## • *Report on Fats and Oils*

# No Reverse Gear

Several months ago we guessed that production of beans might stretch as high as 650 million bushels based on the acreage that appeared in the July government report (27.1 million acres for harvest). Now the U.S.D.A. has estimated production on August 1 at 683 million bushels, compared with Mr. Galvin's second estimate of 654 million and the Soybean Crop Improvement Council's estimate of 672 million. The government report was probably based on ideal conditions and could be revised downward to the 665 to 670 million bushel area in future reports. This is a somewhat larger supply than we can easily handle. There will be very little carryover to add to production so for practical purposes the crop will be the total supply.

By the way, some long-time friends of the bean market objected to the statement in the May article that we would not see total consumption much above that of the last couple of seasons. They felt that because, historically, consumption has tended to expand it would continue inevitably to do so. Here are the reasons why I think it won't this season. The season now drawing to a close has been characterized by a steady buildup in oil supplies. The reasons for the buildup are complex, but basically they center around foot-dragging by Spain, bullish bean and product prices, and willingness of certain big traders to buildup long oil positions both on the board and in the cash market.

As far as any crusher is concerned, one buyer is pretty much as good as any other and if someone is willing to pay the price they go right ahead and sell to him. This is only natural. Well, the buyers kept buying and the sellers kept selling and the next thing anyone knew oil stocks had reached an astoundingly high level. Now there is a practical limit to how long this can go on. For instance, at the moment the Board of Trade has 1248 contracts of oil receipted and storage space in the crushing industry is very nearly full. There are a few points with no receipts against them, notably, one crusher who has over 600 cars of space. However, since this crusher did not deliver on July despite strong economic advantage in favor of doing so then, either his storage is committed, his production is committed, or he doesn't have the oil.

Port warehouses are also rather heavily loaded with oil. As of end-June total factory warehouse crude oil stocks were 308 million pounds higher than last year, refined oil stocks 30 million higher, and salad oil stocks 104 million pounds higher. Total stocks are almost double last year and on a crude basis, the bulge over last year is over 450 million pounds, or the crush from roughly 41 million bushels. Undoubtedly this increase will be reduced somewhat by October 1st. Nonetheless, we are going to go into the new season with our carryover in the form of oil instead of beans. The position is less truly tight than mal-distributed. We probably cannot afford to add to oil stocks at anywhere near this rate. Therefore, we would be inclined to suspect that we are going to have to have a very large surge in exports or we will not crush 400 million bushels of beans again. Exports might be large if China continues only a reluctant seller and if we don't have another abortive bull market. However, crush will likely be smaller by about an offsetting amount and total utilization might not expand greatly, if at all. Any cut in crush is not likely to come in the first quarter since with the tremendous crop that we are going to have, beans are likely to move fairly cheaply early and a lot of beans will be piled on the ground at the processing plants. After the first quarter, I'm not so sure. Oil stocks might be a real source of concern and there may not be long cash bean profits to crush out. Crush might have to be cut severely. Experience, particularly that of the season just ending, tells us that relationships really have to be pretty bad to force effective slowdowns. The U.S.D.A. is currently estimating that cottonseed oil plus soybean oil exports will be 200 million lb. higher than the 1.5 billion lb. that they estimated for the season just ending. Since the 1.5 billion lb. will likely not be reached, an interesting question pops up. That is, does the U.S.D.A. expect exports to be up 200 million lb. from whatever they turn out to be this season or 1.7 billion lb. in the absolute. Since we have the aforementioned very large amount of oil on hand, the difference in how that agency is approaching the export estimate makes a substantial difference in whether or not we will be able to reduce our stocks sufficiently to avoid the necessity of cutting crush.

In the meantime, one might note that although meal stocks climbed during the past season the climb was relatively somewhat less than in oil and consequently the crush reduction might clear meal stocks more quickly than oil stocks. All of this does not mean that cash beans might not turn tight somewhere along the line. The carryover is in the form of products rather than in beans. The fact that in the long view this makes no difference in the market is of no consolation to the exporter who is short cash beans and can't buy them. Basically, the problem is that the crush plant doesn't have reverse gear.

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## • *Fatty Acids*

June production of fatty acids, as classified under Categories No. 1 to No. 13, total 54.7 million lb., up 3.9 million lb. from May, but down 2.7 million lb. from June 1960. Production of saturated fatty acids was 21.4 million lb., compared with 21.5 million lb. in May and 24.7 million lb. in June last year. Unsaturated fatty acid production, including the tall oil types, was 33.2 million lb., versus 29.2 million lb. in May and 32.8 million lb. in June 1960, according to the Fatty Acid Producers' Council, New York, N.Y.

Disposition of all fatty acids amounted to 57.3 million lb., down 0.5 million lb. from May, but up 2.6 million lb. from June last year.

Finished goods inventories totalled 43.8 (revised) million lb. on June 30, up 0.4 million lb. from the May 31 figure. Tall oil fatty acid stocks reserved for further processing are now being reported separately for Category No. 13. Heretofore, such stocks were included with finished goods.

## • *Glycerine Report*

Figures from the U.S. Department of Commerce show that production of crude glycerine (including synthetic) for the month of June 1961 was 22.2 million lb., down 3.2 million lb. from May, and down 2.7 million lb. from crude production reported for June last year, according to the Glycerine Producers' Association, New York, N.Y.

At the end of June, crude and refined glycerine stocks in the hands of producers totalled 64.4 million lb., down 5.4 million lb. from May, but up 17.5 million lb. from the end of June 1960.

### Sparkler Awarded Medal in Germany

Sparkler Manufacturing Company was awarded a bronze medal and a citation at the recent German International Exposition of Chemical and Laboratory Equipment. A.C. Kracklauer, president of Sparkler Manufacturing Company of Conroe, Texas, was the United States representative to the convention. Sparkler divisions from all over Europe and the United States were represented. The citation reads: "In recognition of achievement in the field of chemical equipment, the firm of Sparkler International Ltd., Amsterdam, Holland, in the year of the 41st celebration of the founding of the ACHEMA Exhibition-Convention has been presented with the ACHEMA Commemoration medal in bronze."

The exhibition, largest of its kind in the world, was held in Frankfurt Am Main, Germany, within the framework of the European Convention of Chemical Engineering. Displays represented 1,388 firms in the plant manufacturing industry, publishers, and research institutions from 17 countries. The total number of visitors was 134,266, coming from 56 countries.