

## I.A.S.C. President's Review<sup>1</sup>

*Underlining some areas of disagreement which exist and some of the difficulties the I.A.S.C. Congress must face in 1963, Charles de Boinville, President of the International Association of Seed Crushers, presented a review of world situations which might clear up some misunderstandings. He divided his Review into: European and U.S. contacts and attitudes; world requirements for fats and oils; and supplies, prices, and quality of raw materials.*

Following are highlights of that speech.

### Europe and the U.S.A.—A Differing View-Point

AS A DIRECT result of our discussions at Cannes last year, and of the criticisms of some American practices by some Europeans, an invitation was given to me by a group of American processors to address the American Soybean Processors' Annual Convention at Minneapolis on 20th August. I was delighted to have been able to accept this invitation and to have the chance to outline the position of "Europe within the I.A.S.C." to our American friends.

I made it clear that I wanted to discuss crushers' problems, and I pointed out that most of the criticism heard in Europe at Congresses such as this is unfairly levelled at American processors, when in reality Europeans are shooting at governmental policies. I know that many people here do not agree with me; governments should do battle with governments, and trade associations, in looking after their own interests, should confine their activities to supplying ammunition to their respective governments.

This viewpoint was discussed in Minneapolis and I confess to having had a strong feeling of unease when it was mentioned. I believe that there is far greater integration between government and trade interests in the U.S.A. than in any other country I know outside the iron curtain. Integration behind that curtain is diametrically the opposite of that in the U.S.A., where trade interests predominate. This often confuses the rest of the world, and leads to the sort of unfortunate criticism we have heard at past Congresses.

I therefore concentrated in telling the American processors something about our crushing problems in Europe and the thinness of our margins, or in their terms the inadequacy of the conversion ratio. I pointed out the totally different pattern in the consumption of fats and oils between the U.S. and Europe, showing soya oil, for example, which held 57% of the total consumption of edible oils and fats in the U.S. in 1961, only holding 11% in Europe, being fifth in importance to olive, coconut, groundnut and marine oils in European consumption. The second strong leg of the American oils and fats body is cotton oil, which absorbed 25% of the U.S. market, compared with 3.5% in Europe in the same year. It is this pattern of interchanging of oils and fats according to market prices, which is unknown in the soya/cotton economy of the U.S., which forces European crushers, when different oils are pushing on the market, to reduce their selling prices in order to compete.

Normally a decrease in the price of oil has to be offset by an increase in the price of meal, otherwise the conversion ratio is narrowed still further. The European crusher is therefore abnormally sensitive to the price of imported meals, such as soya, and occasionally will growl, if not yell, about dumping.

This I explained to my American friends, and went on to maintain that they are not faced with quite the same situation; they have a simpler oils and fats economy. They have government programmes that allow them to resist for a longer period any sharp downward movement in European prices, and as crushers, their mill programmes are less complicated and their costs of manufacture should be lower due to their dependence on one or, at the most, two seeds.

I was not surprised to hear several U.S. crushers complaining of deteriorating crushing margins, and stating that for the past year or so these have been at ridiculously low levels. Recently, I read that four extremely well-known American processors were curtailing soyabean processing at their many plants because of low margins. The problem is world-wide.

At Minneapolis, the effects on European and other crushers of PL480 were naturally discussed. I do not think that we should labour PL480 at this Congress. I might mention, however, that there was a new development last year whereby substantial gifts of vegetable shortenings and salad oils were made under Title III of PL480, (Domestic and Foreign Donations and Barter Programme).

As seed crushers we are naturally concerned at the effect these donations may have in reducing demand for vegetable oils traded in the world market. We are bound to admit, however, that the American claim, that PL480 opens up eventually new markets to oils and fats of U.S. and other origins, has been borne out by the example of Spain, who is now a buyer of groundnut oil and of sunflower oil from sources other than the U.S. As Mr. Walker will point out tomorrow, there are considerable potential markets in the Far East, Middle East and South America for oils and fats, the demand for which is forecast to rise over the period 1960-72 by 66% for the Far and Middle East, and by 58% for South America.

I would commend to you that we should take a broad view of gifts under Title III, looking upon them as very timely in view of the FAO Freedom from Hunger Campaign, and as a typically generous gesture from a great country that wishes to share some of its surplus "wealth" of primary products with the needier nations of the world.

Much more could be said about the building of a bridge of understanding between American and European crushers. And I would like to ask our American friends to use their influence in Washington whenever possible to prevent damage to their good trade relations, such as can be caused by the Bonner Law.

In January of this year, the U.S. Federal Maritime Commission drafted a set of rules, now promulgated under the title of "Rules Governing Contract Rate Systems in the Foreign Commerce of the United States." The view I hold is that of most of the European Shippers. It is entirely wrong for the F.M.C. to try to regulate contracts entered into by European shippers with steamship conferences whose H.Q. are elsewhere than in the U.S.A. It is, in any case, a recognised principle of international law that jurisdiction be within the country where the contract arrangement was made. Flag discrimination, which I mentioned last year, is discussed ad nauseam in trading and shipping circles, and we deplore it. As an Association, we should strongly support any measures which will lessen this obstacle to freedom of international trade.

### The European Scene

Much has happened since our Cannes Congress, to change the economic face of Europe. I hope all nations directly or indirectly affected by the Common Market will be careful to remember the long months of patient and sometimes painful negotiations in Brussels and elsewhere which became in the end so very nearly economically viable, but which foundered, alas, on an uncharted rock of political philosophy.

Even within the Six, economic integration has its problems, the major one being agriculture. In the oils and fats sector there are conflicting interests of butter, slaughter fat and vegetable oils, and fats emanating from the less developed and from the developed areas. Agricultural interests, especially rapeseed and olive oil producers, are naturally looking for salvation in the form of tariffs on vegetable oils and fats. A levy on vegetable oils and fats to subsidize rapeseed and olive oil production is still under

<sup>1</sup> Presented at the International Assoc. of Seed Crushers Amsterdam Congress, June 4-7, 1963.

consideration. It is unfortunate that European farmers are encouraged to grow rapeseed. In some countries it is costly to produce and is heavily subsidised. In Germany, for example, statutory regulations force margarine manufacturers to take 6% of their total raw material requirements as rapeseed oil. It is not a popular oil, and, speaking as a feedingstuffs manufacturer, I cannot agree that rapeseed meal is a good ingredient for animal feeds at other than a low inclusion rate.

When agricultural lobbies in the E.E.C. push forward the claims of butter and rapeseed, for example, against other sources of fats, we must remember that all the primary producers of oilseeds are farmers. Where indeed would the more sophisticated peoples of the world look for their fats today, had they not got a relatively inexpensive source in margarine and compound cooking fat? Butter sold at prices above the purse-reach of average households, merely emphasizes wrong agricultural direction and leadership.

Where lands, such as New Zealand, are made by God for the dairy cow, with all the year-round lush grass, rich in protein, there is obvious advantage in capitalising nature to produce butter. Other less fortunate countries should think hard before embarking on livestock programmes whose inevitable result will be a vast surplus of butter at uneconomic or unattainable price levels.

For those within the E.E.C. who considered that legislation within too narrow a framework should be avoided, and that broader solutions should be sought, which could, one day, lead to a world-wide arrangement, speculation was aroused last month by the meeting of governments at Geneva. For some time now, within GATT, there have been indications that the industrialised nations were considering tariff adjustments in order to make it easier for the developing countries to extend the markets for their products. If such a move is agreed, for example on the removal of tariffs on tropically produced oilseeds and oils, presumably in time this could extend to *all* oilseeds, oils and fats, with the result that temperate zone produce would also enter these markets on a free basis. If such were to be the case, it is only right to point out that the end result may not be to the advantage of the tropical producer who will then find himself up against much stronger competition from temperate zone produce. We only have to recall how soyabeans and soya oil dominate world markets today.

Nevertheless, the Kennedy round is well on its way, and it is not inconceivable that decisions may already have been taken which may affect the ultra protectionist attitude of certain European countries and of the United States. It was amusing to read of a new word in tariff terminology being introduced into the working party from GATT, who are examining tariff reductions. This word is "ecrete-ment," derived from the French and means the lopping off the tops of high tariffs. The E.E.C. members, led by France, have demanded a selective reduction of U.S. tariffs regarded as abnormally high. I wonder if our American processor friends would include soya, cotton and groundnut oils in that category? If so, we might in future have to apply "ecrete-ment" to them!

Now I must pass from the European to the world scene.

#### The World's Requirements of Oils and Fats

It has often occurred to me, whilst in conversation with friends who know nothing of our industry, that there is an abysmal ignorance amongst the world's public of the vital importance to the world of oils and fats.

Acute famine which regularly decimated whole populations in earlier times seldom occurs today and this obscures the stark fact that millions still suffer from hunger. This hunger may be the obvious lack of food, but it is more often a particular hunger for certain food elements such as protein, vitamins or mineral salts. Lack of one or more of these results in malnutrition and is responsible for much of the ill health in the world today. It has been stated that more than half the world's population, now estimated at 3,000 million, are victims of hunger or of some form of inadequate nutrition. Although 70% of the globe is covered by water and fish, one of the richer sources

of protein, it is said to account for only 1% of all food eaten. The Chinese proverb indeed was to the point—"Give a man a fish," it said, "and he will eat for a day. Teach him to fish and he will eat for the rest of his days." This education of the less developed peoples of the world to eat and make use of unaccustomed diets based on oils and fats, is one of the most vital and important contributions the FAO and other enlightened bodies, whether national, international or industrial, can make to satisfy the hunger of the world.

#### Supplies and Prices

We all know that 1962 was a year of heavy surplus in supplies of oils and fats. There was, for example, a crop of 675 million bu (18 million tons) of soyabeans in the U.S. There were ample crops of West African groundnuts, of Argentine groundnuts and sunflowerseed, of Russian sunflower and cottonseed. The European rapeseed crops harvested in 1962 were 33% higher than the previous year, with Canada carrying over big quantities into 1962 of their 1961 peak rapeseed harvest. There were excellent olive oil supplies in the Mediterranean area, a recovery of the North American linseed crops from those drought-affected in 1961, and an increase in availability of U.S. lard and South American fish oils. These increases were partly offset by a decline in the production of palm oil and palm kernels, and in the world supplies of copra and of coconut oil.

The effect of an overall surplus of supply, in the context of world commercial demand and not of world need, resulted in a sharp fall of prices, which in 1962 averaged 12½% lower than in 1961, and after mid-year were at their lowest levels since the war, a level which was, in fact, 25% lower than in 1957/58. Prices recovered in the later months of 1962 and in the early months of this year. But those commodities such as lard, palm oil and marine oil which are the bane of the crusher's life were consistently cheaper than seed oils and this had a marked effect on our industry. In the U.K. we suffered especially from cheap imports of lard being used for margarine and cooking fat manufacture, and these industries which in 1955 accounted for 57% of our seed oils, in 1962 dropped their requirements to 29½%.

For 1963, the increased supplies of soyabeans from the U.S. may still be largely absorbed within that country. It is incredible how the demand for soya meal for domestic use seems to increase rapidly year by year, and tonnages of meal for consumption in Europe are rising fast, as the animal feed industry in Europe develops. W. Germany, for example, raised its imports of soya meal from 70,000 tons in 1960 to 227,000 in 1962. I may add that 75% of the latter figure was from the U.S.

Yet price levels are still bedevilled by factors outside the old laws of supply and demand. Artificial levels are created by uninformed speculation, and once more we European crushers see evidence of the effect of speculation on the soya market. The relative prices of oil, beans and meal seem distorted, and the crushers who want to keep their mills operating, even on low margins, so as to keep their labour and maintain the goodwill of their oil customers, are annoyed by the influence which speculators who know nothing of our industry have on the market. But there is another side to this picture.

I should mention briefly two seeds discussed at Cannes. Some crushers wanted to know if No. 1 soyabeans were available to them. It is impossible at present to make a margin that is reasonable on No. 2 beans. The premium required for No. 1 beans would put them right out of court.

The second seed is safflower. As a source of poly-unsaturated fat, it is of interest. Acreages have increased rapidly, and some seed may be available for export. I am sure this is a seed of which we shall be hearing much more in years to come.

To complete my comments on the supply position for 1963, it seems to me that the only gleam of hope for the crusher in his battle against alternative products to seed oils, is the news from the Antarctic, where over-exploita-

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tion is making the richest area ever known to the whaling industry virtually uneconomic. It is said that it will take eight years to regenerate the stock of whale in this area, dependent on a complete ban on all whaling for that period of time. It is an ill wind that blows nobody any good!

#### Quality of Raw Materials

One of the most important functions which this Association can perform is the constant watch over the quality of the raw materials used by our industry. We have seen over the years how perpetual pressure spurred on others to find ways and means of improving the primary product and the methods of shipment.

But one cannot relax, for quality will never be perfect.

a) *Copra*. In this last year, the quality of Philippine Copra has certainly not improved, and it compares unfavourably with much of the copra from other sources. From returns received from some of our members giving oil, FFA and moisture content of shipments arriving in Europe in 1961 and 1962, the quality difference between Philippine Copra and Copra from the Pacific is striking. For example, the average FFA for Philippine Copra in 1962 was reported as 5% oleic, as compared with 2% oleic for Pacific Copra. There have been complaints too, especially from Germany, of the poor condition of increasing numbers of consignments of Philippine Copra arriving in Europe. This is partly due, it is said, to the use of unsuitable ships. This matter, I am glad to say, was placed before the N.I.O.P. at their January Convention at Ojai.

It was accordingly gratifying to learn that the N.I.O.P. Committees have been asked to collaborate with the Philippine Copra Exporters' Association, and through our European contacts our Sub-Committees have been asked to join in drawing up a standard procedure manual, defining preparation of space, instructions to ship's company regarding ventilation, minimum amount of battening acceptable, treatment of bilges and other relevant information which would be of value to shippers, surveyors, masters and receivers.

To turn from shipment to disease, Cadang Cadang—that mysterious malady that ravages the coconut—is still being actively investigated, and recent efforts have centred on a number of weeds that grow among the coconut palms, which are considered to be possible carriers.

We wish the Philippines well in their efforts to locate and eradicate this blight which is said to have killed some 10 million of their palms since 1927.

b) *Soyabans*. We are glad to know, and this I confirmed during my visit to Minneapolis, that a constant guard against crotalaria is kept by U.S. government officials. We are still finding examples of these seeds in shipments of U.S. beans to Europe, although not in excess of the official limit for No. 2 beans of two seeds of crotalaria per 1000 g of grain.

I know personally of a recent shipment from Norfolk, Va., to a U.K. port where one crotalaria seed per 3½ k was found. After elaborate screening and separate storage of this shipment it was estimated that 10 seeds were present per ton of beans. This is, of course, well below the limit laid down by the U.S. Grain Standards Act; yet, it is difficult to determine actual concentration, and pockets may contain much higher percentages.

It cannot be too strongly emphasised to all concerned in shipment of U.S. beans that such is the menace of crotalaria to the crusher he will go to considerable expense to protect his customers from it, even if only one seed is discovered in a sample. This criticism should, of course, be taken within the context of many thousands of tons of good quality beans having been received from the U.S. in Europe during the year.

c) *Sudanese Cottonseed*. Large quantities of old-crop cottonseed have been received this year from the Sudan in a disgraceful condition. This was due to torrential rain before shipment and was all the more unfortunate because normally crushers have a high opinion of the quality of this seed. As it is, crushers have been quite unable to

supply their customers with a reasonable quality of oil from this seed. Some have lost considerable sums of money. Quite apart from the immorality of those who knowingly ship such damaged parcels, is it right, in this modern age that this seed should still be bought on the basis of a monthly standard established largely on "look and sniff" techniques?

Our Consultative Committee will be asked by the U.K. crushers in September to consider a suggestion of replacing existing contracts with one based on an FFA reciprocal clause, possibly to include oil content on a reciprocal basis, which would be satisfactory to buyers and sellers alike.

d) *Groundnuts*. I referred last year to toxicity in groundnuts and groundnut meal. The toxin, now referred to as Aflatoxin, has been identified, and laboratory methods of estimation have been considerably improved. Research into the nature of the toxin and means of preventing its growth is being actively pursued by government bodies in Europe, and in producing countries. In Britain, government departments are making a survey into the incidents of positively reactive meals which have occurred in the U.K. during the last 12 months.

#### Conclusion

For the future, much depends for all of us on the extent and the speed with which living standards are raised everywhere. In Europe we can note in several countries a surge upwards, even though standards have been rising for many years. Outside Europe, the scope is immense. We are all aware of this, but few people, apart from the U.S.A. do anything very much about it.

It is the bane of the lives of so many of us engaged in manufacturing industry that we cannot go ahead as fast as we would like to advance technologically because of resistance from labour. The Netherlands are the leaders in Europe in the E.E.C. plan for the harmonising of wages and working conditions within the Six countries.

All of us, who are humanitarians at heart, must wish for the raising of standards of life everywhere in the world. The benefit of a Congress such as this lies largely in forging bonds between member countries scattered over the globe. As countries become nations they seek advice and support from the older established nations. How many of you know that there are already 33 independent nations on the Continent of Africa? From areas such as this our membership is bound to grow. As the years go by, greater tolerance of one nation for another, of one skin for another, of one civilisation for another civilisation must surely reveal itself. Let us hope that this Congress may be full of healthy criticism, but free from all rancour. May we progress together towards a closer understanding of our mutual problems.

#### Smalley Check . . .

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in the determination of a result closest to the "true" or average determination of all the laboratories.

- 4) Average deviations for the same characteristic differ among different samples. Greater proficiency is required by the individual laboratory where the average deviation is large, and this is reflected by a higher score for the same unit difference from the sample mean. Shown in Table II for samples 4 and 5, where differences are both 0.1%, sample 4 has an average deviation higher than sample number 5 and also the higher score.
- 5) The probability of tie scores is extremely remote for any characteristic or sample, as well as for the average of all characteristics and samples.
- 6) Annual scores of each laboratory and for all the laboratories as a group can be compared to other annual scores to determine changes in proficiency.
- 7) As more precise work is done by all the laboratories as a group, with consequent lower average deviations, more accurate work will be required for any laboratory to maintain a high score.