• *Report on Fats and Oils*

CROSSROADS

As EVERY CROP season begins, the supply is fairly well known but disappearance is usually a question mark. Consequently disappearance forecasts of all shapes and sizes are heard. It is difficult to contradict any of them because of the great range of potentially applicable factors. As the season progresses, however, consumption tends to move toward a certain portion of the range of guesses. It becomes pretty obvious that some original sets of figures are going to be too high and some too low; we have run out of time and factors to attain them. Recognition of estimate errors comes slower in some quarters than others, as old estimates die hard. This is because many forecasts contain strong elements of wishing.

The old crop soybeans-soybean oil-soybean meal season is nearly eight months old. Adjustment from old crop to new crop basis will be necessary in a very short time. The manner and the pain of the adjustment are still uncertain but several factors are beginning to take shape. Some old forecasts and uncertainties are withering away. Among the dead forecasts is the original U.S.D.A. estimate of cottonseed oil plus soybean oil exports of 2.2 billion lb. Even U.S.D.A. has reduced this to 2.0 billion lb. Attainment of 2.2 billion or close to it, was necessary in order to make a major dent in the very large domestic oil surplus. Exports of 2.0 billion or less would not do much in the way of reducing stocks, so this has been a bit disconcerting to the market. Even more upsetting has been the growing feeling on the part of traders that even an estimate of 2.0 billion is substantially too high; we seem to be running out of time and factors to make it. There is a general leaning towards final exports somewhat less than 1.8 billion lb. Since a large part of oil exports go out late in the season there is a good deal of guesswork in this, but not enough to indicate major changes.

The prospect of at least a minor reduction in oil stocks this season was an important factor in the up-move of oil prices last year during the old crop-new crop adjustment period. That same prospect has been a sustaining factor in oil prices throughout the first seven months of this season. Another sustaining factor has been the technical one of large exporter long positions both in cash oil and oil futures, presumably largely undertaken in hopes that the U.S.D.A. export estimate would be correct. The cost of carrying this position, both as futures and cash, was not excessive as long as adequate carrying charges to distant positions were available. Now, however, board carrying charges are skimpy. Weak cash basis because of full storage is aggravating this. As long as this technical position remains in old crop oil futures, lack of charges is likely to get worse. This is because new crop beans, and consequently oil, are somewhat high-priced for this time of year, by most historical standards. Unless crop prospects suffer a serious setback, pressure on new crop bean futures will exert pressure on new crop oil futures, perhaps forcing new crop oil months to discounts despite an enormous oil stock in the country. This would increase drastically the carrying costs of oil inventories for everyone, but particularly for longs in futures.

Re-appraisal of oil export prospects center around several specific countries and areas. The table shows only those countries and areas where there is some question. Those that will reach estimated takings are omitted. Unfortunately, for oil longs, the table points out the real problem, that the "overs" are few and small compared to the "shorts". There appears to be no really good prospect of increasing the "overs" in number or size, or decreasing the "shorts" in number or size. For a long time it looked as if Mediterranean olive losses would give us some good "overs", but gradually this hope has faded. For a while, some attention also was directed to the Peruvian fishing strike and the poor Antarctic whale catch. There were also other factors that occasionally encouraged hopes that overseas buyers would take oil in the form of beans rather than just the meal. But no, they kept coming for the meal. This overseas meal demand holds out the possibility that the U.S.D.A.'s bean crush estimate of 470 million may yet be reached or closely approached. This would compound the problem of oil longs but aid the position of bean longs.

In a sense the problem of this year's oil exports, which apparently will end up about the same as last year's, point up the basic problem of a bull market in new crop beans. Unless weather reduces yields substantially, a bull market pretty much has to be based on a continuation of the historical tendency for bean utilization to expand at a sort of straight line rate. Why this has happened, and whether one can continue to forecast it simply and solely because it has persistently happened in the past is another question. I think that it has been demonstrated that we can expand the bean exports and the utilization of the meal from an expanded domestic crush, but the oil utilization appears to be a much more difficult problem. We have not been able to solve it this year and I am not sure that we will be able to solve it next year.

For many months oil prices have been static as traders attempted to assess the impact of various sets of total disappearance possibilities. As the shape of the final totals becomes more apparent, the market is going to be forced to take a hard look at the size of stocks both now, at crop end, and during the new crop season. The need to do this truly puts the oil market at the crossroads, both for the short and the long term.

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MERRILL LYNCH, PIERCE, FENNER & SMITH INC.

Soybean Oil in India . . .

(Continued from page 9)

Although liquid soybean oil has not been actively considered in India for a cooking oil, I believe that there is a market potential for this oil also. Some fully refined soybean oil has been sent to India under Title III of PL 480 for free distribution to needy persons through the Catholic Relief Services, and has met with quite encouraging acceptance.

In any event, since India is not likely in the near future to be able to produce domestically enough vegetable oils to give the expanding population a satisfactory level of fat in their diet, there is a great market potential for U.S. soybean oil there.

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• *New Literature*

LAPINE SCIENTIFIC CO. has issued a new bulletin on strip-chart recorders which describes a linear/log recorder and a high-sensitivity recorder with a sensitivity of 1 μv in the ½-mv range. An automatic integrator is also illustrated and listed. (6001 S. Knox Ave., Chicago 29, Ill.)

FOSTER D. SNELL, INC., CALKIN & BAYLEY DIV., has launched another in a series of specialized marketing services. A new monthly, "Fatty Abstracts," will contain marketing data for surfactants, oils, soaps, fats, waxes, and related materials. It will also include news of producers, their plans, acquisitions, new plants, raw material and new product information, world trade, and statistics of the industries covered. (Client Relations Dept., 29 W. 15th St., New York 11, N. Y.)

NORTHO CHEMICAL CO. has released a brochure covering specifications of various types of hydrogenated fatty acids, stearic acids, glycerides, sperm products, and vegetable fatty acids. (P. O. Box 46, Painesville, Ohio).

EASTMAN CHEMICAL PRODUCTS, INC., subsidiary of Eastman Kodak Co., has made available a technical data report on the newly approved food-grade antioxidant THBP (2,4,5-trihydroxy-butyrophenone). The report details the antioxidant activity of THBP in edible fats and oils, inedible

(Continued on page 44)