

Fats & Oils Outlook

David M. Bartholomew, Manager, Oilseeds Dept., Commodity Division, Merrill Lynch Pierce Fenner & Smith Inc., Chicago

Late last year we related the very nervous condition of the soybean market. Then in early spring we told of how this condition had worsened into a serious case of "hypertension." Now that is all behind us and the market condition has been completely reversed. In fact, it could be viewed as being heavily sedated.

All the previous fears of not having enough soybeans to last all season have been laid to rest, and now it appears that the old crop carryover will be more comfortable. All the concern about dry weather problems has been overcome because adequate rains came in enough of the producing area to give a better-than-expected yield outlook.

Acreage planted to soybeans expanded remarkably. As we related previously, the January planting intentions report showed a 2.8 million acre increase over last year, and the market went up as an expression that this was not enough. Thus, the April intentions showed 2.6 million acres more. Again the market went up, as if to indicate this probably still would not be enough. Finally, the planted acreage developed to be 3.6 million larger than that, for a total of 59.3 million acres (24 million hectares). This is 9 million acres above last year — a gain of almost 18 percent. This is an excellent example of how the economics of supply and demand, as expressed in price, can stimulate changes in farming programs. Since the planting was completed, prices have come down sharply, of course, because farmers over-reacted. But those who are more professional marketing people made forward sales contracts at the higher prices, either in futures or in the cash market, following the decision to increase acreage, and thus are assured a very attractive profit indeed.

Speaking of examples of performance of economic factors in a free market, there have been two others in past weeks that were most interesting. When the May futures contract advanced to 35 cents over July, there were about six million bushels shipped to Chicago for the purpose of tendering delivery on May futures. Both crushers and exporters supplied these beans because neither group could realize as much profit in any other outlet. The obvious conclusion was that if speculators wanted them, they could have them. The other classic example was more recent. When exporters found they were unable to secure soybeans at the expected rate from Brazil, they had to turn to the United States as the alternate origin. This resulted in a run-up of cash premium bids to as high as 65 cents over August futures. That brought beans from Chicago to the

Gulf, but it also persuaded crushers to sell beans to exporters instead of processing them because processing profits were small or nonexistent.

Supply/demand outlook

The August crop estimate was projected by USDA at a new record level of 1,602 million bushels. Probably the final figure will be even higher as good soaking rains came to much of the major producing area just barely in time before it was too late. Thus it seems assured that supply will be in excess of probable demand as estimated in August. USDA shows the following projections, in million bushels.

	1976/77	1977/78
Stocks, Sept. 1	245	75
Production	1,265	1,602
Total supply	1,510	1,677
Crush	800	840
Exports	570	610
Seed, etc.	65	82
Total use	1,435	1,532
Stocks, Aug. 31	75	145

We expect demand will be somewhat larger than shown here, for several reasons:

- Price has dropped to less than half of its peak earlier this year, and is at a very attractive level.
- The United States dollar is weak compared to currencies of some major importing countries.
- Pipeline supply is virtually empty and will be replenished.
- Demand for soybean oil looks stronger than soybean meal demand which can mean a large crush rate because soybeans contain a relatively small oil content compared to most oilseeds.

Moreover, there is an established historical pattern of soybean consumption to maintain an up-trend. On three past occasions there was a decrease in consumption from one year to the next, but each time the consumption of the following year pulled ahead enough to re-establish the long term pattern. The season just ending was the fourth time that consumption decreased. Now we shall see if tradition is

TABLE I

Consumption of U.S. Soybeans
(million bushels)

Season: Sept. 1 through Aug. 31

1959/60	569	1968/69	947
1960/61	580	1969/70	1,230
1961/62	627	1970/71	1,258
1962/63	702	1971/72	1,203
1963/64	678	1972/73	1,283
1964/65	739	1973/74	1,436
1965/66	840	1974/75	1,201
1966/67	874	1975/76	1,488
1967/68	900	1976/77	1,435 ^a
		1977/78	1,540 ^b

^aProjected.

^bEstimated.

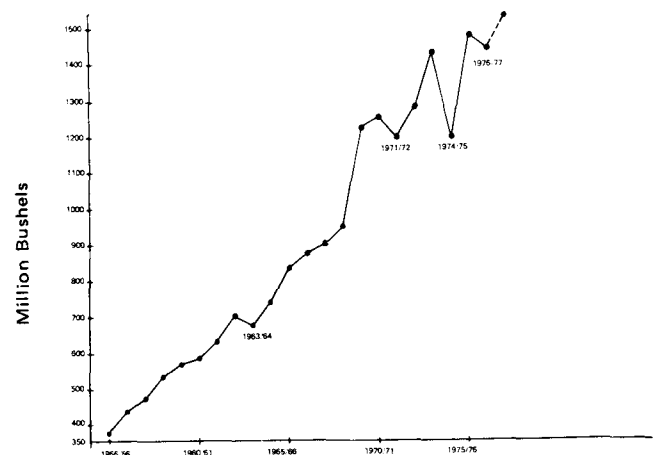


FIG. 1. Consumption of U.S. soybeans.

repeated. We think it will be. Table I shows the historical data of United States soybean use. Figure 1 shows the trend graphically.

Conclusions and contingencies

We would not be surprised to see demand in the 1977/78 season exceed our projection of 1,540 million bushels. It could easily reach or even exceed 1,560 million. A lot will depend upon at least a few unknown factors. Just how much purchasing of soybeans and soybean oil will China make? We think they will be a rather significant importer, at least from Brazil and maybe from the United States. How rapidly does the current livestock expansion phase develop, both in the United States and in other countries? It could be better than expected in view of more favorable feed prices, both grains and proteins. How much will soybean acreage expand in Brazil and Argentina, and how good will be the yields? We look for only moderate acreage expansion due to unattractive prices, but that could change before planting time which is October/December. As for yield, that is a big question. Currently conditions are too dry in Argentina, too wet in extreme southern Brazil, and only fairly well recovered to the southwest where serious drought occurred in early 1977.

And finally, the big question. Will the United States crop make it to maturity without being seriously reduced by frost damage? Summer started early with abnormally hot conditions in April and May. Now it is abnormally cold in August. Recent rains have kept soybean plants green, with some late growth added. Maybe the crop finally will be much more closely aligned with projected demand if there is widespread early frost. Then it could develop that 1977/78 will be a more nervous or even "hypertense" season than expected. Presently it is very sedentary, with price outlook in a lateral fashion at low levels early in the season, probably working somewhat higher in an orderly fashion as the season progresses. But there is the latent potential for something more explosive if any of the above questions turn out more dynamic than anticipated.

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69th Annual Meeting

Call for papers

The Technical Program Committee has issued a call for papers to be presented at the AOCS Annual Meeting, May 14-18, 1978, at the Chase-Park Plaza Hotel in St. Louis. Papers on every aspect of lipids, oils and fats, and related areas are welcome. Please submit three copies of a 100-300 word abstract with *Title*, *Authors*, and *Speaker*. Please also indicate whether you wish to make the presentation in the regular manner or in a poster session. The abstracts are to be sent to Robert Burton, c/o Burton International Ltd., P.O. Box 13135, St. Louis, MO 63119.

Deadline: December 1, 1977

Call for nominations

Alton E. Bailey Award

The North Central Section of AOCS is requesting written nominations from Society members for the 1977-78 Alton E. Bailey Award. The purpose of the Bailey Award is to recognize research and/or service in the field of fats and oils. The nomination should contain at least five pertinent references or contributions in the field of oils, fats, waxes, etc. Some of the past Bailey Award winners are: V.C. Mehlenbacher (1959), R.H. Potts (1960), J.C. Cowan (1961), A.R. Baldwin (1963), T.P. Hilditch (1965), D. Swern (1966), W.O. Lundberg (1967), H.J. Dutton (1968), H.S. Olcott (1969), H.E. Carter (1970), J.F. Mead (1971), R.T. Holman (1972), C.M. Gooding (1973), S.S. Chang (1974), W.M. Cochran (1975), Raymond Reiser (1976), Leo Goldblatt (1977).

Please send nominations to the Alton E. Bailey Award Chairman, Robert L. Husch, Interstate Foods Corp. 3800 S. Morgan, Chicago, IL 60609. The deadline for nominations is December 15, 1977, and notification of the selection will appear in this *Journal*. The presentation of the Bailey Award is scheduled for March 1978.

Deadline: December 15, 1977

Call for 1978 Honored Student Awards nominations

Nominations are solicited and will be accepted until Oct. 17, 1977, for the 1978 AOCS Honored Student Awards. Graduate students at any North American institution of higher learning, in any area of science dealing with fats and lipids, who are doing research toward an advanced degree, and who are interested in the areas of science and technology fostered by this Society, are eligible. To receive the award, he/she must remain a registered graduate student and must not have received his/her degree or begun career employment prior to the AOCS meeting he/she is to attend. Selection of awardees is based upon educational qualifications and performance.

The awards provide funds equal to travel costs, plus \$75.00, to permit attendance at the national meeting of the AOCS to be held in St. Louis on May 14-18, 1978.

Nomination forms may be obtained from AOCS Headquarters, 508 S. Sixth St., Champaign, IL 61820. Completed nominations should be returned before Oct. 17, 1977, to Dr. Joyce L. Beare-Rogers, Chief, Nutrition Research Bureau/Nutritional Sciences, Health Protection Branch, Department Health & Welfare, Ottawa, Canada K1A 0L2.