

Report on Fats and Oils

"Something Will Happen"

IT WASN'T LONG AGO that we were talking about the soybean oil market with one of the old hands and discussing the rather dismal prospects which then appeared to exist. At the time the outlook for the 1958-59 crop year was one of larger domestic supplies of lard, cottonseed oil, peanut oil and beef fats (all competitors of soybean oil), and another year of big supplies of fats and oils elsewhere in the world. Furthermore it appeared as though the demand for soybean meal would continue good, resulting in a big production of soybean oil. It was generally admitted that the picture for soybean oil wasn't very bright.

"Don't worry," said the old hand sagely, "something will happen. It always does." He pointed out that the situation has looked equally black on many occasions in the past but that there was always some development, a crop failure, a war scare, or a political device of some kind, to change things. He didn't have much of an idea what would happen but was confident that something would, somehow.

Well, maybe he's right. Out of the clear blue a couple of weeks ago came a torrent of rumors which have had a profound effect on thinking so far as the coming crop year is concerned. Roughly they were to the effect that the U. S. Department of Agriculture would buy in the open market large quantities of edible oils for donation through authorized domestic and export give-away institutions and agencies (not to be confused, incidentally, with PL 480, which is not, technically at least, a give-away program).

Therefore the situation for the 1958-59 crop year seemed to be one where the demand for soybean meal would clearly outstrip that for soybean oil. Now, all of a sudden, it has begun to seem as though the demand for soybean oil, augmented by U.S.D.A. purchases, may equal or exceed that for meal. (As far as soybeans themselves are concerned, by the way, it probably doesn't make a whale of a lot of difference whether oil or meal has the edge on the demand side. There are still likely to be many more soybeans produced than will be utilized.) At this point it might be a good idea to provide more detail on how this change in thinking came about. It all began two weeks ago (about September 29) with an article which appeared in *Feedstuffs* magazine as follows:

WASHINGTON—A government, edible oils, give-away program now being planned is seen as a soybean market stabilizing influence, and officials say that the soybean meal from the additional crush of beans will not be a price-breaking factor. It was learned this week that U. S. Department of Agriculture officials have submitted to the Commodity Credit Corporation advisory committee a donation program for edible oils under Title 2 of Public Law 480 for domestic and foreign distribution in the fiscal year ending next June 30.

The program would represent the equivalent of 25 to 50 million bushels of beans. The CCC advisory committee is expected to approve the plan. The public donation of edible oils may amount to an additional 500 million pounds of oil. This would be in addition to expected exports of oils under Title I of PL 480, amounting to an estimated 1 billion lbs. for the current oil crop year.

Additional Meal

U.S.D.A. officials say that the meal from the additional crush of beans will not seriously disrupt the meal market in the new crop year. They contend that the upcoming big pig crop and other outlets will absorb the meal without any substantial price breaks. In fact, they see the oil program as a market stabilizing influence since it will cut back a carry-out of soybeans on Sept. 30, 1959, which has been estimated at 90 million bushels. These officials look for the program to be a stabilizing factor for soybean meal in a range of \$42.50 to \$50 ton.

All of the foregoing from U.S.D.A. sources is based on a

soybean crop of at least 550 million bushels. Some persons think the crop may run to between 575 and 600 million. Meanwhile other U.S.D.A. sources indicated that CCC will be asked to implement the cottonseed price support program this year in the following general terms:

1. For all ginners and crushers who pay producers not less than \$41 ton for seed, CCC stands ready to buy oil at the lowest offering price, crude basis, with the crusher retaining the meal, hulls, and lint.
2. At current cottonseed oil prices it is not expected that CCC would obtain any substantial quantities of oil on a "lowest" offer, but this proposal—likely to be okayed—indicated that any oil offered on this basis will eventually work itself into the donation program.

It should be repeated that if this edible oil donation program is adopted—and all signs indicate it will be—the addition of soybean meal to the national supply is not likely to block normal marketings of that product. It must be remembered too that the availability of cottonseed meal this current crop year is limited by the total supply of cotton.

Political Aspects

Also the political aspects of the CCC intentions regarding disposal of soybeans through oil donations for foreign and domestic purposes are not an inconsequential consideration. In a recent report to the grain storage advisory committee U.S.D.A. reported that, on the basis of the Sept. 1 crop report, there would be a carry-out of beans Sept. 30, 1959, amounting to about 90 million bushels, without a donation program for oil.

(You may have noticed that the above falls somewhat short of being an official announcement by the U. S. Department of Agriculture, but among traders it's almost as good. There are many ways in which the mind of the U.S.D.A. is made known. There are the official announcements themselves; there are the official statements of named officials; there are the unofficial statements of named officials; the quoted statements of unnamed officials; and just plain gossip. The example above seems to be some kind of an authorized, unofficial statement of unnamed officials.)

WELL, however you want to classify it, the above article was a clear indication of some one's views in the U.S.D.A., even if it wasn't clear whose; and its implications aroused the flagging interest of the trader in soybean oil. Here was something to think about. A half billion pounds of oil is nothing to be sneezed at. Here perhaps was that something which the old hand was talking about. At any rate, the mere possibility of a brand new demand for 500 million lbs. of oil was enough to suggest that the balance of demand between oil and meal could be tipped in favor of oil after all. Almost immediately the price of oil firmed and that of meal weakened while the price of soybeans themselves was conspicuously unaffected by it all.

At this writing some official statement by the U.S.D.A. in the matter of the oil purchase-donation program is expected shortly. Perhaps by the time you read this, the intent of the U.S.D.A. will have been made clear. Whether it has or not, it might help to review some of the background information which is available on the subject. The authority for the program stems from Section 9 of Public Law 85-931 (which extended PU 480 for 1½ years), which authorizes the Commodity Credit Corporation to purchase edible oils and fats and the products thereof for donation abroad through nonprofit voluntary agencies registered with the Department of State, etc.

Under this legislation, then, the U.S.D.A. may buy edible oil in the open market (or shortening or salad oils) and give it away through relief and charitable organizations for distribution abroad. We have no way of estimating what quantities might be disposed of by such agencies, but it might help to look at past records. The last time that such a give-away program was in effect on edible oils was in 1955 when cottonseed oil and shortening were made available for distribution through these agencies. During an eight-month period of activity in that year about 50 to 60 million lbs. were distributed abroad under the program.

Apathetic about vitamin A?

That's understandable. Now and then something new comes along (like our new moisture-stable *Myvax*[®] *Dry Vitamin A Palmitate*), but in general vitamin A buying in today's high-quality market is a pretty routine matter. Once in a while, however, the routine may foul up. Then it becomes very important that the vitamin A producer be *agile*.

A new-found friend of ours in the margarine business had this proved to him recently. Looked at his inventory sheets and noticed that for lack of vitamin A a shut-down was imminent. His regular source was terribly sorry to hear that.

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It is probably not safe to assume that the figures would necessarily be as small as that now, but at least those figures may provide some idea of the degree of magnitude involved. (We understand incidentally that the charitable agencies involved have been requesting that food fats be made available to them for distribution abroad and have indicated that the potential "market" for these free items is pretty large.)

In addition to the above authority, the U.S.D.A. may also make purchases of edible oils and their products for free distribution through domestic agencies for use in the school lunch program, hospitals, institutions for needy persons, etc. Whether or not these domestic donations would be very big is unknown, but the important thing about them is that they probably, to a large extent, merely replace normal commercial distribution anyway, without any marked over-all increase in consumption as a result.

In view of the above the figure of 500 million lbs. of oil suggested in the recent reports seems a little ambitious, but a figure well below that could be significant. If a purchase program is eventually entered into, it will be important to differentiate between that quantity which is donated abroad and that which is donated domestically, attaching more importance to the former than the latter.

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A.O.C.S. Commentary

(Continued from page 4)

The devotion of the chemists and members and the willingness with which they have worked without pay or hope of reward can be attributed to an abiding interest in, and a sincere devotion for, our chosen profession. The contribution of the numbers of trained analysts and chemists cannot be measured in material values. In the years to come this magnificent illustration of devotion to a technical principle, and the basic research work which has accompanied it, will be rated of untold value.

Again let us not forget that ours is a friendly institution and that the companionship and the understanding attitude of the individual members one for the other have had much to do with its success. Truly we have bound together two great factions that are so often regarded as far apart. In this Society the scientific and the spiritual are united as well in our relationship to each other. It was founded that way. May it ever be so! May the inspiration of the yester-years and of today offer guidance and inspiration to the tomorrows! That is my hope and prayer for this Golden Anniversary.

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