

# Fats & Oils Outlook



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## Which way next for soybeans?

This is an especially intriguing time of year for the soybean market. Just a little over 25% of the old crop season remains in the United States. Harvest is over in Brazil. Farmers are beginning to plant the 1978 crop in the U.S., so at this time the market must wrestle with various and some very conflicting attitudes about these dominant factors. In fact, there are two distinct markets dealing with them: old crop and new crop as commonly considered in Northern Hemisphere thought patterns.

### Old crop demand

This has been much larger than most market participants had anticipated. We fully expect that pattern to continue through the balance of the season and into next season. It came about as a result of the dollar weakness beginning last August, making values remarkably more attractive in major consuming countries of the world that had strong currencies. Furthermore, beginning at the same time it became obvious that the U.S. supply would reach a new record amount, so analysts felt comfortable in predicting soft price tendencies for the entire season and probably beyond. Moreover, there was supposed to be another significant increase in South American soybean supply in early 1978, and virtually all oilseed crops in all countries of the world were predicted to rise sharply. Thus demand for protein meal and vegetable oil was established that will not change significantly unless prices rise dramatically higher than they have so far.

During the course of the past eight months, it has developed that virtually all oilseed crops in all countries of the world have been lower than predicted, with the singular exception of the U.S. soybean crop. Even nonoilseed sources of protein and fats have dropped; fish oil and meal, palm and coconut crops, and hog production in the U.S. This, of course, includes the well-publicized serious decline in Brazil's soybean crop, but the many other crop disappointments are equally important. This simply means that the previously programmed demand increases must be supplied by soybeans and products of U.S. origin.

That has been difficult to do because of logistical problems in the U.S. Extremely severe winter weather retarded flow to market centers and export positions. The longest coal miners strike in history complicated processing and transportation. A series of disastrous explosions and fires at grain handling facilities not only reduced traffic flow at those points but also reduced flow elsewhere while precautions were taken to protect other facilities. Nevertheless, processing and exports of soybeans and products have still moved in record amounts.

The flow will continue. Prices should remain firm. Probably 75% of the oil and meal consuming industry in the U.S. and other countries have not purchased beyond the next two to four weeks, which is the pattern followed all season so far. There have been very few extended purchases because of the conviction that supply is ample and there is no danger of exhausting it. But higher prices may have to be paid for purchases in the June/August period once speculators discover that the carry-over supply is not so large as USDA projections have led them to believe. Those projections have been gradually coming down, and they must come down more. From an earlier high of 270

million bushels, they have been gradually scaled down to 170 million bushels recently. We project it will ultimately drop to 150 million or possibly as low as 125 million bushels. That's not a desperate situation, but it is just slightly more than one month's use, which can be of considerable concern if new crop production is not significantly increased.

### New crop supply

As for new crop, on the Northern Hemisphere calendar, the market is beginning to show interest in planted acreage now that planting is about to begin. This is only natural since acreage relates to supply, and most traders and analysts prefer to focus attention on supply. It's much easier than trying to determine demand.

Planting is late this year. The problem started with a wet fall in 1977 which delayed harvest and postponed field work preparatory to planting. Subsequently a wet spring also retarded field work and the planting of corn. Most farmers in the major producing area plant both corn and soybeans, and they try to complete corn planting before beginning on soybeans.

The amount of acreage devoted to corn or soybeans is partially negotiable. Probably 10 to 20% is subject to going into one crop or the other. The decision is made based on market conditions at that time. The farmer either continues planting corn a little longer or else he terminates corn planting early and begins with soybeans.

There is nothing yet that would mandate an acreage shift either way — not weather, not cultural practices, not price. Yet the market talks a lot about that happening. We doubt that such a switch will take place. The best illustration for that prediction comes from the 1975 experience. The weather then was remarkably similar to current conditions. Planting of corn was late. The market decided there should be more acres planted to soybeans, so November futures dropped 50 cents to \$1.00. Soybean acreage declined as a result, by 1.4 million below the planting intentions report. Corn acreage also dropped by one million. We expect that wet field conditions will again keep both corn and soybean acreage below intentions estimates. The wet portions of fields will be entered into the government set-aside and diversion programs — a most convenient opportunity in an otherwise disagreeable weather situation.

Concerning price incentive developments which may perform a dynamic function affecting corn and soybean acreage decisions, the critical time period is at the end of corn planting operations, which this year should be late May to early June. If the ratio of November soybean futures to December corn futures holds around 2.4 to 1.0, there should not be much switching. If it goes down to 2.2 to 1.0, there should be less soybeans planted. If it goes up to 2.7 to 1.0 there should be more.

Demand for U.S. new crop soybeans and products should be very strong. The demand in the current season will not drop on August 31 when the statistical season ends. Moreover, Brazil will not have any additional supplies until 1979 harvest beginning next March. Additionally it should be noted that European crushers have already purchased impressive amounts of soybeans to be shipped in the October/March period. They did this many months ago because they were able to sell the meal to feed mixers and be

assured of an attractive profit.

Thus we must conclude that the market demand needs the 8% crop increase indicated in the planting intentions. Anything significantly less than that could cause a price explosion in the months ahead. The carryover from the current season apparently will not be large enough to compensate for the difference.

May 18, 1978

# Committee Spotlights

## Nominating and Election Committee

The principal responsibility of our committee is to make a selection of nominees for officers and members at large to the Governing Board. Before doing so, we established the following criteria for the nominations:

1. The board shall be well balanced from the point of view of type of employer, i.e., government, universities, or industry.
2. The board should be well balanced geographically.
3. The nominating committee consists of five persons, including the chairman. If three of these persons wish a given individual to be nominated, such an individual shall receive a nomination for one of the elected offices.
4. Recommendations of potential nominees presented by the general membership shall be considered concurrently with the nominating committee recommendations. If not recommended by one of the members of the nominating committee, it will be necessary for a proposed nominee to receive at least two recommendations from the general membership in order for him to receive consideration by the nominating committee.

Using these criteria, the nominating committee had no shortage of qualified nominees making it possible to offer a slate of candidates from all parts of the United States employed by government, universities, and industry. As the election turned out, most of those elected were from the eastern half of the country and are employed in either government or industry. Partly as a result, the Governing Board will discuss possible changes in the Articles of Incorporation and Bylaws of the Society to determine if there are equitable means of assuring greater heterogeneity. This remains to be seen.

What impressed the nominating and election committee was the fact that there is no shortage of AOCS members who are well qualified to lead the Society.

J.F. Gerech  
L.D. McClung  
R.G. Krishnamurthy  
R.L. Ory  
F.B. White, Chairman

## Walter Clark to lead IFT

Walter L. Clark, corporate director for science and nutrition at Hunt-Wesson Foods Inc., Fullerton, CA, is the president-elect for the Institute of Food Technologists.

Dr. Clark, well known to oil chemists for many years, has been a member of IFT since 1949. He formally joined AOCS earlier this year. During the 69th Annual AOCS Meeting he delivered a paper on "Nutritional Aspects of Frying Fats - An Overview" as the opening paper of a symposium on frying fats.

Dr. Clark has been with Hunt-Wesson since 1973. His previous experience included academic, industrial, and governmental posts. Dr. Clark will spend a year as IFT president-elect, then serve as IFT president during 1979-80.

APRIL 1978

## Tall Oil Fatty Acids & Statistics

	2% & OVER ROSIN CONTENT		LESS THAN 2% ROSIN CONTENT	
	April	Percent change from March 1978	April	Percent change from March 1978
Stock on Hand April 1, 1978	8,458	- 5.1	6,899	- 11.8
Production	16,761	+ 11.7	24,113	+ 41.5
Purchases & Receipts	59	+ ∞	0	
Disposition Domestic	16,247	- 6.3	18,521	+ 15.4
Export	1,815	- 13.2	1,350	- 28.3
Total Disposition	18,061	- 7.0	19,871	+ 10.8
Net Disposition*	18,003	- 7.3	19,871	+ 10.8
Total Stock April 30, 1978	7,216	- 14.7	10,940	+ 63.3

\*Net - Less purchases & receipts.  
Definition: Fatty acids fractionated from crude tall oil having a minimum of 90% fatty acids, not including rosin acids. Primary fractions containing less than 90% fatty acids are classified as distilled tall oils.

## Acids in thousand pounds

Month	NUMBER OF MANUFACTURERS REPORTING	FINISHED GOODS INVENTORIES (F) ON 3/31	PRODUCTION (A)	RECEIPTS (B)	DISPOSITION:			TOTAL DISPOSITION	FINISHED GOODS INVENTORIES (F) ON 4/30
					Caloric Consumption (C)	Domestic Shipments (D)	Shipment for Export (E)		
April 1978	16								
Issued June 9, 1978									

## Saturated

SP - Single Pressed; DP - Double Pressed; TP - Triple Pressed

HYDROGENATED VEGETABLE ACIDS	Description	7,538	11,033	1,584	4,263	SP		107	12,221	7,934
						277	3,342			
STEARIC ACID (40-50% Stearic Content) (1)							4,242			
60 C maximum liter & minimum I.V. 5 (2a)		6,647	8,631	---	22	8,378		124	8,524	6,754
57 C minimum liter & maximum I.V. under 5 (2b)		5,382	13,220	2,940	6,178	8,679		40	14,897	6,645
Minimum Stearic Content of 70% (2c)		2,280	2,986	---	525	2,354		22	2,911	2,355
HIGH PALMITIC (Over 50% palmitic I.V. maximum 12) (3)		1,145	1,801	---	713	480		---	1,173	1,773
HYDROGENATED FISH & MARINE MAMMAL fatty acids (4)		704	326	---	208	258		---	467	583
LAURIC-TYPE ACIDS (I.V. minimum 5-Sapon val. minimum 245-including coconut, palm kernel, babassu) (5)		4,284	8,414	73	1,578	5,744		---	7,322	5,459
FRACTIONATED ACIDS	C19 or lower, including capric (6a)	356	1,345	---	67	1,193		---	1,260	441
	Lauric and/or myristic content of 95% or more (6b)	2,283	1,468	---	856	888		6	1,750	2,012
	TOTAL SATURATED FATTY ACIDS	30,639	49,225	4,697	14,401	35,825		299	50,525	33,936

## Unsaturated

ND - Not distilled; SD - Single distilled; MD - Multiple distilled

ANIMAL FATTY ACIDS other than oleic (I.V. 95 to 80) (8)	Description	5,043	13,172	83	2,200	ND		948	12,903	6,278
						189	3,738			
OLEIC ACID (red oil) (7)		11,892	12,547	20	5,207		2,844			
VEGETABLE OR MARINE FATTY ACIDS (I.V. maximum 11.5) (9)		124	26	---	96	20		---	116	34
UNSATURATED FATTY ACIDS (I.V. 118 to 130) (10)		2,195	6,136	---	657	3,427		819	4,903	3,428
UNSATURATED FATTY ACIDS (I.V. over 130) (11)		2,390	2,156	---	113	1,477		413	2,003	2,543
TOTAL ANIMAL FATTY ACIDS		21,444	34,037	103	8,273	21,486		2,186	31,945	23,639
TOTAL ALL FATTY ACIDS SATURATED & UNSATURATED		52,083	83,262	4,700	22,674	57,311		2,485	82,470	57,575