Uncertainty

THE MAJOR INGREDIENT in price movement is uncertainty. As a result, uncertainty is a prime requirement for a successful futures market. This makes uncertainty desirable from my point of view. However, sometimes uncertainty becomes so great that it prevents observers from having a confident market opinion.

For the last few months confident opinions have been hard to construct in the oil-meal-bean complex. This has been true both for the short and the long term. Part of the difficulty has been that there were severe late season losses in bean production last year due to snowed-in beans. The amount of these losses can only be deduced from the October stocks in all positions report when released. January and July reports were contradictory and even U.S.D.A.'s "Fats and Oils Situation" couldn't form a firm view. Partly because of unknown losses late last season and partly due to extreme difference of opinion as to drought and frost damage this season, the total supply prospect for beans is badly confused. About the only thing we do know is that if the small estimated set of supply figures turns out to be right, there will be a very large demand for CCC beans late in the season.

In no case do the tabulated possible supply, demand, and carryover projections indicate restriction of crush due to lack of bean supplies. The various oil and meal demands then will set the crush. The more optimistic supply-demand projection, and to some extent the neutral estimate, indicates that country bean bids will probably have to be at the CCC resale price next summer. F.O.B. cars downstate Illinois points, the resale price basis No. 2 beans would be around $2.46. To this we should add around 14 cents for processor gross margin. Processors may be forced to settle for less, but let us start there. We come then to a product sale value of around $2.60. There are various combinations that can yield that. They include:

Meal/Ton	(Value at 47 lb/bu)	+ Oil/lb	(Value at 11 lb/bu)	= Total
$75.50	$1.8742	7½¢	$ .8250	$2.5992
74.50	1.7507	7¾	.8525	2.6032
73.00	1.7155	8	.8800	2.5955
72.00	1.6920	8¼	.9075	2.5995
71.00	1.6685	8½	.9350	2.6035
69.50	1.6332	8¾	.9625	2.5957
68.00	1.5980	9	.9900	2.5880
67.00	1.5745	9¼	1.0175	2.5920
66.00	1.5510	9½	1.0450	2.5960
65.00	1.5275	9¾	1.0725	2.6000
64.00	1.5040	10	1.1000	2.6040

Present indications for the July positions, based on deferred futures prices, are that oil will be worth around 8¾ and that unrestricted meal will be worth around $64.00. This would make a total value of $246.65, or roughly the resale price with no margin to the processor. To me this implies one or a combination of several alternatives (1) another year of serious squeeze on crusher margins, (2) stronger oil, (3) strong meal, (4) weaker beans. Since the government will not lower its price, we can probably reject #4 on grounds of not being likely. Many processors will surely fight to prevent #1. So we probably have to choose between #2 and #3, singly or together, with perhaps a touch of #1.

Choosing between stronger oil and stronger meal poses problems. The increase in European meal demand this past season was so enormous that to forecast a further increase on top of this one appears to me to be inviting error. (There is, however, a huge difference of opinion on this point.) Premiums for nearby shipment meal have existed throughout Calendar 1962. This forced inventory liquidation, both domestically and overseas. Stock rebuilding will be an important meal demand force, particularly in the October-November-December quarter. We are likely to have an huge crush during that period, perhaps even into January-February.

TABLE I

Range of Possibilities on 1961–62 and 1962–63 Bean Supply, Demand, Carryover

(in million bushels)

Stocks 10/1/61	6	6	6
Actual production 1961	660	670	680
Supply	666	676	686
Crush	435	435	435
Exports	155	155	155
Seed, etc	35	35	35
	625	625	625
Stocks 10/1/62	41	51	61
New crop 1962	660	670	680
	701	721	741
Crush	455	445	435
Exports	175	165	155
Seed, etc	40	40	40
	670	650	630
Carryover 10/1/63	30	70	110

During November-December-January the power of oil demand as opposed to power of meal demand appears totally under the influence of exports. I have sketched in Table II what countries *might* be buyers during that period with a guess of range of amount that each *might* take. Frankly, I am discouraged at the wideness of the range. I consider the low side to be far more realistic than the high side, which latter really represents some sort of a "far-out" maximum. If exports should not make as high as the lower part of the range, then the oil market might be in trouble. If the low side of the range is materially exceeded, oil could be out of the woods. If exports approach the mid or high side of the range, then stocks would be reduced substantially in the most critical period of the year. If this takes place, then oil might be the hero that puts the product total to a decent return over resale prices.

As of now (October 1) the issuance of PL 480 purchase authorizations has been very disappointing. Delays in issuance can be expected to result in delays in purchasing and, consequently, in delays in shipping. This creates uncertainty as to whether the oil will move out at the time the market needs such movements. Uncertainty over Spain last year upset the oil market so badly that when Spain finally showed up it was too late and the market had become demoralized.

Cottonseed oil export prospects are discouraging. Groundnut and sunflower oils in Europe seem to get weaker every day. However, in cottonseed oil exports are less of a crucial factor since if north Europe doesn't buy U.S.D.A. will just have to take that much more oil. So

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TABLE II

(in metric tons)

Greece	2,000– 10,000
Turkey	2,000– 10,000
Iran	5,000– 5,000
Peru	5,000– 5,000
Chile	5,000– 10,000
Colombia	2,000– 5,000
Venezuela	2,000– 5,000
Other Latin American	5,000– 5,000
Morocco	10,000– 10,000
Egypt	15,000– 15,000
Israel	10,000– 10,000
Tunisia	20,000– 20,000
Pakistan	30,000– 30,000
Indonesia	0 – 20,000
India	0 – 10,000
Other Asia, including Hong Kong	15,000– 25,000
Poland	5,000– 10,000
Yugoslavia	5,000– 10,000
Spain	50,000– 60,000
GOK*	5,000– 5,000
	193,000–280,000

* Heaven only knows.

Fall Meeting Highlights . . .

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Catalysts and Chemicals, Inc.
Charles Pfizer and Co., Inc.
Colgate-Palmolive, Ltd.
DeLaval Separator Co.
Distillation Products Industries
Hercules Filter Corp.
Hoffmann-LaRoche, Inc.
H. Reeve Angel and Co.
Lever Brothers, Ltd.
Monarch Fine Foods, Ltd.
Shortening Corporation of America
Skelly Oil Co.
The French Oil Mill Machinery Co.
Universal Oil Products Corp.
V. D. Anderson Co.
Votator Division of Chemetron Corp.
Wurster and Sanger, Inc.
Young's Research and Technical Institute

Now History, Toronto Meeting Sets New Standards

A number of those who will shape coming AOCS Spring and Fall Meetings were present in Toronto, including Atlanta General Chairman D. L. Henry. A close study was made of the methods utilized by the Toronto Committee. The outstanding organization of the Technical Program, the superior handling of Convention Registration, as well as the general coordination and administration of the entire meeting were under scrutiny. Many new ideas have been tested and proved practical during this international assembly. Future meetings will carry forward much of the work that was begun in Toronto. Progress will be the watchword as all eyes turn to Atlanta, where the AOCS will again convene next spring.

• *New Literature*

F & M SCIENTIFIC Corp. has made available their 12 page current edition of *Facts & Methods For Scientific Research* (Vol. 3, No. 2). (Route 41 and Starr Rd., Avondale, Pa.)

FISCHER & PORTER Co.'s new 10 page catalog describes the 53P Pneumatic Control Units for in-case, plug-in, or field mounting. The publication briefly explains the operation of this unit and summarizes its major design features. (314 Jacksonville Rd., Warminster, Pa.)

THE FOXBORO Co. has recently issued Bulletin 19-12C, featuring a high-impedance Dynalog instrument which makes the pH measurement direct from the electrodes without external pre-amplifier. (Foxboro, Mass.)

THE LUMMUS Co. has offered a 20 page brochure entitled *Ammonia and Synthesis Gases.* Contents of the brochure include process descriptions, flow diagrams, raw-material, and utility data. (385 Madison Ave., New York 17, N. Y.)

E. H. SARGENT & Co. has released a six page bulletin (SR-GC) describing in detail two laboratory recorders, Models SR-20 and SR-30. (4647 W. Foster Ave., Dept. GC, Chicago 30, Ill.)

CHICAGO APPARATUS Co. issued a new bulletin reporting new laboratory equipment now available. (1735 N. Ashland Ave., Chicago 22, Ill.)

BECKMAN INSTRUMENTS, INC. subject of their brochure SB-205 is a compact, transistorized spectrophotometer-colorimeter which accepts both micro and conventional volumes. (Spinco Division, Palo Alto, Calif.)

FMC CORPORATION has published a guide to the products offered by its Organic Chemicals Division. It lists some 70 chemical materials and the major end-uses of each. (Organic Chemicals Division, 633 Third Ave., New York, N. Y.)

EVANS RESEARCH AND DEVELOPMENT CORP. A new brochure clarifying the role that the independent consulting laboratory plays in fulfilling the research and development needs of industry. (250 E. 43rd St., New York 17, N. Y.)

Uncertainty . . .

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far this season mills have been unable to uncover the cottonseed oil buying level of U.S.D.A. Presumably, it is not far under 10 cents Valley crude, but this is just a guess. This is one more element of uncertainty in markets that currently are loaded with that element. In my view soybean oil *acts* as if it is reasonably priced at 8 cents and cottonseed oil *acts* as if it is reasonably priced at 10 cents. Whether these, or any, price views are correct is, of course, the biggest uncertainty of all.

JAMES E. MCHALE,
Merrill Lynch, Pierce, Fenner & Smith Incorporated

• *Industry Items*

THE PROCTOR & GAMBLE Co. has established four new operating divisions in a move to expand and strengthen its international business organization. This expansion is due to the rapid international growth of the company.

ARCHER DANIELS MIDLAND Co. recently announced plans for completion of their new Chemical Center by December of this year. The new plant will enable the company to serve its chemical markets with a broader range of products tailored for specific industrial uses. The plant is located near Peoria, Ill.

UNIVERSAL OIL PRODUCTS Co. has completed construction of the second *Lomax* hydrocracking unit to go on stream. Capacity of the unit is 2,950 bbl/stream day, although heaters and reactors are designed for eventual expansion to 5,000 BSD. The other Lomax unit in operation was started up last year by Powerine Oil Co. at Santa Fe Springs, Calif.