Oilseeds and Products
• Without supply shocks or demand spikes, relative prices of oilseeds are expected to regain typical relationships after 2018/19. Additionally, substitution between different meals and vegetable oils further creates a long-term price relationship between oilseeds.

• Record soybean production in 2018/19 is keeping prices for all oilseeds subdued, as soybeans are dominant in this category. Expanding South American crops will also keep downward pressure on soybean prices over the projection period. Additionally, the retaliatory tariffs on soybeans by China is pushing U.S. soybean prices even lower than those from other exporters such as Brazil.

• Although the Chinese retaliatory tariffs are part of this baseline until there is an official policy announcement otherwise, we realize that there are on-again, off-again indications of an agreement between the U.S. and China could end the trade war in the near future and remove the tariffs between the two nations.

• In major producing regions, rapeseed competes with wheat and barley. But on the demand side, rapeseed products compete with those of other oilseeds. Rapeseed prices will generally mirror those of soybeans after adjusting to regain relative price relationships in 2019/20.

• Soybean, rapeseed, and sunflowerseed meal prices reflect substantial substitution between them and also are influenced by prices of other major livestock feeds. With little upward movement expected in grain prices, meal prices will edge very slowly upward, even with expanding livestock production.

• Additionally, steady soybean, rapeseed, and sunflowerseed prices will help keep meal price changes modest. Because the oilseeds are the largest cost categories for protein meal and vegetable oil production flat oilseed prices will be reflected in meal and oil costs and ultimately in product prices while maintaining crushers’ margins.

• Protein meals are important components of livestock feed rations. With relatively low prices for soy, rape, and sunflowerseed meals expected over the next ten years, hog, poultry and dairy producers that use them in their feed rations will enjoy limited pressure on feed cost increases.

• Because soybean, rapeseed, and sunflowerseed oils are co-products with their respective meal counterparts, some common costs underlie both products. As a result, oil prices are expected to remain well below previous peaks with the moderate oilseed input costs.

• On the demand side, substantially different factors affect meals and oils, so those prices do not move in lock step. Biodiesel is a growing demand category for various vegetable oils. However, the petroleum price path in this baseline is below vegetable oil prices, limiting switching to biofuels. Demand for biofuels will be impacted primarily because of blending mandates in major consuming countries.

• The boom in palm oil, and to a lesser extent sunflowerseed oil production, has resulted in rising stocks and declining prices this year. Prices of both oils are expected to adjust higher as demand increases catch up to large supplies and palm oil production slows cyclically in the next year.
Stability Expected in Oilseed Prices

Meal Prices Reflect Low Prices of Other Feeds

Petroleum Puts No Price Pressure on Vegetable Oils
The increase in oilseed, especially soybean area that quickened during the period of high prices will continue, but at a slower pace. Lower prices will provide less incentive to expand plantings. Global soybean area is expected to expand 11% over the next ten years, while sunflowerseed and rapeseed will see very little growth, at an estimated 2% and 1%, respectively.

Most of the expansion in soybean area will take place in South American countries such as Argentina and Brazil, where new crop land is being cleared, most of it for soybeans. The increase in Argentina will be somewhat slowed by the permanent export taxes of 18%, compared to 0% for competing grains. Brazil will see the largest expansion in soybean area.

Compared to soybeans, rapeseed has a much more limited geographic area. It is difficult to sow new lands to rapeseed planting in traditional producing countries such as Canada and the EU, as those producers must also consider limited ability to expand and established crop rotations.

Sunflowerseed area is expanded primarily in republics of the former Soviet Union, such as Russia, Kazakhstan, and Ukraine. However, the expansion since the end of central planning has slowed in recent years and there is now less switching of land from traditional grains into oilseeds.

Oilseed crushing is provided by growing income resulting in higher demand for protein meals and vegetable oils. Most crushing occurs in major producing countries. Argentina processes most of its soybeans and exports the value-added products. Brazil also crushes a large percentage of its soybean crop, but is less focused on product exports and more on trade in soybeans. Brazil passed the U.S. as the largest exporter of soybeans in 2015/16. China is by far the world’s largest importer.

Major crushers of rapeseed are Canada, China, the EU, and India, the largest producers. While Japan produces virtually no rapeseed, it is the one nation that imports to feed crushing facilities.

Ukraine, Russia, and the EU are the leading sunflowerseed producers and processors. Argentina and Turkey also have significant crushing capacity.

Soybeans account for the largest share of global oilseed demand and the U.S., Argentina, and Brazil account for over 80% of global production and 90% of exports. As demand for soybeans and products increased, trade skyrocketed. Over the next ten years, between 35% and 40% of global soybean consumption is expected to be supplied by trade from these three countries.

Rapeseed and products are much less dependent on global markets as consumption occurs more in producing regions. In the past few years, trade has slowed markedly and only slow expansion is expected in the next ten years. Canada sources the majority of rapeseed and products exports.

Kazakhstan has emerged as the world’s largest exporter of sunflowerseed. However, trade is not as important in the sunflowerseed market, with less than 2% being traded internationally.
• In combination with population growth, especially in developing and newly emerging regions, per capita incomes are pushing demand for meat and dairy products. Increased ability to purchase food allows better diets. As demand for these products increases, so too, does utilization of feed, including protein meals required to produce livestock, milk, and poultry.

• Increasing urbanization in nations such as China is pushing livestock, poultry, and dairy production into locations closer to population centers. As a result, animal production is intensifying, using improved practices and feeds. Protein meals are being increasingly used in feed concentrates.

• Poultry are much more efficient converters of protein than other animals and poultry production is increasing faster than pork or dairy. Relatively low costs of production and short production cycles also make poultry attractive for increasing meat in diets in developing regions. Versatility in product lines also has allowed poultry to take share away from other meats in developed countries.

• As global economic expansion accelerates in the next few years, dietary improvements, and therefore, protein meal consumption growth is expected to continue at rates outpacing population growth.

• With the increase of livestock, especially poultry and hogs, and dairy product consumption around the world, the demand for protein meals has risen dramatically, resulting in a corresponding increase in trade.

• Many countries import soybeans, rapeseed, sunflowerseed and other oilseeds and crush them, meeting the majority of their meal and oil needs, and supporting a value-added industry. One-quarter of soymeal and 12% of rapeseed meal global demand will be met through trade.

• While sunflowerseeds are very thinly traded, nearly one-third of sunflowerseed meal consumed is purchased on the international market. Ukraine is the largest exporter and the EU imports more than any other country or region.
Rising Animal Production Boosts Protein Meals

World protein meal use, mnt

Protein Feed Needs Push International Trade in Meals

Net exports by exporting countries, mnt
Vegetable oil consumption is being boosted by population growth, income expansion, and increased industrial uses, including those for biofuels. Particularly soyoil, rapeseed oil, and palm oil contribute to biodiesel supplies. Argentina is a major producer of soy diesel and the EU is the largest consumer of vegetable oil based fuels.

China is leading global soyoil demand growth, accounting for more than half of consumption increases in the past decade, and is expected to maintain that role in the next ten years. India is also a growing consumer of vegetable oils.

Palm oil production is dramatically increasing global vegetable oil supplies. Indonesia and Malaysia together accounted for 85% of palm oil production in 2017/18, and will be the sources of most increases in coming years. Palm oil is taking share in many markets, including those for biofuels.

Rapeseed oil consumption is increasing only with population growth. Per capita consumption is stagnating and will not show measurable increases over the next decade as palm oil is displacing rapeseed oil in some regions. Rapeseed oil biodiesel production has stalled in the EU.

Similarly, sunflowerseed oil is not increasing dramatically on a per capita basis. Unlike soybeans and products and palm oil, both rapeseed and sunflowerseed products are constrained by limited potential for expanding the land base devoted to those oilseeds.

Palm oil has captured the largest share of vegetable oil trade. Unlike soybean, rapeseed, or sunflowerseed oils, palm oil is not a co-product of oilseed processing. The trees are fast growing in low-cost areas of the Pacific Rim and Asia and production has exploded, keeping vegetable oil prices in check. Nearly two-thirds of palm oil production is traded, coming primarily from Indonesia and Malaysia. A growing quantity of palm oil demand and trade is attributable to biofuel markets.

Argentina produces soyoil primarily for the world market, supplying more than 60% of the quantity sold internationally. The recent changes to grain, oilseed, and products export taxes will marginally restrain soybean and products production and trade from Argentina. However, there is not expected to be an ongoing shift in suppliers to global soybean and products markets.

Rapeseed crushers cannot absorb the competition from palm oil prices in the baseline as readily as soybean processors, as rapeseed has a nearly 40% oil content, double that of soybeans. As a result, rapeseed crush will be somewhat constrained and rapeseed oil trade will increase relatively slowly.

Rapeseed oil will see only gradual increases in demand and trade over the next ten years. Important importers will be China, the EU, and the U.S. The U.S. will remain the single largest importer of rapeseed oil taking in the majority that is produced by neighboring Canada, which accounts for the largest proportion of global trade.

Though trade is small in absolute terms, sunflowerseed oil is dependent on the international market as approximately 40% of production is traded. The largest exporters are Russia and Ukraine, and the largest importers are India and the EU.