Fats & Oils News

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in processing tall oil for use in protective coatings, soaps, varnishes, lacquer, paint and detergent.

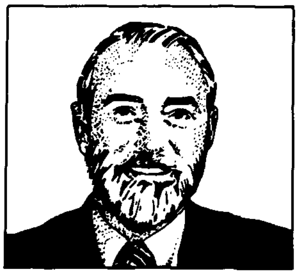
Although not a member of the AOCS, he presented papers on tall oil at society meetings. A native of Mechanicville, New York, he worked for Hercules Powder Co. from 1955 until he retired in 1965. Before Hercules, he had worked at Camp Manufacturing Co., Jessup and Moore Paper Co., DuPont Co. and American Cyanamid.

He received the "Veteran of the Year" award from the Fatty Acid Producers Council in recognition of 20 years of contributions to the tall oil industry.

Griffin was a 1923 graduate of Brown University. He was a member of the Chemists' Club of New York and an honorary member of the Society of Chemical Industry in London. He is survived by his wife, the former Dare Chaytor, two daughters and a son, and four grandchildren.

Viewpoint

No shortage of soybeans



(The following article was prepared by David M. Bartholomew, oilseed specialist for Merrill Lynch Futures Inc. at the Chicago Board of Trade, in early August shortly after the USDA August crop estimate was prepared. Bartholomew is a frequent contributor to JAOCS' *Viewpoint.)*

Weather in June was significantly drier than normal in much of the United States' producing areas, and only partially improved in July. But the planting was early and mostly well established by that time. Then generous rains returned in late July and continued to mid-August; consequently, the crop has definitely become well-developed. A near-record yield of 31.5 bushels per acre was forecast by USDA as of the first of August. Traders are convinced it has improved since and might exceed the previous record of 32.1 bushels per acre established in 1979.

Production will not reach the 1979 record of 2,261 million bushels because less acreage has been planted. Still, it is considered likely that production could equal or exceed 2,000 million bushels instead of the 1,958 million bushels shown in the August estimate. And even that is too much when compared to potential demand.

It is generally recognized that demand has been slow for U.S. exports, due to a sluggish world economy, the strength of the U.S. dollar and stiff competition from other origins. Just how slow can be shown by a simple illustration. Earlier in August, the daily report of ocean vessels loading at southern Mississippi River ports, including New Orleans, dwindled to just one ship! And this report includes all dry bulk agricultural commodities. Of course this is normally a low volume time of year, but this must be a record low considering there were no complications from labor disputes, congestion, lock repairs, or high or low river levels.

Part of the problem has been that farmers have not moved all the old crop inventory into commercial channels due to discouraging price levels. About half of the expected carryover remains in the government loan program in early August.

Some farmers did not use the support loan program, holding soybeans for sale in July and August speculatively in hope of a better price. Those beans likely will be or have been sold anyway, which also can account for recent price weakness. No loan entries are permitted for old crop after May 31. New crop cannot be entered into the loan until harvested, and of course it must be placed into storage, as the soybeans are collateral for the loan. When a farmer has no access to storage, or access to only enough space for a portion of his production, there is no support for the unstored amount.

As futures prices have declined toward loan level (national average $5.02 a bushel), there has been an offsetting strengthening of cash basis, especially for new crop. If one considered only the implications of large carryover plus excellent crop outlook, it normally would be logical to conclude that basis would be discounted more than usual, which could mean 80 cents to a dollar under old crop and in some places even that much under November futures. Instead there is only about 15 cents to 25 cents discount under old crop, and some locations are actually paying a small premium to November futures.

Clearly this is a response to the loan program function. Industry does not want too many soybeans to go directly into the government program at the beginning of harvest. Crushers and exporters in many localities will have very little old crop supply remaining and therefore are anxious to secure new crop as quickly as it is harvested. Also as climate during this growing season has been more favorable than last year, the quality of new crop should be better. Of course, after harvest has made considerable progress the basis can drop, and perhaps sharply, depending on whether futures are near loan level or appreciably above.

The answer to that question probably will depend largely upon what congressmen are doing at the time on new farm legislation. Until now they have seemed fascinated with the concept of allowing farmers to repay crop loans at the existing market price when they come due, if that price is below the level at which the loan was made. This is termed a "market loan." It is appropriate not to call it a support loan because this concept demolishes all aspects of a price-supporting function.

The new legislation would not take effect until the 1986 crop, but if the "market loan" concept is adopted, it definitely can influence 1985 crop price performance as well. In fact, that has been a large factor in price weakness experienced in past weeks. That new concept probably will not survive because of the potentially huge cost to taxpayers, but until that is certain, the market must remain on the defensive.