



# FROM SURPLUS TO SHORTAGE?

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In view of the supply balance for oil seeds, many market operators have been surprised by the price rise. The reasons for the revised market assessment are described below.

Despite a secure global supply situation on the oilseed market and the fact that the soya bean harvest in South America is expected to be very good this year, prices in Chicago and Paris have been rising since March. Chicago soya bean prices rose from 333 US\$/t to 351 US\$/t in the first half of April. With the international oilseed rape market tracking the soya bean market, the prices for May rape rose by 36 C\$/t to 480 C\$/t (324 €/t) in Winnipeg, Canada, and by 21 €/t to 359 €/t in Paris since early March.

## A surplus of soya

The main reason for falling prices in the winter months was an oversupply of soya beans. The United States Department of Agriculture (USDA) and the International Grains Council (IGC) predict soya bean stocks to reach record levels. According to the latest USDA forecasts, supplies are expected to increase to 79 million tonnes by the middle of the year, the third successive annual in-

crease, amounting to an overall rise of 24 million tonnes; the supply situation is thus secure. In the meantime, the USDA forecasts a record harvest of 100 million tonnes in Brazil (previous year: 97 million tonnes). Estimates for Argentina currently lie at 59 million tonnes (previous year: 61 million tonnes). Due to very heavy rainfall at the start of the harvest, some market observers anticipate losses of 2 to 3 million tonnes of soya beans. In Brazil the main harvest is over and the soya beans are already being shipped for export in ever-increasing quantities. The competitiveness of the Brazilian harvest has weakened in recent weeks due to a 12 % increase in the real effective exchange rate compared with the US dollar since early March. Contrary to expectations, the US fared better on the export market. The US, Brazil and Argentina are in fierce competition for customers in Asia and Europe. Market prices are rising despite plentiful supplies.

## China: Soya beans oust oilseed rape

This year Chinese producers are growing less cottonseed and oilseed rape than in previous years. Over the last three years, oilseed rape production in China has fallen by 3 million tonnes to 9.5 million tonnes and cottonseed by 2.5 million tonnes to 5.2 million tonnes. These gaps in supplies will be closed by increasing soya bean imports. Despite reduced economic growth, the USDA expects Chinese soya bean imports to rise by 4.7 million tonnes to 83 million tonnes, giving China a 64% share of the global soya bean market. In contrast, China has cut back on imports of Canadian oilseed rape by imposing stricter import rules. As a result, Canadian oilseed rape is currently en route to Europe instead of China. Oilworld now estimates that EU imports of Canadian produce in the current marketing year will rise to 500,000 tonnes (previous year: 129,000 tonnes). This will help close the supply gap created by the poor EU harvest in 2015.

## Declining palm oil production

Whilst the El Niño weather phenomenon caused only minor harvest losses for oilseed rape and cereals in Australia, in southern and eastern Africa the ensuing drought has had a catastrophic effect on crops, leaving large parts of the population grappling with hunger. In India and Thailand, too, yields were lower than expected. Stagnation of palm oil production has also had an impact on the oilseed market. Despite a 5% increase in the global area under cultivation, the USDA expects worldwide production to remain at the previous year's level of 62 million tonnes. In some provinces in Malaysia and Indonesia, it was simply too dry. Palm oil pri-

Table 1: Supply balance for the EU-28 in million tonnes

Growing season	12/13	13/14	14/15	15/16 April 16
Production	19.6	21.3	24.6	22.1
Consumption	23.4	24.9	26.3	25.2
Production-consumption	-3.8	-3.6	-1.7	-3.2
Imports	3.4	3.5	2.3	2.8
Exports	0.9	0.3	0.6	0.3
Stock	2.6	1.9	1.9	1.2
Total stock in % relative to consumption level	11.0	7.6	7.2	4.9

Source: USDA-Report, April 2016

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ces have rallied strongly in recent weeks as a result of these production losses. The Rotterdam palm oil price has risen by 85 €/t to 610 €/t since the start of the year – palm oil can no longer be regarded as a cheap vegetable oil. As a result, an upward trend in the price of rapeseed oil could well be seen in the coming months.

### US soya bean fields in decline

The US Department of Agriculture published its crop forecasts for cereals and oilseeds in the US on 31 March. The USDA predicts the land under cultivation in some states to shrink by 160,000 hectares to 33.3 million hectares. Market observers, on the other hand, had expected the planted acreage to increase by 170,000 hectares. The wheat acreage is even expected to fall by 1.4 million hectares to 20 million hectares, its lowest level for 46 years. In comparison, the maize acreage looks set to rise by 2.3 million hectares to 37.9 million hectares. Falling energy and fertiliser costs – which particularly benefit cost-intensive maize cultivation – have been cited as the reason for this expansion.



### Less oilseed rape in 2016

A smaller oilseed rape harvest is expected in India, China, the Ukraine and the EU-28 this year. The reasons behind this anticipated decline in production are the El Niño in India, poor conditions during the sowing season and winter losses in the Ukraine. China reduced the size of land dedicated to growing oil seed rape and on top of this the country's oilseed rape crop has apparently been hit by frost damage. Coceral puts production in the EU-28 at 21.6 million tonnes (previous year: 21.8 million tonnes), reflecting the slight decline in acreage. Canada is the only oilseed rape growing region where the land under cultivation is expected to increase – by 300,000 hectares to 8.4 million hectares. All in all, oilseed rape is expected to be in short supply worldwide again in the coming year. The poor Ukrainian harvest has prompted the EU-28 to turn to Canada to boost annual imports from Australia. Unlike wheat, oilseed rape is expected to find buyers on the market every day in the EU-28.

### Conclusion

There are clear signs of recovery for the second half of 2016. Initial indications suggest that demand for oilseeds will outstrip production. However, in view of the abundant supplies, it is clearly premature to talk about a deficit in the coming year. The overall trend for oilseed rape prices in the coming months can be regarded as cautiously optimistic.

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