

## The U.S.D.A. Prayer

ACCORDING to a story currently making the rounds, there are about a half-dozen men in Washington who each might pray fervently: "Dear Lord, if it doesn't make any difference to you, would you please send us some SBO exports?" The reason for this plea is that October-January SBO exports were only 148 million pounds *vs.* 255 million pounds to same date last year. There is very little new business in prospect (10,000 tons to Israel; 12,000 tons to Colombia; perhaps 55,000 to 60,000 tons to Spain if we are lucky). Good October-January export business in soybean meal (319,000 tons *vs.* 202,000 tons last year) kept meal in a fully inverted condition (cash over nearby futures and nearby futures over deferreds). Most of the time oil presented mild discounts. Speculative enthusiasm for the long side of beans kept bean prices high, but good sense prevailed to the extent of forcing nearby discounts. As a result, although margins were tight in all positions, nearby conversion was always more favorable than deferred.

Good trading practice requires heavy crush as long as this situation prevails, especially if a reasonable contribution to overhead is being made. (Not to crush heavily is second-guessing forces over which the individual firm has no control). The obvious alternative of forestalling fixing by reversal in futures presented problems. Short beans in a strong speculative market takes a lot of nerve. Besides there is no guarantee that things will not get worse before they get better. Crush went on merrily, and oil accumulated. Build-up in oil stocks was accepted philosophically. After all U.S.D.A. was forecasting huge oil exports later on so there seemed to be only mild risk in holding oil unhedged.

Adding to the willingness of many mills and users to hold oil was the widespread misconception that strong deferred premiums mean that consensus leans toward higher prices. Actually it indicates no opinion on the market whatsoever and may be an indication of a potential nearby oversupply. Deferred premiums mean only that sellers are willing to pay to nearby buyers a form of rental of buyer storage. At the time that the magnitude of the oil problem was becoming apparent, meal stocks began to back up. Meal turned to a fully discount market, and this really hurt margins. Crush cutbacks were begun, but by then the damage had been done and there was too much oil around. This is still the status as this is written.

At present there appear to be three possibilities that may yet make U.S.D.A. right on exports.

I. Peanut oil and coconut oil have been very strong in Europe (Figure 1). So far this has only encouraged exports of CSO as the big buyer there still seems reluctant to use much SBO. However CSO production is falling off rapidly and cannot be increased. Only SBO is available in volume. Peanut crops in India, Africa, and China are not up to average, and carry-overs appear to be small. In China and India food is always a problem. Just when Philippine copra/coconut oil production appeared ready to turn up, typhoons damaged many trees. The Indonesian copra situation is still chaotic, and exports will remain small. The big international consumers paid prices unchanged from last year in the big annual whale oil sales. In view of much lower prices for U. S. edible oils this year *versus* last, one must say that U. S. oils are cheap compared to whale oil, peanut oil, and coconut oil.

II. If the Spanish olive crop does not live up to brilliant advance notices (and there are rumbles to this effect), then Spain might take oil prior to expiration of her current authorizations (May 31) or at least before our new crop. We know that Spain will be a big buyer next year as the peculiar biennial cycle of olive production calls for next year to be an "off" year.

III. An oil donation program, which like some other possibilities, cannot be ruled out in an election year.

Operating against better SBO exports are:

- I. current heavy availability and low price of fish oil;
- II. potentially a much larger crop of sunflower seed in Argentina (That country adopts the peculiar attitude that crops are grown to be sold.);

PRICES COCONUT OIL vs. PEANUT OIL vs. COTTON OIL  
(POUNDS STERLING)

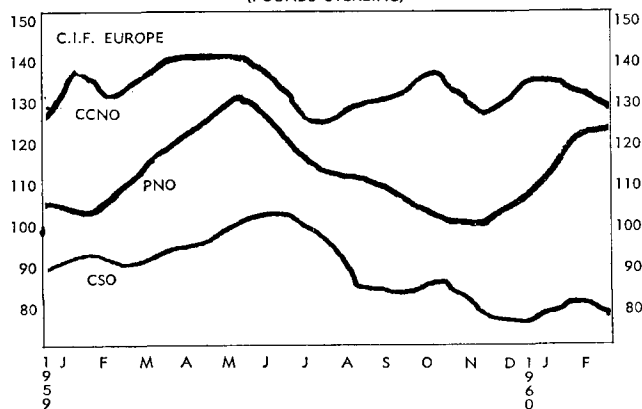


FIG. 1.

III. possibility that the big overseas buyer might be filled up by his early CSO purchases. This interest took CSO late in the season last year. However last year CCC was in control of the oil. There was no point in reaching early in the year since someone else was taking the risk and paying the storage. For the period August-January this year exports of CSO were 286 million pounds *versus* 74 million for the same period last year.

At this point one cannot say with confidence which set of possibilities will win out. Crush is unlikely to be cut back sufficiently to clear excess oil stocks. Those with long positions in oil are certainly hoping that the U.S.D.A. prayer will be answered.

JAMES E. MCHALE, Merrill Lynch, Pierce Fenner, and Smith Inc., Chicago, Ill.

## • *On the Educational Front*

"Closing the Gap," a 10-page selected bibliography on science, education, and careers for the science and engineering student, compiled with the aid of the U. S. Office of Education and other professional societies and government agencies, is available free from Scientific Apparatus Makers Association, 20 N. Wacker drive, Chicago 6, Ill.

More than \$110,000 in unrestricted grants-in-aid is being distributed by Hercules Powder Company, Wilmington, Del., among 30 colleges and universities. This program gives complete freedom in the use of the funds to the heads of departments of chemistry, chemical engineering, physics, and mechanical engineering, and to others in the participating schools. Nine of the grants were made to chemistry departments.

Lehigh University has received a grant of \$39,300 from the National Science Foundation for the support of basic research entitled "Wetting of Solids by Liquids" to be conducted during the next three years. Albert C. Zettle-moyer (1948), professor of chemistry, will direct the project. John J. Chessick, research assistant professor of chemistry and a graduate fellow, will assist in the project.

## • *Names in the News*

Henry J. Rynkiewicz has been named laboratory director; Reinhard Eck, research associate; and Henry C. Speel (1949-52; 1954), associate, of Skeist and Schwarz Laboratories Inc., New York.

Joseph J. McBride Jr. has been appointed section head of organic and analytical research for the Armour Industrial Chemical Company Research Laboratories, Chicago, Ill. He has written numerous papers on organosilicon chemistry, oil additives, and pesticides.