



May 2002

Special Report: Declining World Trade in Sunflowerseed and Products Helps Boost U.S. Soybean and Soybean Oil Exports

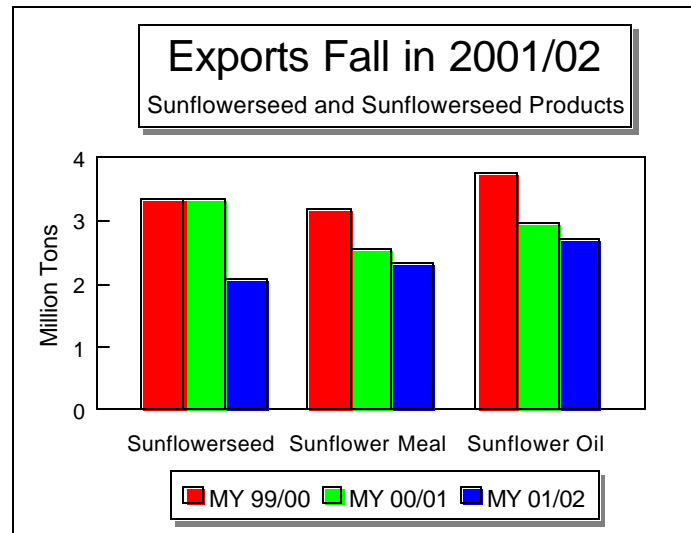
Issue

USDA estimates global exports of sunflowerseed and sunflowerseed products to be down 21 percent in marketing year 2001/02 as compared to last year. U.S. soybean and soybean oil exports have benefitted from the slowed trade in sunflowerseed because countries that traditionally import sunflowerseed and sunflower oil have had to turn to other oilseeds to meet their domestic demand. With world supplies of soybeans up and prices down, soybeans and soybean oil are the natural substitute.

Summary: Reasons for the Decline in Sunflowerseed Trade

Global trade in sunflowerseed and sunflowerseed products is expected to decrease in 2001/02 mainly because of **decreased production in Russia, Ukraine, and Argentina**. Farmers in these countries have chosen overwhelmingly to plant grains instead of sunflowerseed because of the reduced profitability over recent years in the latter crop.

In addition, sunflowerseed exports have been curbed in 2001/02 by **new trade policies in Russia and Ukraine** which are designed to limit the export of sunflowerseed in favor of domestic crushing. Russian authorities have raised the export tax on sunflowerseed while simultaneously raising the import tax on sunflower oil. Similarly, Ukraine has eliminated the tolling scheme whereby sunflowerseed left the country duty-free to be crushed, provided that the meal and oil were reimported.



Analysis

- T Production in Russia and Ukraine has decreased a combined 2.4 million tons in 2001/02, reducing sunflowerseed production in these two countries by nearly 25 percent. The trade consequence of this decreased production, combined with the trade policy barriers, is significant: Russia and Ukraine, who are traditionally responsible for over 40 percent of world sunflowerseed trade, will decrease their sunflowerseed exports by more than 75 percent in 2001/02.
- T Argentina and France, who in years past have supplied large quantities of sunflowerseed to the world market, have also suffered from reduced production in 2001/02, so their ability to satisfy the import demand left unmet by Russia and Ukraine has been limited.
- T The European Union is the region that has been most affected by the reduced availability of sunflowerseed imports, since this region traditionally imports the most sunflowerseed from Russia and Ukraine. The benefits to U.S. soybean oil exports are already apparent. Because of the decreased availability of sunflowerseed oil for import, combined with a decrease in EU rapeseed and rapeseed oil production, from the beginning of the 01/02 marketing year through February 2002, the EU imported 23,000 tons of soybean oil from the U.S., versus 5,600 tons of soybean oil from the U.S. in the corresponding period last year. Smaller countries, particularly in the Middle East and Africa, are also turning to U.S. soybean oil imports as a replacement for their traditional sunflowerseed oil imports.

Implications for the U.S.

- T Decreased availability of sunflower oil on the export markets will lead to higher prices. This in turn has made soybean oil imports more attractive, especially for low-income countries such as those in Africa and the Middle East, who have gradually begun to substitute some of their traditional sunflower oil imports with less expensive soybean oil.
- T More importantly, higher vegetable oil prices have helped boost soybean crushing margins in the U.S. and have led to an overall increase in the soybean crush. This has resulted in slightly higher soybean oil output and has helped to increase the global market share for soybean oil at the expense of sunflower oil.
- T USDA estimates U.S. soybean oil exports to reach 975,000 tons in 2001/02, a 52 percent increase over last year as well as a three percent increase in global market share. The above scenario is one of the factors contributing to this optimistic forecast.
- T However, preliminary evidence suggests that sunflowerseed production at least in Ukraine and Russia will rebound in MY 2002/03. This may leave the U.S. searching for more export markets, as countries who traditionally prefer sunflowerseed oil may no longer need to substitute it with soybean oil.

Jennifer Stawasz/ 690-2581/ COTS Division