Viewpoint

Soybean picture comes into focus

(The following article was prepared by David M. Bartholomew, oilseed specialist for Merrill Lynch Futures Inc. at the Chicago Board of Trade, in mid-January.)

After many months of massive uncertainty about the farm program in the U.S., the picture for 1986/87 is beginning to come into clear focus. Congressional debate was more extended than normal, and became a frenzied drama of near hysteria as policy-makers were caught between the need to control government expenditures and the feeling they had to "do something for the farmers." It is logical that they felt some responsibility for economic hardships of agriculture because the same makers of policy had done things in nonagricultural matters which contributed to those problems.

Finally, the Farm Bill has been signed into law and now USDA is beginning to decide the regulations which will apply to 1986 crops. Some decisions will not be made for a few weeks, but with what is available thus far, it is possible to determine primary essentials.

Loan rates for grains have been set at the lowest levels permitted by the new legislation. There are two major objectives: avoid large accumulation of government inventories and become more competitive in export markets.

The government will make up for the potentially lower farm income which can result from this decision by paying the difference up to the "target price," which is unchanged from last year. In order to qualify, farmers must participate in the program by agreeing to reduce planted acreage. That also has been announced at the largest percentage allowed in an attempt to restrain government costs. A portion of the acreage diversion must be paid for in the form of commodities from government inventory rather than cash. Likewise, a part of the subsidy to reach target price may be paid in the same way. Again, the motive is to empty government storage and drive prices down to a more competitive level.

On the recent price advance, the Commodity Credit Corporation (CCC) sold soybeans from inventory. It was a small amount on the east coast, which by itself in insignificant. But price there reached the statutory minimum formula and they sold. Thus it becomes clear that the government agency will not wait for higher prices, which by law they are permitted to do.

The soybean loan level cannot be announced until August. That's an old law which no one paid any attention to before. When legislators made that stipulation, it was felt that farmers would make their basic crop decisions without regard to the soybean loan. That crop has never had any acreage compliance features anyway—just a loan. By waiting until then, USDA can gauge the crop size and determine what would be an appropriate level, not too high or too low.

This year the loan level may make a difference in farmer planting. All that can be said before August is that the same concepts and motivations will apply to soybeans as to grains. The loan level will be set as low as allowed by law so as to avoid large government takeover when loans expire, and to aid in liquidating what is already in CCC inventory.

To further assist in attaining these objectives, the new legislation also allows USDA, for the first time, to utilize the "market loan" concept which was explained in October 1985. This means farmers need only repay the loan at the market price if it is below the original loan level. At the time of this writing, that decision has not yet been made and may be deferred some months while price performance is studied and costs to the government budget are analyzed. It could be applied to one commodity and not the others, depending upon specific conditions. How this factor is decided will be most crucial in price performance in the months ahead.

We know enough details of the farm program to formulate some ideas about acreage in 1986. Farmers will plant all that is allowed in grains and cotton, for two reasons. They will want to have a history of acreage in those crops that is as large as possible from which to make reductions that may be required in 1987 and following years. Also, the guaranteed "target price" in grains and cotton is an extremely good value, much too lucrative to pass by.

These two factors automatically point toward reduced soybean acreage, for there is no target price subsidy for soybeans. Neither is there any acreage control program, so producers have no reason to maintain a large historical base acreage in soybeans. For these reasons, it should be expected that soybean area will decline at least 5% (3 million acres) and maybe more—probably not much more, however, because already last year farmers expanded grain crop area considerably with the anticipation that cuts would be required in 1986. Some acreage will be taken out of all crops for the new conservation reserve program.

If USDA adopts the "market loan" program for corn, there could be a shift of acreage away from corn toward soybeans. Farmers who do not participate in farm programs would not qualify for any of the benefits. Nevertheless, they still could receive the protection of the loan program for soybeans. Even those farmers who traditionally produce corn to feed their own livestock could anticipate buying it at cheap prices while putting soybeans on loan.

Another major aspect of the 1986/87 crop year coming into focus is the Brazilian soybean crop. Weather has been partially unfavorable for planting and early growth in some very important areas, while others have been relatively good. It is now too late to plant any more, so it is known that acreage is reduced. It also is too late for rains which may occur in subsequent weeks to fully restore maximum yield potential, so it is known that yield will be disappointing. Therefore, it can be anticipated that Brazil will not be the aggressive seller in export markets that it was in past years. This will be felt primarily in stronger cash basis values and, to some extent, in Chicago futures. Argentina's crop is making a good beginning, which will soften the impact of Brazil's problem. Probably the two countries combined will produce about 20 million metric tons (MT), versus 24 MT last season.

Thus it can been seen that there still are some uncertainties. These have been pointed out to explain market reactions and anticipate price performance as they are resolved. But the major unknowns of the past months have become known, and the focus is becoming clearer.

David M. Bartholomew

From Washington

Survey reveals lower fat intake

USDA's first 1985 report on its Continuing Survey of Food Intake by Individuals found that participating women ages 19-50 and their children ages 1-5 consumed slightly less fat and more carbohydrates as a percentage of their total diets in 1985, compared to 1977 figures from USDA's Nationwide Food Consumption Survey. The study reported that both women and children drank more lowfat and skim milk and consumed more grain products and soft drinks compared to 1977. Percent of calories from fat represented 37% in 1985, compared with 41% in 1977, according to USDA, while calories from carbohydrates increased to 46% from 41%. Total caloric intake rose 6%, the report said. The survey was conducted in the spring of 1985.

Copies of the report, "Women 19-50 Years and Their Children 1-5 Years, 1 Day, 1985," CSFII Report No. 85-1 (Identification No. 001-000-04458-3), can be purchased for $4.25 each from the Superintendent of Documents, Government Printing Office, Washington, DC, telephone 202-783-3238. Details: *Food Chemical News*, Dec. 23, 1985, pp. 50-51.

CAST questions dietary guidelines

A task force report released in December by the Council for Agricultural Science and Technology (CAST) claims that except for obese individuals, "little evidence exists indicating that for most persons dietary changes will reduce the incidence of coronary heart disease."

Noting a rapid decline in the coronary heart disease death rate since the mid-1960s, CAST said the three most important risk factors appear to be cigarette smoking, hypertension and hypercholesterolemia. However, the task force added, existing data on the connection between serum and dietary cholesterol "indicate that considerable variation exists among individuals in response to dietary cholesterol, which argues against making broad generalizations on ways of reducing serum cholesterol."

The task force also questioned efforts to lower serum cholesterol through dietary reductions, saying that significant reductions in serum cholesterol levels through dietary means "would seem to require a reduction of intake to less than 100 to 150 mg/day, or the virtual elimination of animal products from the diet." The CAST report also said studies conducted on the effects of a higher percentage of polyunsaturated fats in the diet "have not verified the desirability" of such a dietary modification; it noted that while a diet high in polyunsaturated fat did lower serum cholesterol levels, it "did not decrease significantly the incidence of coronary heart disease in many of the studies."

The report also said there is as yet insufficient evidence to establish the effects of fish oil, carbohydrates, proteins and minerals on coronary heart disease.

The task force on diet and heart disease was chaired by Michael W. Pariza of the University of Wisconsin's Food Research Institute. Other members of the task force included AOCS members George M. Briggs of the University of California-Berkeley, David Kritchevsky of Wistar Institute, Edward C. Naber of Ohio State University and Harry E. Snyder of the University of Arkansas. Details: *Food Chemical News*, Dec. 23, 1985, pp. 25-26.

OSHA finalizes cotton dust rule

As proposed in 1983, the Occupational Safety and Health Administration (OSHA) has amended the 1978 cotton dust standard. In the revision, the agency agreed to exclude the cottonseed processing industry from dust exposure limits. However, it stipulated that medical surveillance be provided to workers employed in the industry to assure there are no adverse effects from dust exposure. Details: *Federal Register*, Dec. 13, 1985, pp. 51120-51179.

FDA postpones Yellow 5 listing

The Food and Drug Administration (FDA) has postponed the closing date for the provisional listing of