• *Report on Fats and Oils*

EEC

The recent announcement that the United Kingdom was going to negotiate for admission to the European economic community signals the end of EFTA and means that the common market is entering into a phase of enormously increased economic power. The import policies of this area are of great importance to USA agriculture. It is the only area of the world that "buys" our agricultural goods as opposed to the full and/or partial grants for purchase that go to nations in other areas. Consequently agricultural exports to that area are quite important in the USA balance of payments.

The common market has now made known its policy on fats and oils. It is hoped that this policy will be implemented by the 1963–1964 season and probably in no case later than Jan. 1st, 1965. The common policy aims are as follows:

1. A single internal market.
2. Securing of the production of oils and fats at a level judged necessary by the community and the stabilization of the market.
3. Provision to consumers of oils and fats of good quality at reasonable prices.
4. Stabilization of the markets for oilseeds and oils in the associated overseas states and to provide for their disposal in the community.
5. To have regard for the activities of the processing industries including the re-export of finished products.
6. To bear in mind the significance of the oilseed crushing industry as a basic material for the livestock industry.

It is proposed to fix production prices independent of world prices, and the prices may not be economic for all forms of production within the community, e.g., special support is envisaged for the Italian olive oil producers and for the groundnut producing associated overseas states. The support payments of these categories of high cost producers will be financed by tariffs levied on imports of oil and fat items. These tariffs will be on a sliding scale up with the least finished item, oilseeds, carrying the lightest load (0%) and with the most finished item, fully processed fats and oils in the equivalent of retail packages carrying the heaviest load, 20%. Duties on oils intended for industrial purposes will be lighter than those intended for food use. All of these proposals are in line with what would be expected in view of some of the general economic aims of the common market, i.e., to increase regional self-sufficiency in as many items as possible; to encourage all forms of internal manufacture; to protect domestic agriculture and domestic industries. In short, this is the mercantilist theory in operation on a zonal scale rather than a national scale, and is in keeping with the economic and political nationalism which is a watchword of our times. Regionalism is only nationalism on a more ambitious scale.

In terms of effect on USA oil markets several things must be considered. It is not yet clear what the status will be of certain overseas associated states. Some may even choose for political reasons to stay out of the community. This makes one wonder what the fate of palm oil might be. This is the one big European item that cannot be imported in its seed (fruit) form. This might mean more loose palm oil on world markets, presumably a good deal of which might come to the USA.

Since the EEC tariff scale calls for a 10% duty on crude oil and a 15% duty on other manufacturing stages, presumably the European CSO interest would go to crude rather than PBSY even more strongly than at present. The other 5% would in effect be an addition to refinery margins. A similar situation prevails as between beans and oil where beans enter free and crude oil carries a 10% duty. The 10% difference on oil would be an addition to processing margins on the other side, the exact amount of the addition depending on what is done on oilseed meal import duties. I have not seen as yet the common market oilseed meal duties but based on feed grain tariffs they would also be set so as to encourage seed imports rather than product imports. In the USA bean/oil/meal complex this latter point is the key. Western Europe can and often will take for dollars the oil portion of 15 million bushels of beans.

This compares to free dollar bean takings of close to 70 million bushels and the meal portion of roughly the same quantity of beans. The oil portion of another 50 million bushels moves on aid programs but this is not important here. So although the program appears geared to force additions to bean exports at the expense of oil exports a part of the final import decision will rest on the meal tariff. This in turn is likely to be based on how seriously the common market agricultural group desires to improve feeding practices. There is no question but that there is enormous room for improvement in feeding practices in West Europe but they may not be encouraged by the community at this time. The community might decide to let the improvement in high protein feed supplies come from increased seed crush. This would be helpful to bean imports into the common market since the meal content of beans is so much higher than that of the other oilseeds commonly imported into that area. It must be remembered in all this that oilseed exporting nations such as the USA, Argentina, Canada, Southeast Asia copra producing nations, and the non-associated African states have some nationalistic policies of their own. They wish to protect domestic crush industries, or protect farmers with cheap meal, as is the case in the USA, or protect the consumer with cheap oil as is the case in Pakistan. So any changes in the export picture to Western Europe may cause peculiar dislocations as long as these policies are backed up with funds.

It is really too early to tell what the final impact of the common market will be on world agriculture in general or USA oilseed and oil markets in particular. However we cannot ignore the potential effects of this very large and very rich area.

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• *On the Educational Front*

Procter and Gamble announced it would divide $1,400,000 among fourteen selected independent universities in a five-year program of educational support. The funds may be used in any way in which the universities may consider most productive. The funds are in addition to other P&G activities in behalf of higher education which include 240 scholarships, payments to nearly 500 smaller colleges over the country, assistance to five graduate schools of education, technical fellowships and special grants to educational organizations. The company feels that its pioneering efforts in giving to selected "leader" universities had proven itself since P&G began its program in 1957.

The National Lubricating Grease Institute has announced the sponsorship of a new research fellowship on non-Newtonian flow in bearings, beginning with the academic year, September 1961. The proposed research will be conducted by the chemical engineering department of Northwestern University, Evanston, Illinois, under the guidance of John C. Slattery, assistant professor.

About 100 American Colleges and universities have received a total of approximately $1 million in contributions under Eastman Kodak Company's 1961 aid-to-education program. The Kodak program calls for 58 direct grants, 44 fellowships awarded for advanced studies, and a variety of special contributions.

"The complexities of modern industrial research, production, marketing, and management require increasing numbers of young people with college and university training," Thomas J. Hargrave, chairman, and William S. Vaughn, president, noted in a statement.

"Like the contributions of a growing number of individuals and organizations," the statement continued, "Eastman Kodak's financial contributions are designed to help America's institutions of higher learning meet this vital need."