
From Washington

World fats and oils: third record year

Alan Holz's list of "Things to watch for in 1979/80"

Possible changes in growing conditions that could affect the Brazilian soybean harvest, as was the case during 1978-79.

The value of the U.S. dollar compared with key foreign countries.

Reports of purchases of soybeans and products by the USSR.

Volume of soy oil exports to India and the People's Republic of China.

Possible slowdown in Malaysian palm oil expansion that could slow palm oil exports during 1980.

Recovery in Philippine exports of copra and coconut oil that could reduce price relative to other oils.

Possible EEC policy changes that could affect U.S. soy exports; EEC dried milk powder stocks are down and butter stocks there are being reduced by sales at bargain prices.

Rising oilseed crushing capacity in importing nations as well as in Brazil could skew future growth of U.S. exports more toward oilseeds than products.

Increased petroleum prices.

Increased vegetable oil demand from petroleum exporting nations.

Probable substantial decline in U.S. oilseed yields in 1980 unless subsoil moisture is replenished before summer.

Above normal U.S. exports in late summer in anticipation of a fall longshoremen's strike.

Large Brazil and Argentine carry-over on Oct. 1 that could curb U.S. exports in 1980/81.

Oil prices that are relatively stronger than meal prices, at least until Southern Hemisphere crops are harvested.

Soy meal less expensive in relation to corn.

The U.S. Department of Agriculture expects 1979/80 world fats and oils production to be 59.2 million metric tons, a record for the third consecutive year, which when coupled with stocks of 2.9 million tons will produce a total supply of 62.1 million tons (Table I).

Alan Holz, USDA economist who presented the figures to the USDA 1980 Outlook conference, said the record U.S. soybean harvest is the major factor in the world increase. U.S. production will rise 2.7 million tons (Table II) for the current market year to 19.6 million tons, Holz said. Foreign production forecasts are shown in Table III.

The obvious question is: Who's going to use all the oil?

Holz also forecast record world consumption of 57.7 million tons. U.S. domestic consumption is expected to rise to 8.5 million tons from 7.8 million tons in 1978/79, while foreign consumption is expected to rise to 49.2 million tons from 47 million tons, Holz forecast. That level of usage would leave a record carryover of 4.3 million tons.

The lower price of soybean oil caused by higher supplies should mean increased domestic usage. India and the People's Republic of China may import more U.S. soy oil this year, Holz said. No one at the conference would or could confirm harvest-time speculation about Soviet purchase of U.S. soy oil, but Holz noted the U.S.S.R. has become a net importer of fats and oils.

Southern hemisphere oilseed crops were being planted as Holz spoke, and he stressed that production forecasts there are dependent on relatively normal wheather conditions, particularly for Brazil during January. Holz forecast a 13.5 million metric ton soybean crop in Brazil. Continental Grain vice president Vernon McMinimy said a 14 million to 15 million ton Brazilian crop did not seem unreasonable to him. Brazil historically has exported the major share of its short crops before Oct. 1 (when the U.S. harvest is beginning), but when Brazil has a big crop, a good share is exported after Oct. 1, Holz said. McMinimy, a member of the oilseeds outlook panel, said Brazil has unused export capacity that could handle up to 3 million tons of soybeans next summer before the U.S. harvest. Other attendees suggested that with a total crushing capacity of 19 million tons, Brazil might permit export of only about one million tons of beans, reserving the rest to foster the nation's crushing industry.

Argentina's soybean crop was estimated at 4.5 million metric tons by Holz and at 4.7 million to 4.8 million tons by Miguel Ignacio Moneta of Argentina, another member of the oilseed panel.

Philippine coconut oil may be more available in world markets for 1979/80 as Indonesia tries to reduce its imports, Holz said. The Indonesians are encouraging use of domestically produced palm oil in place of imported coconut oil, he said.

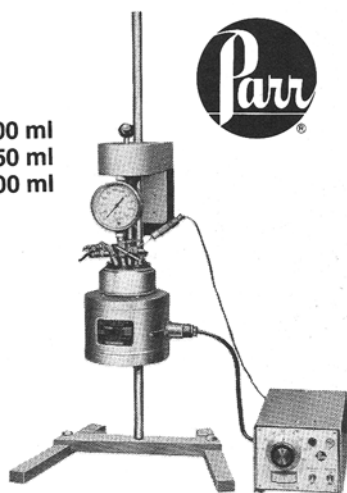
Malaysia's palm oil production and exports are expected to continue to grow, but at a slower rate, Holz said, with almost all of the increase in exports being in processed oil.

Continued on page 36A.

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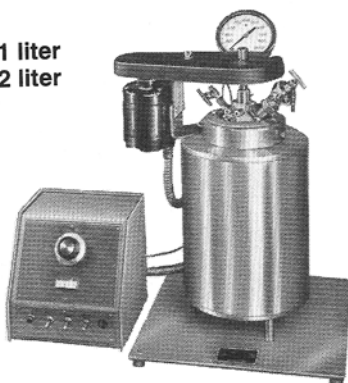


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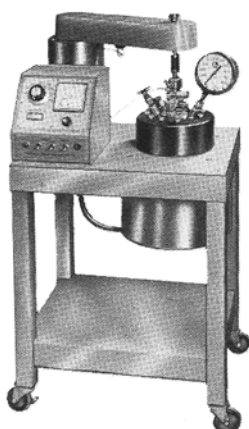
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From Washington

India's population growth has slightly outpaced domestic fats and oils production, he said, meaning increased oil imports. Malaysian palm oil has been moving to India. As of early November, India's peanut crop was estimated at 1.37 million metric tons, about 200,000 tons below the previous year. Uneven rainfall distribution could cause further reductions.

Fats and oils production in the People's Republic of China was estimated at 3.14 million metric tons for 1979/80, or about 3.5 kilos per person. "The PRC's imports, largely soybeans and oil, have been growing in recent years," Holz said. "Unless domestic oil output can be expanded, the PRC's imports of oilseeds and oil will likely continue and possibly expand depending upon availability of foreign exchange and the priority of other imports." □

TABLE I

World Oilseed (Oil Equiv) and Oil Supply and Consumption
(in 1,000 Metric Tons¹)

Line name	1969/70	1974/75	1977/78	1978/79 ²	1979/80 ³
World oil					
Reg stocks ⁴	2,871	2,437	1,988	2,683	2,941
Production	39,741	46,210	52,664	55,063	59,205
Supply	42,612	48,647	54,652	57,746	62,146
Consumption	39,421	46,399	51,970	54,805	57,770
End stock ⁴	3,191	2,248	2,683	2,941	4,376
US oil					
Reg stocks ⁴	2,291	1,654	1,412	1,731	1,862
Production	10,307	10,130	13,978	14,522	17,029
Imports	620	974	762	700	750
Supply	13,218	12,758	16,152	16,953	19,641
Exports	4,353	4,213	7,169	7,290	7,970
Consumption	7,108	6,932	7,253	7,801	8,599
Total use	11,461	11,145	14,422	15,091	16,569
End stocks ⁴	1,758	1,614	1,731	1,862	3,072
Foreign oil					
Reg stocks ⁴	580	783	576	952	1,079
Production	29,434	36,080	38,686	40,541	42,176
Imports	4,353	4,213	7,169	7,290	7,970
Supply	34,367	41,076	46,431	48,781	51,225
Exports	620	974	762	700	750
Consumption	32,313	39,468	44,717	47,004	49,171
Total use	32,933	40,442	45,479	47,704	49,921
End stocks ⁴	1,434	634	952	1,079	1,304

¹Consumption estimates reflect split year production and calendar year exports (for example, 1969/70 production is combined with 1970 exports). World total use is not shown since it is equal to world consumption.

²Preliminary.

³Forecast.

⁴Stocks are Sept./Oct. Northern Hemisphere, Mar./Apr. Southern Hemisphere for seed products and cy for palm and fish.
Source: FAS estimates.