

Fats & Oils Outlook



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1979 soybean crop—just in time

This soybean crop year will be remembered as the year when all weather factors became ideal—just in time. Planting was delayed by a cold, wet spring that turned warm and dry—just in time. Growth was retarded by dry conditions, but rains came in late July and August—just in time. Then it looked like it would stay wet too long, but it turned dry in late August and September—just in time. Then there were frequent mentions of early frost, but the frost didn't come and the crop matured and was harvested—just in time.

Yields are being realized which are far superior to anything seen previously. This phenomenon seems to have puzzled many market analysts and traders who have worried all season because weather conditions have been so consistently not normal, or average. The answer to this puzzle is really quite simple: Average yields are produced by normal weather; other than average yields result from weather that is not normal.

There were only brief periods of time when there was stress due to temperatures above average and moisture below average. Most of the time temperature was below average and moisture above average. This shows that soybeans do their best when it is cool and wet, if such conditions are not carried to an extreme. There were some losses to flooding, but for every field so affected there were 50 or more that benefitted from the moisture that caused the flooding.

We anticipate that the final yield will show a national average of approximately 32 bushels per acre. The USDA September estimate was a new record high of 30.9 bushels; the October estimate was 31.5 bushels. All those who earlier were fearful that yields would be poor because weather factors were not normal were misled by their microscopic examination of weather deviations from statistical norms. Such mathematical elegance sounds very sophisticated, but can be very misleading.

A 31-bushel yield would produce a crop of 2,250 million bushels (61 million metric tons). Demand should consume no more than 1,950 million bushels, which would be 5% above the season just ended. Domestic use is slowing due to poor profitability of animal feeding. Foreign use is destined to encounter that problem also.

There also is the likelihood that competition from South American supplies should be more intense. Brazil planting begins in early October and continues to early January. Moisture conditions have improved significantly. The most critical time will be January to March, because that has been the period of drought during the past three years. But it is quite likely that drought will not recur this season because traditionally such conditions last no longer than three years.

Acreage in Brazil should advance at least 10%. The government has adopted a new policy of stimulating all the production possible. The objectives are to: (1) generate more foreign exchange, and (2) keep internal food costs down. The combination of acreage increase coupled with good weather easily could result in a crop of 15 million tons, or more, compared with 10 million in 1979.

In addition, Argentina most likely will produce over five million tons of soybeans compared with about four million in 1979. Such increases, coming on top of a huge crop in the U.S., can be expected to keep prices under pressure, especially since most other world oilseed crops are showing increased supplies also. All these factors are coming at a time when economic conditions are curtailing demand.

U.S. broiler production is advancing at a very slow pace compared to past months. Industry members point out that the high cost of feed and the low price of meat produced caused July and August to be months of negative returns. Normally these are their best profit months that help carry other seasons of disappointing returns.

U.S. hog producers also are cutting back for the same reason: little or no profit. Production of pigs December 1978 to February 1979 was up 17% from a year earlier, then reached a peak of 21% increase in the March to May quarter, and dropped to 16% increase in the June to August quarter. The intentions for the current quarter (September to November) are up only 13%, while December 1979 to February 1980 is expected to advance just 10%. This may drop further if profits do not improve.

Foreign demand also shows signs of less growth. Economic conditions are not so strong. Locally produced feed ingredients and fats and oils should be more plentiful. Shipments of tapioca feed pellets from Thailand are down more than one million tons during the past eight months. This clearly implies a reduction of 250,000 tons in protein feed demand, mostly soybean meal, and the rate is still declining. The surge in using tapioca as a feed ingredient was a prominent reason for the strong protein demand last season.

Eastern Bloc countries would like to continue their advances in animal feeding, but may be unable to because of economic reasons. They will not find it as easy to secure credit for large import purchases of things such as soybean meal because of declining fiscal ratings. Poland, for example, has had five successive poor crops and there is already an outstanding debt of \$15,000 million from the previous season's purchase of food and feed.

The U.S. will be offering less CCC credit to all countries for things such as soybeans and products for political reasons in a major election year. This will accomplish two things: (1) it will help control federal budget expenses, and (2) it will keep domestic food prices lower if exports are not stimulated so much.

India is an isolated instance where vegetable oil imports may be well above the past season. An irregular monsoon season will result in a disappointing crop of groundnuts. But it must be assumed that imports will not grow by more than 200,000 tons from about one million tons this season, and the increase may be less. Prices within India have been up sharply and may continue that way for several months. It is an established fact that when consumer price advances, consumption falls. Expenditures for food ingredients are

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relatively inflexible so that less quantity can be purchased with the available rupees when the prices rise.

There really is only one thing that may cause prices of soybeans and products to advance in the period ahead (unless South America has a poor crop). That is the speculative sentiment related to high prices for gold and silver, with still higher prices expected. Transference of that emotion could cause higher prices in agricultural commodities just as it did last June, with prices coming down quickly to where they began. The relationship to metals is not valid. There is an unlimited amount of dollars chasing a limited supply of gold and silver. But there is obviously a surplus supply of soybeans and products that probably will continue for many months. Only sharply lower prices would eventually stimulate a demand for all of the products and potentially could persuade farmers of the U.S. to curtail production in 1980 until consumption catches up.

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Energy cogeneration at oilseed mills?

Oilseed processing plants are one of two segments of the food industry that the Arthur D. Little Co. has highlighted as being able to economically use energy cogeneration in the U.S.

Such systems, which provide steam for all heat needs as well as generate electricity, already are used in beet sugar, cane sugar and wet corn milling processing, Dr. Arthur A. Teixeira of Arthur D. Little reports.

In a study for the Department of Energy, the Little firm identified oilseed processing and malt beverage operations as potential users of cogeneration. Because cogeneration requires major capital investment, industries using it must have large operations that require large amounts of steam and electricity for two or more work shifts per day. ●

Fats and oils in Taiwan symposium

The International Symposium on Recent Advances in Food Science and Technology to be held Jan. 9-11, 1980, in Taiwan will include a technical session on oils, fats and oilseeds in addition to the previously announced plenary session.

Technical session topics and speakers will be: Application of HPLC to Analysis of Triglyceride Composition of Fats and Oils, Shun Wada, Japan; The Separation and Properties of Lipase from Rice Bran, Y. Aoyegi, S. Matsu-moto and T. Obara, Japan; Development and Use of a Low-Cost Extruder for Rice Bran Oil Stabilization at Local Mills, Hong-Sik Cheigh, Chul-Jin Kim and Dong-Chul Kim, Korea; Current Status and Future Development of Taiwan Edible Oil Industry, Steve Chen, R.O.C.; A Preliminary Study on Antioxidation Effect of Herbal Medicine, Hsu Cheng, R.O.C.; Lipid Oxidation in Frozen Microsomes from Fish Muscle, R.E. McDonald, H.O. Hultin and M.E. Apgar, U.S.A.; and Lipid Oxidation in Fish during Storage at -5 C, M. Toyomizu and K. Hanaoka, Japan. Other talks on human foods from soybeans will be included in technical sessions on Oriental foods and on Food Chemistry and Engineering.

AOCS members George Cavanagh, Arnold Gavin and Rex J. Sims will be the plenary session speakers on oils, fats and oilseeds. ●

World Conference on SOYA Processing and Utilization

Specialists in processing and use of soya from around the world are being invited to present plenary session talks during the World Conference on Soya Processing and Utilization to be held Nov. 9-14, 1980, in Acapulco, Mexico.

The conference is designed to provide information and technology on soy processing and use, particularly for nations that could improve the nutritional quality and quantity of foods in their diet through a sustained growth in the use of soya. The meeting is being organized to permit establishment of constructive and continuing dialogues between experts in soy products and processing and those professionals who can put such technical information to practical use.

Steering and program committee members from the U.S. and Latin America met in Acapulco earlier this month to determine specific topics to be included in the plenary session and potential speakers for each topic.

Conference chairman is William H. Tallent and cochairman is Ernest Goebel. Dr. Tallent is director of the USDA Northern Regional Research Center in Peoria, Illinois; Dr. Goebel is a consultant in Mexico.

The program will be divided into six sessions: production; processing; oil characteristics and nutrition; soy meal for animal feed; soy protein for human foods: preparation, characteristics and uses; and soy protein for human foods: nutrition and regulatory aspects.

Plenary sessions will be held each morning with round table discussions each afternoon. An accompanying exposition will open each day at lunch and remain open through the conclusion of the round table sessions.

Cosponsors of the meeting are the American Oil Chemists' Society, the American Soybean Association, USDA Science and Education Administration, USDA Foreign Agricultural Service, and the National Association of Manufacturers of Edible Fats and Oils in Mexico.

Complete program details are expected to be available next spring. That information, along with registration and housing information, will be available from the American Oil Chemists' Society, 508 S. Sixth St., Champaign, IL 61820 USA. Firms interested in participating in the exposition should contact Patrick Graham at the Champaign address. ●