

Fats & Oils Outlook



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Last November we wrote of "Nervous Soybeans," predicting that this condition could continue until next September. Now that about half of that time period has elapsed, it is appropriate to take another look at the situation, especially since a simple case of "nerves" has developed into one of serious "hypertension."

The largest single cause of this problem has been the weather. Record cold temperatures in the United States resulted in increased animal feed demand (including soybean meal) in two ways. First, animals had to eat more feed just to maintain body heat but were unable to make such efficient weight gains. Some animal herds were liquidated early because of the cold, or in some areas because of extreme drought. Secondly, poultry production has been increasing steadily to offset the reduced red meat supplies. Broiler production can be increased much more rapidly, and broilers are highly dependent upon soybean meal for good feed efficiency—more so than other animals.

Weather in other parts of the world has also been a problem. Mexico failed to produce as much soybean and other oilseed crops last year, so has had to import sizeable amounts of soybeans and products. India's major oilseed crop—groundnuts—was about 1.2 million tons short of the previous year. Substantial quantities of soybean oil and palm oil have been purchased in past months—about 500,000 tons—so as to reduce consumer prices ahead of the national elections held last month. Malaysia has had less than normal rainfall resulting in less palm oil production than the world market had anticipated. While it is true that palm oil production is continuing to rise due to new plantations coming into production and older ones reaching mature yields, the growth rate has been retarded due to dry weather. In the second half of 1976, production of Malaysian palm oil expanded at an annual rate of only 5.2% instead of the 14.5% rate seen in the first half. The drought continues even now which will affect production at least through 1977. A similar problem developed in the Philippines causing a reduction in copra and coconut oil production. Just as numerous importing countries were beginning to be attracted to the purchase of more palm and coconut oils due to price discounts under soybean oil and other fats and oils, the production dropped below expectations and the discounts have been replaced by premiums. Russian sunflower production was about two million tons short of the target. China's soybean crop was a disappointment, though actual figures are not available. As a result, both of these major communist countries have been buyers of palm and coconut oils in quantities somewhat above normal, with China making some surprise purchases in soybeans and soybean oil. Brazil was expected to make up for the 1976 U.S. deficit in soybean production. First indications pointed to a crop at least two million tons (74 million bushels) above 1976. Had this materialized, it most certainly would have been most helpful in supplying world markets in the April-September period prior to the next U.S. harvest. Weather has intervened, however, so that probably the crop in Brazil will be only slightly above last year, at about 11.5 million tons (423 million bushels).

Brazilian Outlook

The author has recently returned from a trip to the production area of Brazil, where marketing people were

visited and field observations were made. Special attention was given to the area where rainfall has been deficient. This is primarily in western parts of the state of Parana. No rain had fallen for over 60 days. The soil is a clay loam. The soybean plant has been unable to thrive without frequent rains because remaining moisture is bound up in the soil particles. The early-planted beans had been harvested at the time of this visit, with satisfactory yields. Medium-term plantings had grown well and made an excellent pod-set, but the beans inside were the size of shot-gun pellets. Late plantings had grown fairly well, but all the blossoms fell off due to hot and dry conditions so the plants will produce no beans at all. Fertilizer and herbicide applied at planting time were still undissolved in the latter fields due to insufficient rains. Despite these conditions in western Parana and some other areas of lesser importance, however, Brazil will still have a crop probably a little above last year because other areas have fared very well indeed. Some fields were examined that were the best ever seen anywhere in the U.S. These most assuredly should yield at least 60 bushels per acre (4000 kilos per hectare) and possibly more.

Now comes the problem of how Brazil will market the soybean crop to best advantage. Two contradictory forces are at work on this subject. On the one hand, the government economic planners have had the conviction that industrialization is of foremost importance. To achieve this goal, there have been very attractive incentives given to encourage the construction of soybean crushing plants and the necessary supportive storage facilities. Expansion this season is approximately 20%. The objective is to ship more soybean oil and meal to foreign markets instead of soybeans. This season's targets have been to ship no more beans than the last season (about 3.5 million tons, or 129 million bushels), but to ship five million tons of soybean meal versus about four million in the past season. Incidentally, if that is done, then for the first time in history the U.S. will become the number two source of soybean meal exports.

On the other hand, there are those who are of the opinion that the most profitable way to merchandise the 1977 crop will be to move as much as possible into export channels quickly, before the U.S. harvest beginning in September. Current market indications strongly imply a much lower value following that. It is the author's opinion that the decision will be to allow a modification of both extremes under the pressure of political expediency.

U.S. Outlook

As for the U.S. crop of soybeans in 1977, it most definitely will be substantially larger and could establish an all-time record. As former Secretary of Agriculture, Earl Butz, said, "High price is the best cure for high price," when he was asked about the advisability of price controls. This season will be a classic example of the wisdom of that statement because the high prices have come before planting time. Farmers can still respond, in just the opposite way they did last season. One year ago the price received by farmers for soybeans was very unrewarding. There were much better profit incentives provided by other crops. This year it is mostly reversed, except that cotton has been attractive both years. Table I gives the actual comparison, using latest USDA figures.

TABLE I

Price Comparison

	March 15, 1976	March 15, 1977
Soybean (bus)	\$ 4.46	\$ 7.84
Corn (bus)	2.50	2.33
Wheat (bus)	3.65	2.45
Rice (cwt)	6.17	6.78
Oats (bus)	1.46	1.63
Barley (bus)	2.34	2.15
Cotton (lb)	52.7	66.2
Grain sorghums (cwt)	4.14	3.54

Last year soybean acreage dropped by 4.4 million for just this reason as farmers calculated best profit potential opportunities for available land. This year the calculations tip strongly in favor of soybeans, and farmers are responding. In the January survey of planting intentions, a three million acre increase was reported. The market went up instead of down. So, the April intentions survey showed another 2.6 million acres going to soybeans. Again the market went up after seeing this figure. There is still time for further adjustment in farmers plans, so it is to be expected that more acres will be devoted to soybeans, probably another three million and possibly more.

But it will be the end of June before it is known how many acres were actually planted. And weather will still be a very important factor throughout the growing season. There are indications that the drought has ended, but the evidence is not yet conclusive. So—there is little chance that the market's "hypertension" will end before September. It could continue even longer if acreage does not increase more than the April intentions, or if adverse weather again causes poor yields.

April 18, 1977

Dates for DGF symposium, conference announced

The German Society for Fat Research will hold a symposium on "Fats and Proteins as Feed Material" on April 6-7, 1978, and its annual conference from Oct. 9-12, 1978.

The symposium will be held at the auditorium of the Institute for Animal Anatomy, Veterinary Faculty of the University of Munich, VeterinarstraBe 13, 8000 Munich 22, under the leadership of Drs. G. Billek and Th. Wieske.

The theme for the annual conference will be "Processing Techniques in the Extraction, Refining, and Manufacture of Vegetable and Animals Oils and Fats—Layout Designs, Construction of Equipment, and Operation Experiences. The meeting will be held in the central auditorium building of the Rheinisch-Westfalischen Technical College in Anchen. ●

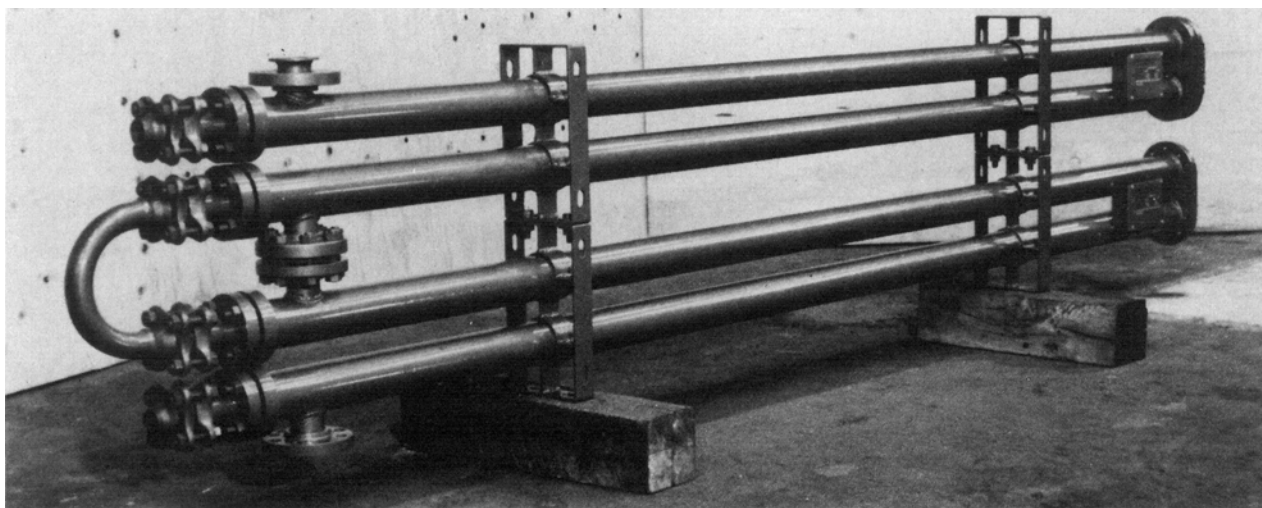
Roon provides new grant

The Paint Research Institute has announced receipt of \$60,000 from Leo Roon that will be combined with a 1968 gift of \$40,000 to establish the "Leo Roon Fund" to help finance research grants and the annual Roon Awards, given for outstanding papers presented at the institute's annual meetings. Roon was founder and president of both Roxalin Flexible Finishers, Inc., and Nuodex Products Co. He is now retired. ●

New veeps at Armour

Albert S. Drain has been appointed group vice president for Armour Food and Donald J. Shaughnessy has been appointed group vice president for Armour-Dial. The announcement was made by Gerald H. Trautman, chairman and chief executive officer of The Greyhound Corporation.

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