland's Hamburg plant will cut West Germany's excess crush capacity, lowering national soybean crush capacity to 3 million MT. Inland mills are not likely to take up crush that normally would have been handled at the Hamburg facility; instead, that crush may go to plants in Belgium and The Netherlands.

Between 1984 and 1987, total domestic use of vegetable and marine oils increased from 1.24 million MT to 1.7 million MT. The biggest leap occurred in industrial uses, which nearly doubled from 445,000 MT to 884,000 MT. The total includes castor, coconut, corn, cottonseed, fish, linseed, palm, palm kernel, peanut, rapeseed, soybean and sunflowerseed oils.

Yugoslavia

Yugoslavian oilseed production is forecast to drop to 799,000 MT in 1987/88, down 6,000 MT from last year. Next year's total crop is projected to fall to 735,000 MT, because producers are discouraged by the lower official prices offered by the government.

Although there was a slight decline in the overall harvest this year, the proportion of output held by each crop shifted. Sunflowerseed production rose to 493,000 MT—44,000 MT more than in 1986/87, but rapeseed production, at 68,000 MT, is only slightly more than half of last year's 131,000 MT level. The 1987/88 soybean crop, forecast at 238,000 MT, was up 13,000 MT.

Processors are caught in a cost/price squeeze; vegetable oil prices are controlled, but the cost of production is climbing. This factor and a shortage of foreign exchange will keep total seed imports to 250,000 MT, down from 293,000 MT last year. About 220,000 MT of seed imports will be soybeans; the balance will be rapeseed and sunflowerseed. Shrinking demand for meal and larger domestic oil stocks will keep meal imports at 230,000 MT, and no oil will be imported.

Vegetable oil production, set at 296,000 MT, is down slightly and might drop further to 277,000 MT next year. Larger lard supplies and higher inflation will keep vegetable oil consumption at 274,000 MT this year.

There are reports that the Zadar plant, which produces soybean meal, crude soybean oil and lecithin, and the Becej plant, which produces soy flour and grits, plan to expand their product lines, possibly in joint-venture agreements with foreign firms.