

Report on Fats and Oils

Demand For Soybean Protein Greatly Expanded

SINCE THE ADVENT of Public Law 480 and the resultant expansion in the export market for soybean oil, very little attention has been directed toward the soybean meal situation. Until now, the total demand for oil has been considered (and probably correctly so) the ultimate determinant of the size of the soybean crush. Analysts devoted many hours to a close study of the probable demand for oil and assumed that enough soybeans would be processed to satisfy this demand. If their analyses should happen to indicate that the total crush, and consequently soybean meal production, would be very large, the problem of finding a market for the meal was never considered a serious one. "The demand for soybean meal is elastic," it was said. "No matter how large the production, there is a price at which it can be sold. In the meal market a lower price will automatically result in a greater demand."

The evidence would certainly appear to support this statement. The domestic consumption of soybean meal, which was 5,465 thousand tons in the 1951-55 crop year, expanded to 7,130 thousand tons in 1956-57 and will probably be close to 7,550 thousand tons in the present crop year, an increase of 38% in three years! It has been said that this expansion was made possible by the rapid increase in broiler production which has taken place, but it might be more accurate to say that it has been the large, attractively priced supplies of soybean protein which have brought about the growth of the broiler industry. In the final analysis the expansion of broiler numbers may be considered an outgrowth of the success of P. L. 480 in increasing the demand for oil.

It has been rather clearly demonstrated in recent years that the demand for soybean meal is indeed elastic—at least as long as price declines and increasing demand are concerned. Whether or not the demand is as sensitive to price advances as it has been to declines is not so easily proved. Certainly it did not appear to be so elastic in this sense in 1954 when it sold above \$100 per ton, a substantial premium over competing proteins. We would not be surprised if the elasticity for meal were a sort of one-sided affair. It seems as though the increment in demand, which is created by a lower price, tends to persist and does not evaporate as quickly when prices advance as it materialized when they declined.

Detailed Statistics on Soybean Meal Consumption Lacking

The analyst who has become accustomed to examining the soybean oil market will encounter an unfamiliar problem when he turns his attention toward meal. The heart of this problem is simply that very few statistics on the consump-

tion of soybean meal are publicly reported. Total disappearance and exports, of course, are known from figures reported by the Department of Commerce, and from them the domestic disappearance can be computed. There are however no statistics available on the nature of this disappearance. Whether the meal is used in the manufacture of broiler feeds, swine feeds, and other types of feeds or whether it merely passes into someone's unreported inventory is not known. Any approach necessarily involves a great deal of estimating.

The Outlook

Having made our apology, we will now proceed to get involved in that guessing-game. The American Feed Manufacturers group reports annually the total U. S. production of formula feeds, by types. How much soybean meal enters into each type is the principal unknown, but though understanding that this is purely estimation (although not entirely unfounded), we have constructed the table at the end of this article, summarizing the situation in the 1956-57 crop year and the current one. To complete the picture we might take the figures from the "Total SBM Fed" column of the table and use them as a starting point for another one (thousand short tons):

	1956-57	1957-58*
Total SBM fed.....	7100	7520
Nonfeed uses	30	30
Total domestic disappearance.....	7130	7550
Exports	436	300
Total disappearance	7566	7850
Production	7509	7850
Change in stocks	-57	0

* Estimated.

The assumptions involved in the table, so far as feed production for 1957-58 is concerned, are that the number of chickens raised will increase 6% over last year, that the average number of layers to be fed will be down 3%, that the average number of broilers to be fed will be up 8½%, and that the total soybean crush will be 330 million bushels. The increase estimated for the production of swine feeds exceeds the expected increase in hog numbers because of the favorable price of hogs. As can be calculated from the table, the percentage of soybean meal used in the various types of feed will have to be increased only slightly in order to dispose of the estimated production. In view of the reduced supplies of competing proteins, this increase should not be difficult to obtain. By the time this is read, incidentally, spring will be only a few days away, but while it is being written, the country is gripped in a severe cold wave which may result in a better demand for soybean meal than expected. This could result in a tight situation later on in the year if supplies of meal are not built up through April to take care of the big summer demand.

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FORMULA FEED PRODUCTION AND SOYBEAN MEAL CONSUMPTION, 1956-57 AND 1957-58

Year beginning October	Broilers		Turkeys		Layers, chickens, and other poultry		Total Poultry		Dairy		Swine		Beef and sheep		Misc.		SBM fed direct or in custom mixes	Total SBM Fed
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B		
1956-57																		
Oct.-Mar.	3300	693	650	162	6140	737	10090	1592	3580	365	1820	910	1610	81	710	71	357	3376
Apr.-Sept.	3710	780	1350	338	6510	782	11570	1900	3110	318	2110	1055	700	35	700	70	346	3724
Total	7010	1473	2000	500	12650	1519	21660	3492	6690	683	3930	1965	2310	116	1410	141	703	7100
1957-58																		
Oct.-Mar.	3590	765	550	140	5960	727	10100	1632	3630	376	2090	1062	1470	75	750	76	359	3580
Apr.-Sept.	3890	830	1340	341	6730	822	11960	1993	3070	319	2320	1178	700	36	720	73	341	3940
Total	7480	1595	1890	481	12690	1549	22060	3625	6700	695	4410	2240	2170	111	1470	149	700	7520

A=Formula feed production (thousand short tons).
B=Soybean meal (SBM) consumed in manufactured formula feeds.