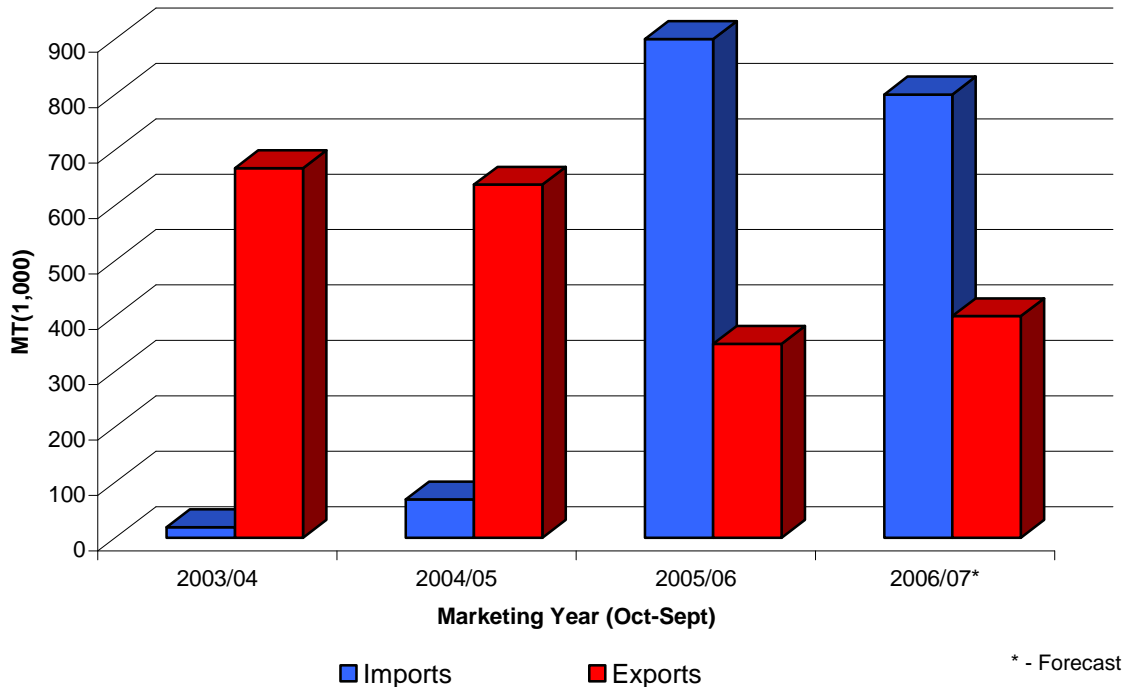




# Oilseeds: World Markets and Trade

## *China Becomes a Net Importer of Soybean Meal in 2005/06*



China's imports of soybean meal in 2005/06 are estimated to increase 13-fold (69,000 MT to 900,000 MT) from 2004/05. This will result in China becoming a net importer of soybean meal for the first time in five years. As China's livestock, dairy, poultry and aquaculture sectors experience strong growth (35% of total agricultural output), protein meal demand is mirroring this growth. Total protein meal demand is estimated to grow by 10 percent in 2005/06 from 40 to 44 MMT.

China's larger soybean meal imports, although small relative to domestically produced soybean meal are likely driven by reduced imports of fishmeal due to world supply constraints. The lack of availability, particularly from Peru, along with large price increases led China to turn to alternative protein sources to satisfy the animal feed industry. Additionally, India has ample supplies of relatively inexpensive soybean meal and has been able to supply China fairly quickly. With the unpredictability of fishmeal supplies along with escalating prices, India is likely to continue exporting soybean meal to China.

### ***Special Articles***

*Argentina: Export Update*

*Philippines: Oilseeds and Product Overview*

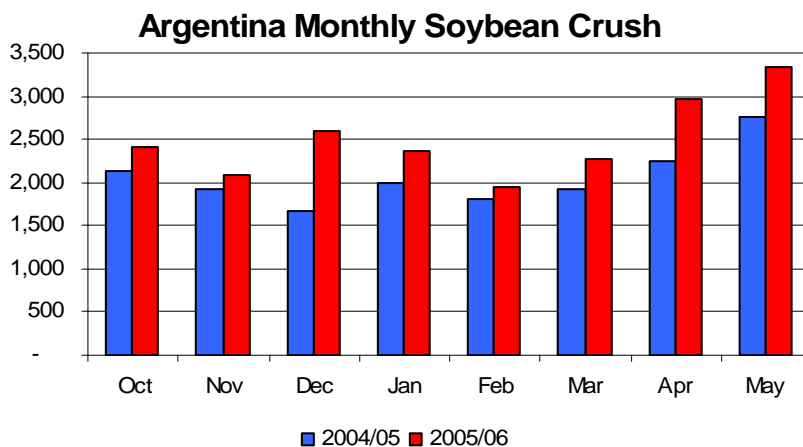
## Special Articles

### *Argentina: Export Update*

Argentina's soybean crush for 2005/06 (October – September) was increased this month by 1.7 MMT to 32.1 MMT. This revision is the result of the release of the latest data by the Argentine government. Argentine soybean crush from October through May increased 3.6 MMT compared to the same period last year, and soybean exports for the April/July 2006 period are reportedly down some 2 MMT from last year.

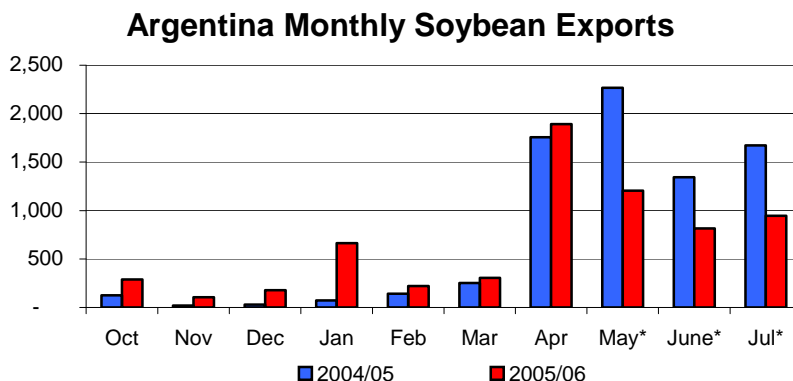
#### Soybean Crush Increases

An increase in crushing capacity to an estimated 130,000 MT/day in 2005 has allowed the crushing industry to compete soybeans away from export market and into the hands of local crushers. In April, Argentina's monthly crush reached a record 3 MMT, only to be broken in May 2006 when Argentina crushed 3.4 MMT of soybeans. Back-to-back months of record crush will cause Argentina's soybean meal and oil exports to strengthen even further. From October-April, Argentina's soybean meal exports are up 24 percent compared to the same period last year and soybean oil exports are up 15 percent. The soybean meal is being exported to a number of markets including Europe, Southeast Asia, and the Middle East, while the soybean oil is primarily destined for India, China, and the Middle East.



#### Soybean Exports Fall

In the past, Argentina has ramped up soybean exports shortly after their harvest in April, when supplies are abundant, and continued strong exports through August or September when U.S. soybeans arrive in the market. However, preliminary estimates for Argentina's soybean exports in May, June and July of this year are at 3.5 MMT compared to 5.3 MMT last year. The reduction in Argentina's soybean exports leaves a large void in the international market, primarily China where two-thirds of Argentina's exports are destined. So far this void has primarily been filled by Brazil, which posted record monthly soybean exports to all sources of 4.8 MMT in July. However, the U.S. has also been the recipient of some of this business with 463,000 MT of late season soybean sales to China, of which 116,000 MT have already been shipped.



\* - Based on Shipping Reports and Import Data for 2005/06

### **Argentina 2006/07 Outlook**

In 2006/07, Argentina's soybean crush is forecast to reach 33 MMT, while soybean exports are forecast to fall to 7.8 MMT. Soybean crush has the potential to be even stronger next year; however, for this to happen soybean exports would need to decline even further, since Argentine soybean production has limited expansion potential. Soybean exports of between 6 and 7 MMT are not unlikely if crush were to approach 35 MMT. If this reduction occurs, it would allow both the U.S. and Brazil greater access to Argentina's top soybean export market China.

For more information, contact Mr. Matthew King at (202) 720-9491 or [Matthew.King@fas.usda.gov](mailto:Matthew.King@fas.usda.gov)

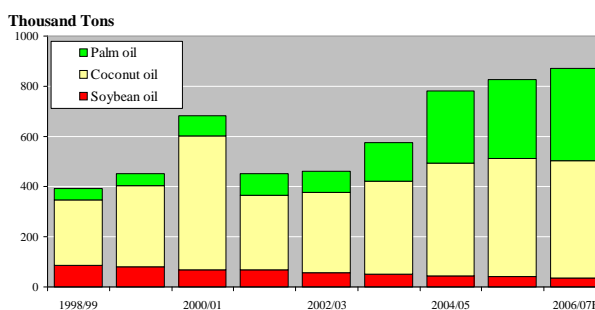
## *Philippines: Oilseeds and Product Overview*

The oilseed and products market in the Philippines is showing signs of a significant change this year. Vegetable oil use is projected to rise to a new level as the government promotes coconut oil, a major agricultural product in the country, for industrial purposes and exports while encouraging palm oil for food use. This development has created a surge in palm oil imports displacing soybean oil use. Meanwhile, low soybean meal prices in the world market have made soybean meal imports more attractive than soybean imports. As a result, the country's soybean imports are forecast to fall significantly to the lowest level since 1997/98. The United States is the top supplier accounting for nearly 80 percent of the soybean market.

### **Palm Oil Use Surges**

Vegetable oil use continues to rise to a new record. In 2005/06, vegetable oil use is estimated at 830,000 tons, up 6 percent from last year and more than doubles the 1998/99 level. The increase in oil consumption is met by palm oil imported mainly from Malaysia. In an effort to promote coconut oil for industrial use and for export, the government has mandated in 2004 that all government vehicles use one percent coconut methyl ester, known as cocodiesel, blended with 99 percent petroleum diesel. Meanwhile, the government continues to encourage the expansion of palm oil production.

**Total Vegetable Oil Use Rises led by Palm Oil**



In 2005/06, coconut oil exports are estimated at 1.2 million tons up 15 percent from the previous year driven largely by strong demand in the EU-25 and the United States. For the first 7 months (October-April) in 2005/06, coconut oil exports to the world totaled 805,000 tons, up nearly 45 percent from the same period last year.

- The Philippines, a member of ASEAN (Association of South East Asian Nations) assesses the MFN rate of 7 percent import duty on soybean oil compared to 3 percent duty if the product is sourced from ASEAN under the Common Effective Preferential Tariffs (CEPT) schedule.
- Palm oil imports are assessed the MFN rate of 15 percent duty compared to 3 percent (crude palm oil) and 5 percent (refined palm oil) if sourced from ASEAN.
- For soybeans and meal, the MFN rates are 1 percent and 3 percent, respectively. However, soybean and meal imports from ASEAN are assessed zero duty under the CEPT schedule.

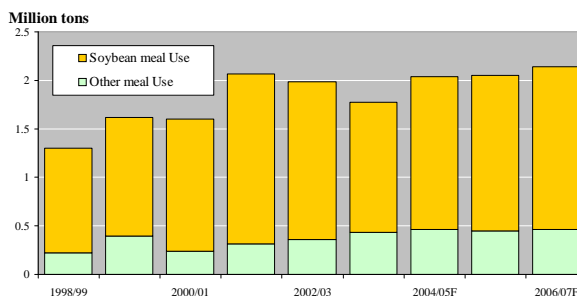
### **Soybean Meal Use is Steady**

As soybean meal price falls in world market (See Table 21, Protein Meal Prices), the Philippines increasingly depends on imports of soybean meal to satisfy domestic needs in lieu of importing soybeans for crushing. In 2005/06, the country's soybean meal use is estimated to be up slightly to 1.6 million tons, mainly supplied by imports. Combined with other protein meals, the country's protein meal use (SME) in 2005/06 is projected to rise nearly 2 percent to 1.9 million tons from the previous year.

Soybean meal use in feed is expected to strengthen as the country's poultry sector expands and its swine sector continues to shift from a "backyard" structure to a more commercialized operation which would likely use manufactured feed. Currently, an estimated 75 percent of the Philippines' swine population is raised in backyard operations, while about 65 percent of poultry production is supplied by integrated establishments.

The Philippines is the third largest destination for U.S. soybean meal exports accounting for 26 percent of the country's imports, although U.S. share has eroded substantially since 1998/99.

### **Soybean meal Use in 2005/06 Remains Largely Unchanged**

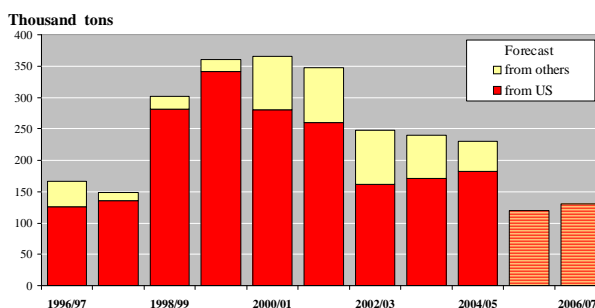


### **Soybean Imports for Processing (Crush) Decline**

In 2005/06, the country's soybean imports are estimated at 120,000 tons, nearly half of last year's level and the lowest since 1997/98. Growing imports of palm oil and soybean meal continue to displace soybean imports and reduces supply of soybean oil in the market.

The change in the trading pattern from importing soybeans to importing soybean meal and palm oil poses challenges to U.S. exports. The U.S. strength lies in exporting soybeans rather than soybean products. The United States is the top supplier, accounting for nearly 80 percent of Philippines's soybean imports in 2004/05.

### **Soybean Imports in 2005/06 are to be the Lowest Level since 1997/98**



For more information, contact Mrs. Yoonhee Macke at (202) 690-2581 or [Yoonhee.Macke@FAS.USDA.gov](mailto:Yoonhee.Macke@FAS.USDA.gov)