

R.J.O'Brien Weekly Fundamental Oilseeds Outlook

Soybean Oil Product Share

November 16, 2001

Several factors appear to be coming together which may allow for a solid increase in soybean oil product share in the months ahead. While these factors are not necessarily new developments, the timing of their potential impact has neared.

One of the major underlying reasons for a potential rise in soybean oil's product share is the increase in the proportion of low-yielding oilseed world production to total oilseed production expected in 2001/02. Shown in the chart to the right, soybean and cottonseed production is estimated to account for over 70% of total major oilseed production for 2001/02. Looking back, 2000/01, 1997/98 and 1989/90 also showed a high percentage of lower oil-yield seeds, while 1994/95 saw a decent increase in low yielding seeds from the previous year.

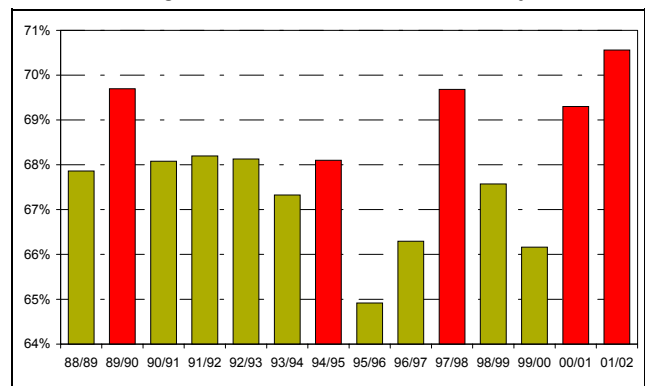
With the large U.S. crop already harvested and the potentially sizable increase in South American soybean production, an historically high percentage of world oilseed production being low oil-yielding varieties appears imminent.

The chart below shows notable rallies in soybean oil product share in each of those years. These rallies typically began somewhere in the November-December period, but saw varying degrees of longevity.

On the following page, a seasonal March Oil Share chart is shown for the same 1987-2001 period. Over this timeframe, there also is a seasonal bias towards strength in oilshare during the December-February period. While the seasonal is bolstered by the large rallies in these years, there is still a general bias for oilshare strength during this period as well. However, in recent years (i.e. since 1998) this has not typically been the case given the overwhelmingly negative price action of soybean oil.

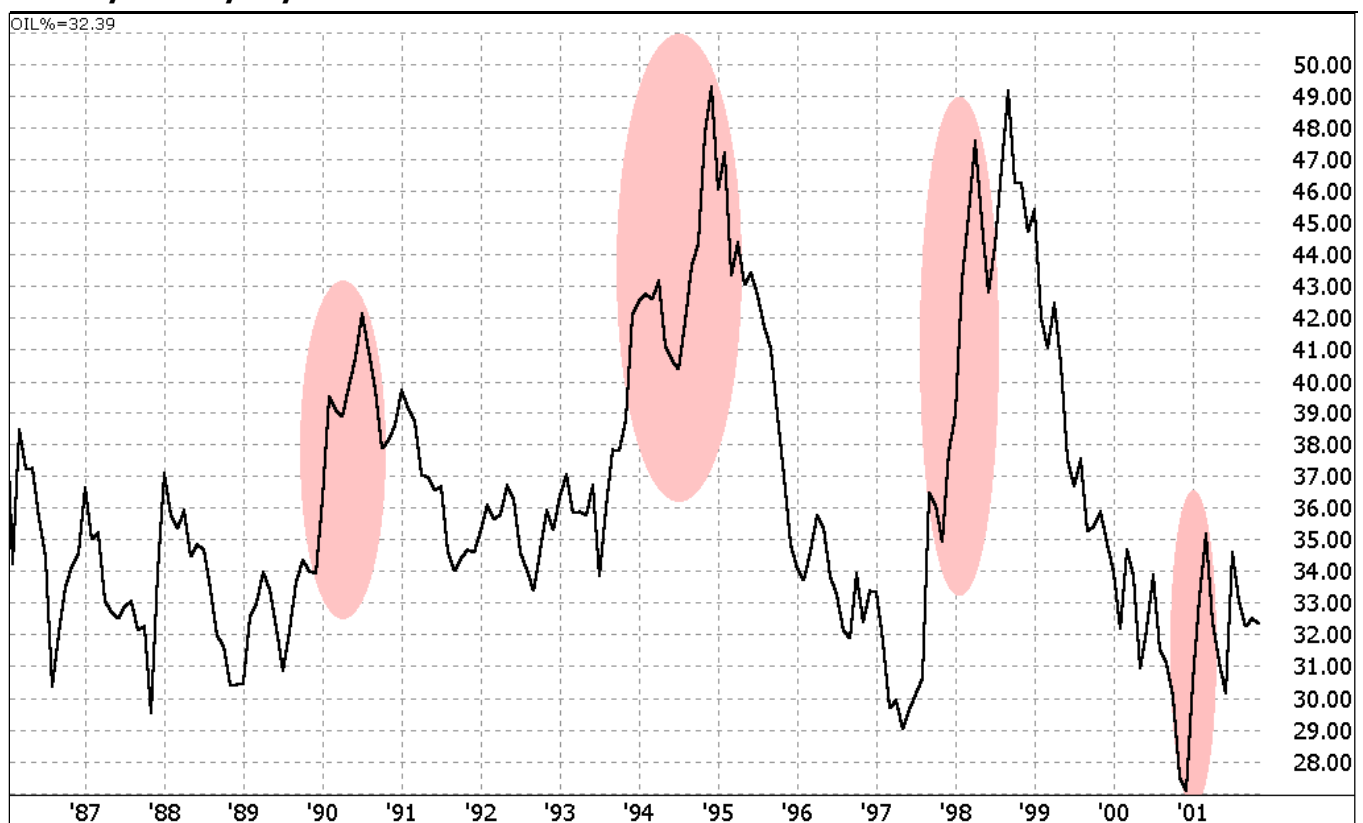
Randy Mittelstaedt

Low Oil-Yielding Oilseed World Production % of Major Oilseeds



* Percent world soybean/cottonseed production of total soybean, cottonseed, sunseed, rapeseed, peanut production

Nearly Monthly Soybean Oil Share



Oil Share Seasonal Spread 1987-2001
March Soyoil vs March Soymeal

