

# Fats & Oils Outlook



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Consumption rate for old crop U.S. soybeans continues at a rate larger than anticipated. This is largely due to the slow movement from Brazil. Harvest there has been retarded by rains. Moreover, movement of oil and meal from Brazilian ports is also held back because of a congested program of allocation of fuel to operate crushing plants. Both of these items can be corrected in the next few weeks, but the situation strongly implies that the carryover supply of soybeans in the U.S. at the end of August will be only 125 to 150 million bushels, which is only enough for 4 to 6 weeks' usage.

Now the market is beginning to struggle with the same concern for new crop, September 1979 to August 1980. Farmers' planting intentions on April 1 revealed an increase of 7.4% above last season for the U.S. at 68.8 million acres (27.8 million hectares) versus 64 million acres actually sown in 1978. This is more than double the amount of increase intended in the January report. The change in attitude was a response to stronger soybean prices in February and March compared to alternative crops, principally corn and cotton.

But a "planting intentions" report is just what the name implies. It is what farmers *intended* to do, but not necessarily what they *will* do. Changing conditions can change plans. The conditions which can change plans are price and weather. By mid-April, the strong soybean price incentive had been modified considerably. If this condition continues through planting time, then farmers will not increase soybean acreage so much after all. Concerning weather, it should be understood that corn and cotton must be sown earlier than soybeans. These two crops should be planted from mid-April to late May to achieve optimum yield. Soybeans should be sown from May 10th to early June, but some are planted as late as the first week of July.

Therefore, the critical time period for price relationships and weather factors is the last half of May to early June. Either one of these conditions can induce farmers to make some last minute adjustments in acreage decisions. The combination of conditions can be most important for soybeans, where supply carryover from old crop is at such a sensitive level.

This could be one of those seasons when the weather at the beginning of May becomes suddenly dry enough and warm enough to allow corn and cotton planting to catch up from a slow start. Farmers could be so pleased with the improved weather, if it continues to late May, that they may find it difficult to terminate corn and cotton planting when the originally intended acreage is sown. That could mean less soybean acreage and lower soybean yields per acre if the weather is less favorable from late May through June. This sort of thing has happened before, and it looks like this is the kind of season when it could happen again.

If, in early to mid-May, the futures market traders detect such a thing is happening, they can be expected to bid up new crop months. They will make the judgment, and correctly so, that if prices are not high enough to induce farmers to plant at least as many acres to soybeans as intended in the April 1st survey, there could be a shortage of supply in the 1979/80 season. So the attitude could be that prices either go up moderately during planting season, when farmers can respond to the incentive; or else they go up sharply later, after farmers can no longer respond.

## Supply/Demand Balance for Next Season

The question which must follow the foregoing statement is: How large a supply is needed for next season? It is anticipated that demand will increase by 5% over this season. For U.S. statistics that would place consumption at approximately 1,957 million bushels. For U.S. production, if farmers do plant 68.8 million acres as shown in April intentions, they will harvest about 67.5 million acres after allowing for usual abandonment. Applying a fairly good yield of 29 bushels per acre, this would provide production of exactly the same amount: i.e., 1,957 million bushels. Therefore, it can be seen that nothing would be added to carryover, and the situation would remain as delicate as in the current season.

A demand increase of 5% is used in current predictions despite the fact that poultry numbers are consistently increasing about 10%, and hog numbers are variously projected to increase 10 to 15% in the months ahead. This is because there will be a similar increase in the output of the many packing house by-products which are manufactured into high-protein animal feeds that compete with soybean meal. Of course, soybean oil will experience some increased competition from the additional lard production, but this is not so extensive as the previously mentioned meal competition. Nevertheless, there most likely will be increased competition from palm oil, rapeseed oil and coconut oil, and possibly from cottonseed oil and sunflower oil. Steady and possibly increased demand for oils in China, India and Pakistan should help offset these increases, but not entirely.

Looking farther out, there is the question of soybean production in Brazil and Argentina in early 1980. Acreage in both countries almost certainly will increase. Production should increase significantly. Preliminary projections should allow for a crop of 15 million tons in Brazil, versus probably 12 million this year, and 6 million tons in Argentina, versus probably 4 million this year. Most likely the drought is over. This has been the third year of drought, and they usually last no longer than that. Moreover, the pattern of movement during these three years has been normal: from northwest to southeast. Brazil could have produced nearly 15 million tons this year if weather had been satisfactory, so with expanded acreage and better weather in 1980 that figure should easily be attained. Argentina has caught the enthusiasm of profitability from soybeans, and seems clearly dedicated to further expansion. Some sources expect 10 million tons by 1982.

## Contingencies Could Produce Different Results

From the basic strategic fundamental factors explained in the foregoing analysis, there likely will be some deviation. Seldom do things develop entirely as anticipated. Several variations of this scenario are possible which will complicate market judgment in the months ahead.

Already described is the potential for variable acreage in the U.S. and the factors involved. Yield per acre will largely depend on time of planting and subsequent weather. It is usually assumed that yield will drop on acreage planted after June 10th. The rate of drop accelerates in late June and early July.

A gradual improvement in U.S. average yield is to be

expected. Beginning just three or four years ago, farmers in significant numbers began to realize that they could improve soybean production profitability appreciably by applying better cultural practices. Many are now achieving results 75 to 100% better than the national average. The number increases each year. So, maybe the 29 bushel per acre yield used above is too low, but there must be an allowance made for the fact that this year's larger soybean acreage will include an increase in double-cropping of soybeans following small grain harvest. This is because of increased wheat acreage in the central producing area. Those areas should not yield as well as full term acreage and could hold down the national average.

Demand is always the most difficult to predict. Some of the factors have been examined in this analysis. There is a usual pattern for demand to not expand so rapidly in the season following a large increase. The increase this season is about 10% for consumption of U.S. soybeans. That most likely cannot be maintained unless there are significant weather problems again in prominent oilseed areas of the world. A one percent deviation in demand represents approximately 20 million bushels. This can be very important in a season when supply and demand are in such delicate balance.

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## from Washington



The U.S. International Trade Commission will hold hearings on June 26, 1979, in Washington on whether duties should be eliminated on imports of coconut oil and also on olive oil (rendered unfit for use as food). The commission also is seeking information as to whether directly competitive products were being produced in the United States as of Jan. 3, 1976. Requests to appear at the hearing should be directed by June 21 with the Secretary, U.S. International Trade Commission, 701 E. St. NW, Washington, DC 20436. Written statements submitted by July 13 will also be considered, the ITC notice said.

An FDA administrative law judge has ruled that both colored margarine and colored butter can be used in standardized bakery products. The decision was part of a wider ruling, but was one of the key issues involved. The FDA had proposed allowing butter with medium-high coloring, but allowing only uncolored margarine to be used in standardized products. The decision also upheld FDA's proposal to permit use of lecithin in egg bread manufacture.

FDA Commissioner Donald Kennedy plans to leave his FDA post to become provost and vice-president for academic affairs at Stanford University as of Aug. 1. Kennedy had planned to stay at FDA at least two more years, but felt the opportunity was too good to refuse, according to Food Chemicals News of April 23.

Food Chemical News reported in mid-April that an FDA proposal not to establish standards for virgin and refined olive oil and refined olive-residue oil drew comment from six firms, with five favoring a standard. The sixth firm, a California company, said that with only two firms producing refined olive oil in California, there wasn't a need for a standard. FDA's statement it would not propose a U.S. standard was included in a statement noting proposal

of olive oil standards by the Codex Alimentarius Commission.

The Canadian Department of Consumer and Corporate Affairs has said that it doesn't propose amending labeling regulations for fats and oils now, but it may do so later. Long-range proposals being considered, the unit said, are whether the term "fractionated" or "modified" should be permitted, or if both should be allowed to permit use of "fractionated" on foods for export and whether all oil or fat ingredients should be declared grouped together on the label. ●

## New Publications



*The 1978-79 Chemical New Product Directory*, 177 p., \$350; list of 800+ products introduced by 180 major chemical firms from Jan. 1, 1977, to Aug. 31, 1978; Marketing Development, 402 Border Road, Concord, MA 01742.

*1978 Part 20 Annual Book of ASTM Methods*, 836 p., \$25 plus shipping; 201 standards on paper, packaging, aerosols, and business copy products; ASTM, 1916 Race St., Philadelphia, PA 19103.

*1979 Part 21 Annual Book of ASTM Methods*, 434 p., \$14 plus shipping; 92 standards on cellulose, flexible barrier materials, and leather.

*Survey of Gossypium hirsutum L. Germplasm Collections for Seed-Oil Percentage and Seed Characteristics*; 42 p., single copy free; USDA Agricultural Research Service, Southern Region, P.O. 53326, New Orleans, LA 70153.

*1978 Annual Report: AAAS Committee on Scientific Freedom and Responsibility*, 46 p., \$2 (prepaid only); American Association for the Advancement of Science, 1515 Massachusetts Avenue, N.W., Washington, DC 20005.

### Lipoprotein meeting scheduled for September

"Structure of Lipoproteins" will be the topic of a three-day conference to be held Sept. 10-12, 1979, at the Barbizon Hotel in New York City under the sponsorship of the New York Academy of Sciences.

Cochairmen for the conference will be Angelo Scanu of the University of Chicago and Frank Landsberger of Rockefeller University. The conference will provide a critical analysis of progress to date in the field of plasma lipoprotein structure. A limited number of poster session presentations will be accepted. A 100-200 word summary of submitted poster presentations should be sent as quickly as possible to Conference Director, New York Academy of Sciences, 2 E. 63rd St., New York, NY 10021. Further information about the conference will be available from the same address. ●