

# Outlook '86: More competition, lower prices

Competition from other oilseeds and from other countries will result in high carryover stocks and low prices for U.S. soybeans during 1986, USDA economist Roger Hoskin told attendees of USDA's Outlook '86 conference held in December in Washington, DC.

USDA in December forecast 1985/86 world oilseed production will reach 196.7 million metric tons, 8.6 million MT above 1984/85. Of this, 100 million MT are expected to be produced in countries other than the United States and China. Accounting for most of the gain is an increase in U.S. soybean production, while most of the gain in foreign production is attributed to increasing rapeseed and sunflowerseed production. Ending stocks, meanwhile, are projected to reach nearly 29 million MT, 48% above 1984/85. Surging palm oil production, coupled with a slowing in Indian oilseed purchases, has been a factor in the stock buildup and depressed prices, USDA said. World vegetable and marine oil consumption is predicted to reach 47.2 million MT, 3% over 1984/85, with the largest gains in palm and rapeseed oils. USDA said world vegetable oil use has increased an average of nearly 3% over the past two years and may maintain this growth rate during 1985/86. Total U.S. consumption of edible fats and oils, meanwhile, is estimated at 16.7 billion pounds (approximately 7.6 million MT), of which 9.95 billion pounds (approximately 4.5 million MT) would be soybean oil. USDA estimated U.S. consumption of edible oils will rise 2.2% during 1985/86, with total consumption of imported oils to rise as much as 9-10%.

Comparing the existing carryover stocks to those from 1968/69, Hoskin said the sharp favorable turnaround in U.S. soybean and soybean meal exports which occurred in 1969/70 is unlikely to

materialize now due to competition and burgeoning oilseed supplies worldwide. In 1984/85, he pointed out, soybean exports from competitors exceeded U.S. soybean exports, with Brazil and Argentina aggressively taking over markets. U.S. soy exports have fallen since the early 1980s, while market demand has grown only slightly, if at all. U.S. soybean exports to its chief markets—the European Economic Community (EEC), Japan and Canada—have been “essentially flat since 1980/81,” Hoskin said. The only real growth potential lies in the Third World and in countries with centrally planned economies, Hoskin noted, adding that consumption has stagnated in Third World countries in the last two years. Meanwhile, in centrally planned economies of Eastern Europe and the Soviet Union, consumption, never predictable, has increased only slightly.

On the oil scene, soybean oil is facing stiff competition from rapeseed, sunflowerseed and palm oils. This increasing competition is a greater factor than stagnating demand, Hoskin said. “U.S. soybean oil exports could decline to 1.5 billion pounds, for the fourth straight year of decline,” Hoskin said. He predicted soybean oil prices would drop five to nine cents

per pound, from 29.5 cents a pound in 1984/85 to 20-24 cents a pound for the 1985/86 season. The year 1986 may see decreasing oil exports from South America, while Malaysian palm oil exports could rise to 5 million MT, Hoskin said. Certainly competition from rapeseed and sunflowerseed oil produced in Europe and other countries as well as from South American soybeans and Malaysian palm oil will continue to affect U.S. soybean market prospects.

Also speaking at the Outlook '86 conference, Steven Freed, director of agricultural research for the commodity firm Dean Witter Reynolds, predicted the final U.S. farm bill and legislation governing soybeans would have the most impact on the U.S. oilseed market. A one-time payment to farmers in lieu of a loan would have brought prices down substantially, probably to \$4 a bushel, he said; with rejection of the payment proposal, soybean prices probably will be around \$5.20-5.30 a bushel.

Meanwhile, dry weather during the last part of 1985 delayed Brazilian soybean plantings and affected seed germination. Reports of a drought emergency in Brazil continued during December, with projections that, at the very least, the soybean crop would be delayed

TABLE 1  
US Oilseed Exports, 1983/84 vs 1984/85

Commodity	Volume (in million metric tons)		Value (in millions of US \$)	
	1983/84	1984/85	1983/84	1984/85
Oilseeds and products	27.0	23.8	8,602	6,195
Oilseeds	20.5	17.9	6,254	4,324
Soybeans	19.3	16.6	5,734	3,876
Protein meal	5.1	4.6	1,217	854
Vegetable oil	1.4	1.3	1,131	1,018

Source: USDA Agricultural Outlook, December 1985.

four to five weeks; at most, yields could be dramatically cut, dropping well below 15 million MT, and possibly even to 12 million MT. Brazil's 1984/85 soybean production totaled 17.2 million MT. A smaller or delayed Brazilian soybean crop could improve prospects for U.S. soybean and soybean product exports. Usually Brazil starts exporting soybeans in late March or early April and in 1985 shipped over 500,000 MT of soybeans during these two months. "They still have time for a turnaround. We will have to watch Brazil closely," Freed said, adding, "If production drops below 14 million MT, Brazil itself will need to import beans." Argentina, meanwhile, is expected to plant more soybeans, due to wet weather which interfered with corn plantings; this could result in a record Argentinian soybean crop.

Freed said delays in U.S. soybean

harvesting last fall could bring slightly lower production than projected by USDA in November. Quality of the beans, however, may be more severely affected; this could cause importers such as Japan to be cautious in purchasing U.S. beans.

USDA's report "Outlook for Agricultural Exports," published Dec. 3, 1985, projected that U.S. soybean and soybean product exports during 1985/86 might increase from the depressed levels during 1984/85, chiefly due to a possible drop in South American exports. Even so, because of lower prices, total dollar value of these U.S. exports is expected to be lower (see Tables 2 and 3).

Meanwhile, the American Soybean Association's *Soybean Update* newsletter of Dec. 23, 1985, noted a prediction by ASA's Ken Bader that U.S. soybean acreage may decline two to three million acres in 1986 as a result of the new U.S. farm bill.

Bader said a shift to other crops such as cotton or corn may occur, resulting in soybean acreage dropping to 60.2-61.2 million acres.

Other developments on the oilseed scene show European oilseed production continuing to increase dramatically, with sunflowerseed production jumping over 130% since 1982 and rapeseed production up by over 70%. According to ASA, private trade sources in Europe estimate European oilseed production will continue to rise by 1 million MT annually for the next few years. Noting that European rapeseed and sunflowerseed growers receive twice the world market price for their products due to EEC subsidies, ASA's *Soybean Update* said more domestic European vegetable oil production is reducing its import needs. According to the Dec. 20, 1985, issue of the weekly international oils and fats newsletter *Oil World*, Western Europe crushed record amounts of rapeseed and sunflowerseed in 1985, accounting for 35% of the total oilseeds it crushed. This expanding domestic production has cut, and will continue to cut, oilseed imports, particularly soybeans, as well as rapeseed and sunflowerseed.

**Peanuts**—For the second consecutive year, the U.S. had record average peanut yields, with a projected 1985 average yield of 2,902 pounds per acre, up 1% from 1984. Harvested acres, however, were down 5%, causing a drop in production, although record carry-in stocks bring total supplies for 1985/86 to an all-time high. According to *Oil World*, world peanut oil use is projected to decrease to 2.67 million MT during 1985/86, the lowest level in more than five years. Virtually all of the reduction is occurring in India, the weekly newsletter reported. Peanut and peanut product prices are predicted to remain weak.

**Cottonseed oil**—USDA estimates 1985/86 world cottonseed production at 31.3 million MT, down nearly 7% from 1984/85. China, the largest cottonseed producer, is expected to have another large crop but one below the previous year. Record cottonseed yields in the U.S., meanwhile,

TABLE 2

US Oilseed Exports, 1983-1986 (Volume in Million Metric Tons)

Commodity	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986 (forecast)
Soybeans	24.5	19.3	16.6	18.4
Soybean cake and meal	6.4	4.9	4.5	5.0
Soybean oil	.8	.8	.75	.7
Sunflowerseed	1.4	1.0	1.0	.8
Sunflowerseed oil	.2	.2	.1	.1
Other oilcakes and meals	.2	.2	.1	.1

Source: USDA's *Outlook for U.S. Agricultural Exports*, Dec. 3, 1985.

TABLE 3

US Oilseed Exports, 1983-1986 (Value in Billions of US \$)

Commodity	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986 (forecast)
Oilseeds and products	8.9	8.8	6.4	6.2
Soybeans	5.9	5.7	3.9	4.0
Soybean cake and meal	1.4	1.2	.8	.9
Soybean oil	.5	.6	.6	.4

Source: USDA's *Outlook for U.S. Agricultural Exports*, Dec. 3, 1985.

overshadow a slight decline in harvested area, with 1985 U.S. cottonseed production estimated at 4.98 million MT, up nearly 7% over the previous year. World production of cottonseed oil in 1985/86 is estimated to decline 6%. However, cottonseed oil supplies are up nearly 8%, the largest increase since 1982. A 17% drop in China's cottonseed oil production accounts for almost two-thirds of the drop in world production. Brazil, Pakistan and India also are forecast to have significant declines in cottonseed oil production, while Egypt is predicted to reach a record 131,000 MT, 31% above the previous year. The National Cottonseed Products Association estimates that 3.5 million short tons of cottonseed were crushed in the U.S. between August 1984 and July 1985, and approximately 3.7 million short tons will be crushed in 1985/86.

**Sunflowerseed oil**—USDA expects world sunflowerseed production to reach 18.6 million MT. U.S. sunflower oil inventories are projected to double, with a small increase in domestic use being offset by a reduction in exports. *Oilscoop*, published by Oilseeds International Ltd., in December predicted that 1985 sunflower production will be down 350,000 MT from 1984, and that exports will continue to drop. Noting that markets for U.S. sun oil are "quiet," the newsletter said it expects 1986 plantings to be down at least 30%.

**Safflower**—*Oilscoop* also noted safflower yields and oil content were down during the 1985 season, with production reaching 118,000 short tons. From this, 85,000 short tons were crushed, of which only 55,000 short tons of regular safflowerseed were available to yield 40,000 million pounds of oil. *Oilscoop* predicted that for 1986, large plantings will take place in the northern plains if spring weather is favorable. "If prices offered by buyers collapse, a large planting of uncontracted acreage could cause some chaotic conditions in the market later in the '86/87 season," *Oilscoop* noted, adding that currently very little safflower oil is available in the U.S., making supplies tight until the 1986/87 Montana and North Dakota crops become available.

## Unilever sells oil mills

Unilever has sold three European seed crushing plants to Archer Daniels Midland Co. The plants are at Rotterdam, The Netherlands, and Hamburg and Spyck in West Germany. Together they represent about 50% of Unilever's crushing capacity. The plants provide ADM with its first crushing facilities in Europe. Capacity of the three is estimated at three million metric tons annually. Addition of the European plants apparently gave ADM the largest worldwide crush capacity among private corporations.

## Fish oil off

World fish oil supplies decreased during the last half of 1985 due to smaller catches and lower oil yields, according to *Oil World*, the international weekly fats and oils market report.

The Nov. 15 issue of *Oil World* predicted 1985 world fish oil production would decline by as much as 260,000 metric tons (MT), or 16%, from 1984's record production of 1.6 million MT. Most of this reduction occurred between July and September, the main production period. Fish oil production has dropped significantly since July in Norway, Japan and the United States. Usage in 1985, meanwhile, continued to increase, rapidly depleting fish oil stocks.

*Oil World* predicted fish oil prices will become increasingly uncompetitive with vegetable oils and tallow during 1986.

## Olive oil council reviews trade

The International Olive Oil Council, an intergovernmental organization that administers the International Olive Oil Agreement, held its autumn 1985 session in Madrid, Spain, in November. The council has its headquarters in Madrid.

Tasks of the International Olive Oil Council (IOOC) include examining factors affecting the world olive economy, promoting international trade and consumption of olive tree products, encouraging scientific research on olive products, standardizing the definitions of olive products and promoting technical improvements in olive growing and olive oil processing.

At the November session, the council began preparing a new international agreement to succeed the 1979 agreement due to expire Jan. 1, 1987. One item discussed was potential changes in world olive trade caused by Spain and Portugal's 1986 entry into the EEC.

Currently, council members represent Algeria, Egypt, the European Economic Community (Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, The Netherlands, the United Kingdom and West Germany), Libya, Morocco, Portugal, Spain, Tunisia, Turkey and Yugoslavia.

## China buys US soybeans

China bought 5.6 million bushels of U.S. soybeans in late 1985, marking the first Chinese purchase of U.S. beans since 1982, according to the American Soybean Association. In 1982, China bought 9.1 million bushels of U.S. soybeans, ASA said.

## Veg oil for aviation fuel?

Brazil has developed a vegetable oil-based alternative for aviation kerosene, according to a National Cottonseed Products Association (NCPA) report. NCPA noted that the new fuel, named prosene, is a yellowish liquid with the same power, vapor pressure and viscosity as kerosene, and requires no special engine adaptation. NCPA reported that a pilot plant is producing more than 200 gallons of prosene per day. Although the Brazilian Aerospace Technology Center has made test flights using the new fuel, several years of rigorous testing will be

required before the fuel can be approved for commercial use.

Meanwhile, according to the international fats newsletter *Oil World*, a joint project has been formed in The Philippines to renew efforts to produce diesel fuel from coconut oil. The National Institute of Science and Technology and the Philippine Coconut Research and Development Foundation are engaged in the project, *Oil World* reported in late November.

## Wet processing

A facility for wet processing of coconut has gone on-line in Dumaguete City, South Philippines, *The Cocomunity* newsletter published by the Asian and Pacific Coconut Community has reported. The plant, with a processing capacity of 1,000 nuts a day, bypasses the copra stage to produce coconut oil and edible protein. The facility also produces such coconut by-products as soap, vinegar, charcoal and animal feeds.

## Kenyan oilseeds

A new company, Oil Crop Development Ltd., has been formed to develop oilseed cultivation in Kenya, according to a USDA report. The company, which plans eventually to produce 50,000 tons of vegetable oil annually, is 45% owned by East Africa Industries Ltd., 35% by Commonwealth Development Corp. and 20% by the International Finance Corp., the direct investment arm of the World Bank.

## Chinese plants

Neumunz Inc., a process engineering firm based in New Jersey, has sold three peanut butter installations to China. Two facilities were purchased by divisions of the China National Machine Import and Export Corp. The third was purchased by China Carrie Enterprises Ltd. of Beijing. George M. Neumunz, company president, said the first peanut butter plant was installed in Shanghai in 1985 and is operating at full capacity. Also, Neumunz said, a salted-nut plant has been ordered by the Shanghai Foreign Trade Co.

## News briefs

D. Earle Coffin is president of the Association of Official Analytical Chemists (AOAC) for 1985-86. He is director of the Bureau of Nutritional Sciences, Health and Welfare Canada, Ottawa, Ontario, Canada. At the AOAC 99th annual international meeting held in October in Washington, DC, AOAC's Wiley Award winner Daniel P. Schwartz, an AOCS member, spoke on "Improved Methods for the Analysis of Trace Constituents in Natural Products."

Groen Division/Dover Corp. has appointed Thomas M. Lowe sales engineer in the company's Process Equipment Group.

Marlene G. Martin has been promoted to senior food technologist at Firmenich Canada Ltd.

Dave Hixson has been appointed manager of finance and administration for SVO Enterprises, a subsidiary of Lubrizol Enterprises Inc.



Roskamp Mfg. Inc. of Waterloo, Iowa, has appointed its controller, Al Papesh, to the position of vice-president.

David P. Sheetz, elected a senior vice-president of The Dow Chemical Co., has assumed new responsibilities as the company's chief scientist. Meanwhile, Keith R. McKennon has been named to succeed Sheetz as director of research and development for Dow.

AOCS member Steve Chang, chairman of the Food Science Department at Rutgers University, New Brunswick, New Jersey, has announced his intention to step down as chairman in June after nine years. Chang said he plans to return to the food science faculty to concentrate on his research. A new chairman has not yet been announced.

## Errata

A news article in the December *JAACS* concerning the American Colloid Co. contained several errors. The annual capacity of the firm's bleaching earth production facility will be approximately 10,000 tons. The company does not plan to enter into clay catalyst production.

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