

Report on Fats and Oils

P. L. 480 Exports Big Unknown

P. L. 480 exports of oils are the big unknown, and their size will be important in determining soybean crush in 1957-58.

Supplies

The ingredients of the over-all supply-demand situation for the 1957-58 crop year have begun to emerge in somewhat clearer form. If we take the latest set of crop reports as a measure of the potential supplies, assume no change in the domestic per-capita consumption, and try to reduce the most recent export rumors to figures, we can produce a numerical picture which might prove of some interest. The two most unpredictable variables are exports of liquid oils and soybean oil production, and in the final analysis the latter will probably become a function of the former. In order to get started, we will assume that the 1957-58 soybean crush will be 325 million bushels, yielding an oil production of 3,540 million lbs. This assumption can be abandoned later if it yields unrealistic results. On that basis we can set up the production side of the ledger as follows (in millions of lbs., crude basis):

Year beginning Oct. 1	Lard	CSO	SBO	Others ^a	Total
1957-58 (estimate)	2,550	1,400	3,540	650	8,140
1956-57	2,430	1,622	3,431	664	8,147

^a Peanut, corn, and olive oils and edible beef fats.

The estimate of 1,400 million lbs. for the output of cottonseed oil reflects the reduction in the prospects for cottonseed production as well as the possibility of lower oil yield per ton of seed. The higher figure for lard production takes into consideration the increase in the 1957 fall pig crop and the likelihood of a boost in per-animal yields due to heavier slaughter weights. To continue examining the supply side of the picture, we will estimate that imports (principally olive oil) will total 60 million lbs. compared with about 49 million lbs. in 1956-57. By adding this to our production of 8,140 million lbs., we arrive at a total figure for production and imports of 8,200 million lbs. Before turning to the demand side of the equation, it is necessary to add to the above the stocks on hand on October 1 when the crop year began. Beginning stocks this crop year were 795 million lbs., composed of the following: lard—69; CSO—146; SBO—286; others—48; secondary products—246. Last year beginning stocks totaled 949 million lbs.

Demand

In 1956-57, 441 million lbs. of food fats and oils were either used in nonfood products (principally paint and varnish) or were lost in the refining process. The comparable figure for 1957-58 may be around 475 million lbs. Refining losses probably won't change much, but the amount of soybean oil diverted to use in paint and varnish may increase because of the shorter supplies of flaxseed. The biggest part of the demand for fats and oils is, of course, the domestic disappearance for consumption as human food. Last crop-year this amounted to about 6,210 million lbs. It was distributed unevenly throughout the year as pipeline supplies were built up quite heavily in the first quarter and were liquidated to very low levels until early spring. Some expansion in pipeline inventories probably occurred in August-September, which may have left them on September 30 at just about the same level as they were when that crop year began.

If we make an allowance for the population increase and a slight decrease in per-capita consumption of butter, we can estimate the domestic disappearance of fats and oils for food uses in 1957-58 at 6,330 million lbs. Not all of this demand will have to be satisfied by the food fats which are listed in the small table above. An increasing percentage of the domestic demand in recent years has been satisfied by the use of "nonfood fats" (principally coconut and palm-kernel oils) in the manufacture of food

products. In 1956-57 this use amounted to 246 million lbs. and may increase to about 265 million lbs. in the present crop-year. It is still too early to determine whether the recent removal of the processing tax on coconut oil will affect this figure significantly.

It's time to construct a table from the above figures: (million lbs.)

Year beginning Oct. 1	1956-57	1957-58 (est.)
Beginning stocks, Oct. 1.....	949	795
Production	8,147	8,140
Imports	49	60
Total supplies, food fats.....	9,145	8,995
Less refining losses and use of		
food fats in nonfood products.....	441	475
Plus food uses of nonfood fats.....	246	265
Available for domestic food use,		
exports, and ending stocks.....	8,950	8,785
Domestic food use.....	6,210	6,330
Available for exports and		
ending stocks	2,740	2,455
Exports	1,945	below
Ending stocks, Sept. 30.....	795	below

Stocks and Exports

The figure of 2,455 million lbs. available for exports and ending stocks is 285 million lbs. below the comparable figure for last year, and the question suggests itself whether there is any room for a reduction in stocks below their October 1 level. An examination of the breakdown of the stocks provided in the second paragraph however reveals that there isn't much room for them to decrease. Stocks of lard, cottonseed oil, and secondary products on October 1 were as low as they have been in the past three years, or lower, and total stocks were well below the level of any recent year. It is conceivable that a small reduction could occur, mostly in soybean oil. If this decrease should amount to 45 million lbs., stocks on September 30, 1958 would be 750 million lbs., leaving 1,705 million lbs. to satisfy export demand.

Of this availability we expect that about 660 million lbs. will be spoken for by lard, peanut oil, beef fats, and secondary products (in 1956-57 this figure was 714 million lbs.), leaving 1,045 million lbs. for exports of cottonseed oil and soybean oil (which totaled 1,230 million lbs. last year). Probably about 480 million lbs. of these oils will be exported in normal, free-dollar and ICA trade. According to current reports, P. L. 480 exports of cottonseed oil and soybean oil will fall between 450 and 700 million lbs. This last item is subject to a great variation, but one advantage of P. L. 480 business is that the quantities involved are made public as soon as agreements are closed, and a running total can be kept. Earlier we made the assumption that 325 million bushels of soybeans would be crushed in the 1957-58 crop year. Any errors made in our estimates of the other supply-demand factors will work to increase or decrease the soybean crush.

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Fatty Acids Drop

Production of saturated and unsaturated fatty acids in September 1957 was 31.4 million lbs., according to the Fatty Acid Producers' Council, New York. This figure is about 4.3 million lbs. under August 1957 but 1.0 million above production in September 1956.

Disposition in September totalled 30.7 million lbs., down 4.4 million from the August figure and down 1.7 million from the disposition figure for September 1956. Stocks of finished goods at the end of September totalled 29.2 million lbs., about 0.5 million higher than the previous month's figure. Work in process declined 0.6 million lbs. from the August level.