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Outlook Favorable For Fats and Oils Exports

Movement to foreign markets may equal record volume of 3.5 billion pounds, exported in 1953–54

NEW ORLEANS.—The export outlook for fats, oils, and oilseeds during the current marketing year is generally favorable, says Paul E. Quintus, director, Fats and Oils Division, USDA. If the expected goal materializes, exports for the two-year period ending next Sept. 30 will almost equal the previous three-year total.

"Our optimistic outlook," he says, "depends first on the large exportable supplies arising from current production and carryover stocks. That is, we can easily spare another 3 billion pounds, or more, this year. And large supplies mean that our prices are likely to be competitive in world markets."

In a report to the National Renderers Association held here Nov. 18 and 19, Quintus indicated that the favorable outlook also depends on conditions overseas.

Early indications show that over-all production of most oil-bearing materials outside the United States will not be greatly different from last year, cited Quintus, but the 1954 "off-year" olive crop in the Mediterranean Basin will be sharply lower. Some rise in foreign consumption can be expected because the dollar credit position of several major importing countries—particularly in Western Europe—is much stronger than a year ago.

The Commodity Credit Corporation, he says, will continue to export cottonseed oil, flaxseed and linseed oil on a bid basis at competitive world prices. Moreover, some sales of certain fats and oils will be made for foreign currencies under the Agricultural Trade and Development Act of 1954 and under limited aid programs.

"In looking to the months that lie before us," he cautioned, "our optimism needs to be tempered somewhat by the uncertainty of supplies that will be exported from China-Manchuria." This is a perennial question in the fats and oils picture, and again we do not know the answer, he explained. Assuming that exports of oils and oilseeds from China-Manchuria will be essentially the same as a year earlier, Quintus expects that the United States will export a larger quantity of soybeans—perhaps 20% more than the record volume last year. This prediction, he says, further assumes that Japan and Formosa will carry out their program for increased purchases. (Advance export sales of 1954 crop beans have been heavy.)

The sharp cutback in Mediterranean olive oil output may place Southern Europe in the market for substantial quantities of cottonseed oil and soybean oil. For example, this may result in the first substantial exports to Spain in three years, he indicated.

Outside of Europe, a number of countries appear to be in need of increased vegetable oil imports. Several in South America, including Argentina, are stepping up imports as fast as financing can be arranged. The same is true for some of the Asiatic countries, he says.

A continued fat deficiency in the Soviet Bloc, which apparently has to be met through increased imports, represents a possible expanded outlet for world supplies of fats and oils, explained Quintus. Even if sales are not made directly or indirectly by the United States, Iron Curtain purchases would have the same net effect of opening new export outlets for U. S. fats and oils.

Lard Up, Flaxseed Steady. Lard exports are likely to be larger than next year, he says. With the prospects of increased production and somewhat lower prices, it is reasonable to suppose that larger purchases will be made by Cuba, Western Europe, and countries elsewhere. Flaxseed exports may equal last year's volume of roughly 8 million bushels, predicted Quintus. Shipments of linseed oil, however, can not be expected to equal last year's heavy exports that shattered all previous records, and essentially liquidated our carryover stocks.

Prospects for export of inedible tallow and greases continue to be favorable, reported Quintus, with the one notable exception of Japan. Dollar exchange difficulties there are acute. The price of competing fats—particularly palm oil from Africa, Indonesia, and Malaya—may be a factor influencing purchases by all foreign tallow markets, reminded Quintus.

"But since the price of inedible tallow and greases is highly sensitive to changing market conditions, we are inclined to be optimistic and we see no reason why exports should not continue high in 1954–55," he stated.

Industrial activity in the important Western European market is at a high level. Since it is desirable to maintain this level of activity, nearly all countries there are willing to promote the imports of fats and oils needed for industrial purposes, assured Quintus. So far as controls and dollar allocations are concerned, many countries appear to have a more liberal attitude towards industrial fats and oils, than for fats and oils used for food purposes.

Europeans are interested in the addition of tallows and greases to protein feeds, he indicated. This interest will continue, he predicted, if the price of tallow remains low compared with the prices of other suitable fats and oils such as linseed oil and fish oil. "European feeders have been accustomed to using protein meals with a minimum percentage of fat, and that is their basis for adding fats to extracted meals," he explained.

Another reason for sustained demand in Europe, he says, is the practice of refining choice white hog grease and top grade tallows for edible use. And the rapidly growing fatty acid business in Germany uses primarily low grade tallows and greases as a raw material. Prior to the war, the Germans made great technical advances in the fats and oils industry, and they are again engaged in developments which promise to use increasing quantities of our industrial fats, he concluded.