



World Fats & Oils Report

Oil supplies depress prices

For the first time in a decade, the United States is expected to import more vegetable oil than it exports.

According to the U.S. Department of Agriculture, the U.S. is expected to import 1.22 million metric tons (MT) and export 1.15 million MT of vegetable oil during the fiscal year ending Sept. 30, 1986. Preliminary figures for the 1985 fiscal year showed the U.S. imported 826,000 MT and exported 1.28 million MT. Fiscal year 1976 was the last time the U.S. imported more vegetable oils than it exported (Table 1).

USDA officials are quick to point out, however, that the U.S. remains a net fats and oils exporter, with total exports of U.S. oilseeds, oilseed meal and oil still exceeding the total imports of those commodities.

Abundant supplies of palm, palm kernel and coconut oils that depressed world vegetable oil prices (Table 2) and a strong U.S. dollar have been key factors on the fats and oils world market during 1985/86.

Increased supplies of palm and palm kernel oils are predicted to continue. Malaysia, which accounted for more than 70% of this year's world production of palm oil, expects to produce 5.7 million MT a year by 1990. That's the oil equivalent of roughly 32.2 million MT of soybeans—twice Brazil's current annual soybean output.

Indonesia, the second largest palm oil producer, also plans sig-

nificant expansion. In addition, projects are under way or have been proposed in Africa, Latin America and Asia to promote palm oil expansion.

USDA's forecast released in June estimates that world oilseed production will reach a record 193.8 million MT in 1985/86. Meanwhile, oil production from the major vegetable and marine oils is expected to reach 49.10 million MT. This will include approximately

8.29 million MT of palm oil, 1.13 million MT of palm kernel oil and 3.33 million MT of coconut oil (Tables 3 and 4).

World vegetable and marine oil consumption is expected to reach 48 million MT, with particularly sharp increases in palm and rapeseed usage.

Palm oil use has increased faster than any of the other vegetable oils in the past three years. According to USDA, soybean oil comprised 40% of total vegetable oil use in 1977/78, but only 34% in 1984/85. Palm oil use is increasing particularly in south Asia, in India, Pakistan and Bangladesh.

In 1984/85, those countries accounted for 25% of world palm oil imports; in 1985/86, the region's share of imports should remain the same. Price has been a major factor for palm oil gains. For instance, for Pakistan the cost and freight price for a metric ton of palm oil was \$100–150 less expensive than the world market price for soybean oil.

Palm oil imports into the U.S. this year are forecast at 310,000 MT, while the European Economic Community (EEC) is expected to import 881,000 MT. Ending stocks of palm oil in 1986 are expected to top 1.1 million MT, with Malaysia holding 71% of the balance.

Meanwhile, coconut oil is growing in popularity, mainly because of low price and abundant supply. World copra production is expected to hit 5 million MT this season, an increase of 850,000 MT over last

TABLE 1
US Vegetable Oil Imports and Exports (000 metric tons)

Year ^a	Imports	Exports
1975	807	917
1976	1170	898
1977	986	1198
1978	757	1483
1979	730	1526
1980	636	1815
1981	817	1577
1982	708	1621
1983	730	1558
1984	770	1399
1985 ^b	826	1280
1986 ^b	1120	1153

Source: U.S. Department of Agriculture.

^aYears are fiscal, i.e., 1986 runs from October 1985/September 1986.

^bData for 1985 and 1986 are preliminary or forecast figures.

TABLE 2

Selected Vegetable Oil Prices (in US dollars per metric ton)

	Soybeans		Cottonseed		Sunflowerseed		Peanut		Palm	Rapeseed	Coconut
	US ^a	Rotterdam ^b	US ^c	Rotterdam ^d	US ^e	Rotterdam ^f	US ^g	Rotterdam ^h	Rotterdam ⁱ	Rotterdam ^j	Rotterdam ^k
1980/81											
(average)	500	545	569	666	594	666	892	1111	N/A	510	583
1984/85											
April	741	693	703	750	750	703	908	1020	679	677	769
May	716	652	734	849	728	681	1019	1026	618	634	662
1985/86											
April	389	349	386	473	419	383	538	578	263	332	266
May	392	345	389	513	413	391	608	578	254	316	233

Source: U.S. Department of Agriculture Foreign Agriculture Service *Oilseeds and Products* (FOP6-86).^aAverage wholesale, crude, tank, Decatur.^bDutch, FOB ex-mill, Rotterdam.^cCrude, tank cars, FOB Valley points.^dUS PBSY, CIF Rotterdam.^eFOB Minneapolis.^fEx-mill, Rotterdam.^gCrude, tank cars, FOB SE Mills.^hAny origin, CIF Rotterdam.ⁱFOB Malaysia, refined, bleached, deodorized.^jFOB ex-mill Rotterdam.^kPhilippines/Indonesia, CIF Rotterdam.

year and 1.5 million MT over the drought-reduced 1983/84 level. This 10-year record output is due mainly to Sri Lankan and Indonesian expansion. Next year's output is expected to hold steady at this year's level.

Increased production, combined with the lifting of the Philippine ban on copra exports, has greatly lowered the price on copra and copra products. Coconut oil prices for May dropped to \$233 per metric ton, the lowest price since January 1973. Last year's May price was \$662; in May 1984, it was \$1314. In April and May of this year, coconut oil prices fell below tallow prices. However, this supply pressure is expected to ease, and by the latter part of the market year, prices should recover somewhat.

With prices easing, usage is increasing. According to *Oil World*, the U.S. used 51,000 MT of coconut oil in March and 49,000 MT in April, increases of 75% and 57%, respectively, over a year ago. Additional increases are predicted for the EEC, China, Japan, South Korea, Canada, the USSR and eastern Europe.

Although copra crop output may decline in 1986/87, large stocks of coconut oil are expected to bring world supplies of coconut oil to 3.6 million MT in 1986/87, compared with 3.5 million MT this year.

World production of soybeans, peanuts, sunflowerseed, rapeseed and flaxseed are all projected to increase this year, with only cottonseed registering a decline. Production estimates, in million metric tons, are as follows (with 1984/85 figures in parentheses): soybeans, 95.8 (92.54); cottonseed, 29.88 (33.74); peanuts, 20.26 (19.89); sunflowerseed, 18.79 (17.87); rapeseed, 18.77 (16.84); and flaxseed, 2.48 (2.31). Cottonseed's decrease is mainly due to production declines in China, the world's largest producer.

Increased oilseed production has resulted in expanded crushing. World crush of soybeans, cottonseed, peanuts, sunflowerseed, rapeseed, flaxseed, copra and palm kernel will hit a record 152.6 million MT. According to USDA, the world's crushing capacity has expanded at a steady rate, with an annual growth of about 5.3 million

MT per year over the past decade.

USDA reports there is a trend among net exporting countries to switch their exports from oilseeds to oilseed products in order to capture the added value associated with oilseed processing and to increase foreign exchange earnings. Net importing countries, in turn, are interested in switching imports from oilseed products to oilseeds in order to capture the value-added factor and to conserve foreign exchange.

This trend is demonstrated when the crush for major exporting nations in 1985/86 is compared to the average figure from 1976/77-1979/80 (the 1985/86 figure is the first figure): U.S., 33.26 million MT (30.8 million MT); Brazil, 13.2 million MT (11.12 million MT); China, 16.61 million MT (6.89 million MT); Argentina 7.74 million MT (3.35 million MT); Canada 2.17 million MT (1.54 million MT).

The net importing countries also showed sharp increases in crush, but not necessarily from domestic production. While production has expanded, USDA said, among the

major importing countries (but excluding the original 10 EEC countries), crush has exceeded production by 44%. This expansion in crush is lowering the U.S. trade share for meal and oil.

Demand for U.S. soybean oil has declined relative to soybean oil exports from other nations. In 1981/82, the U.S. exported 940,000 MT of soybean oil; U.S. exports are estimated at 590,000 MT this year. Brazil and the EEC each will exceed the U.S. soybean oil export estimate, while Argentina's export level will be roughly 540,000 MT, up from 120,000 MT in 1981/82. Export subsidies to help move soybean oil to targeted markets were under consideration this summer by the U.S. Department of Agriculture. If such a proposal is successful, some reports say, it could result in boosting the U.S. crush rate.

While soybean oil has faced increasing competition from sunflowerseed, rapeseed and palm oil on the world market, another factor affecting U.S. export sales during 1985/86 has been the expansion of the European Economic Community from 10 to 12 members. The accession of Portugal and Spain to the EEC has been accompanied by variable import levies in these two countries since March 1, and led Portugal to establish controls on domestic vegetable oil consumption.

Although huge vegetable oil supplies are slowing the U.S. sale of soybean oil abroad, the U.S. market share and soybean sales are expected to rebound, at least for this year, due to reduced Brazilian production and because Japan may prefer to crush soybeans over rapeseed. Improved soybean export potential also stems from larger Soviet purchases. Early this year, the Soviet Union purchased slightly over 1.4 million MT of U.S. soybeans, while China bought approximately 152,410 MT of soybeans in late 1985—the first Chinese purchase of U.S. soybeans since 1982.

The individual country summaries that follow are based primarily on reports filed with the Foreign Agricultural Service by agricultural officers at U.S. embassies around the world. This information was supplemented by data from other USDA reports and from *Oil World*.

TABLE 3

World Oilseed Supply (Million Metric Tons)

	1984/85 ^a	1985/86 ^b
Oilseeds ^c		
Crush	150.5	153.4
Production	190.2	193.8
Exports	32.7	35.0
Ending stocks	21.0	25.2
Meals ^d		
Production	101.5	103.4
Exports	32.4	32.8
Consumption	102.2	104.3
Ending stocks	4.4	3.9
Oils ^e		
Production	46.3	49.1
Exports	16.3	17.5
Consumption	45.9	48.1
Ending stocks	4.5	4.9

Source: U.S. Department of Agriculture Foreign Agricultural Service Oilseeds and Products (FOP 6-86).

^aEstimated.

^bProjected.

^cSoybean, cottonseed, peanut, sunflowerseed, rapeseed, flaxseed, copra and palm kernel.

^dSoybean, cottonseed, rapeseed, sunflowerseed, fish, peanut, copra, linseed and palm kernel.

^eSoybean, palm, sunflowerseed, rapeseed, cottonseed, peanut, coconut, olive, fish, palm kernel and linseed.

TABLE 4

World Production of Selected Fats and Oils (000 Metric Tons)

	1984/85	1985/86
Soybean	13,330	13,640
Palm	7,040	8,290
Sunflower	6,080	6,380
Rapeseed	5,630	6,250
Cottonseed	3,870	3,430
Peanut	3,100	3,150
Coconut	2,690	3,330
Olive	1,580	1,480
Palm kernel	950	1,130
Linseed	690	660
Fish	1,280	1,330
Subtotal for vegetable and marine oils	46,250	49,100
Animal fats		
Butter (fat content) ^a	5,370	5,390
Tallow and grease	6,570	6,400
Animal fat total	11,940	11,790
Total fats and oils	58,190	60,890

Source: U.S. Department of Agriculture Foreign Agricultural Service Oilseeds and Products (FOP 6-86).

^aButter production converted to a fat content basis by using 8% factor.



Argentina

The estimated production figures for Argentina's two main oilseed crops, soybeans and sunflowerseed, are higher than last year. Soybean production should reach a record 7.3 million metric tons (MT), an 800,000 MT increase over last year. Sunflowerseed production is estimated to reach 3.5 million MT, up from last year's output of 3.4 million MT.

Argentina's soybean exports are estimated at 2.9 million MT, down from last year's 3.29 million MT output. Soybean oil production is estimated down slightly at 630,000 MT, with 550,000 MT scheduled for export, 50,000 MT more than last year. Anticipated soybean meal exports are down from last year; 1985/86 meal exports are set for 2.65 million MT, with total production at 2.95 million MT.

Sunflowerseed exports should rise to 500,000 MT from last year's export level of 390,000 MT. However, meal exports will drop to 1.15 million MT, from last year's export level of 1.2 million MT, while sunflowerseed oil exports are expected to be slightly lower at 850,000 MT, down from 885,000 MT in 1984/85.

Argentina's peanut production is expected to rise to 300,000 MT, a 30,000 MT increase over last year. Flaxseed, which showed a decrease in yield per acre, will probably register a total production of 480,000 MT, compared to last year's crop of 630,000 MT.

Argentinean oilseed area, production and crush are expected to increase in 1986/87 at the expense of grains and possibly cattle. Total oilseed area projected for planting in 1986/87 is expected to reach 7.82 million hectares, compared to 7.56 million hectares in 1985/86. For 1986/87, total crush figures are forecast at 8.26 million MT, up from this year's estimated 7.67 million

MT. Total production is expected to increase to 12.31 million MT in 1986/87 after reaching an estimated 11.75 million MT in 1985/86.

The main factor in Argentina's oilseed expansion is its differential export tax policy for soybeans and sunflowerseed. The American Soybean Association (ASA) and the National Soybean Processors Association have complained that this soybean export policy subsidizes soybean meal and oil exports, creating unfair cost advantages for Argentinean crushers. The ASA is also protesting a \$350 million World Bank loan to Argentina. Bank officials say the loan will increase Argentina's export earnings by stimulating soybean production and exports.

Austria

Rapeseed area in production in Austria grew by 70% for 1985/86 after the agricultural ministry increased oilseed subsidies from 35 million Austrian schillings (AS) to 78 million AS for the current crop year (one U.S. dollar equals approximately 20 AS). An estimated 24,000 metric tons (MT) of seed will be produced in 1985/86. Reportedly, the agricultural ministry is resisting efforts by farmer representatives to increase the subsidies for 1986/87, but even without increased subsidies, rapeseed area is still expected to increase 30% next year.

Discussions continue in Austria concerning the construction of an oilseed crushing plant. However, no change is expected until it is certain that domestic oilseed production will reach a level that will sustain a plant. That is not expected to occur until the government announces a long-term oilseed production policy. Rapeseed is Austria's only significant oilseed crop.

According to a U.S. Department of Agriculture (USDA) report,

Austria is currently capable of producing 10,000 MT of vegetable oil, but because most of the facilities are outdated and costly, only half the capacity is used. However, Unilever plans to invest 30 million AS to upgrade its refining plant, and another plant went on line in Styria last year.

Ninety-five percent of the oil consumed in Austria comes from imports, with soybean, sunflowerseed and rapeseed oils accounting for approximately 78% of the oil imported. An estimated 27,000 MT of sunflowerseed oil, 24,000 MT of rapeseed oil and 28,000 MT of soybean oil will be imported in 1985/86. West Germany and Hungary will continue to be Austria's main suppliers.

Australia

In 1985/86, total Australian oilseed production will drop to 769,000 metric tons (MT), down 14% from last year's record 890,000 MT. Dry weather during the summer and fall limited late plantings of sunflowerseed and adversely affected sunflower and soybean yields on nonirrigated land.

Cottonseed and sunflowerseed account for 2/3 of total oilseed production. This year the cottonseed output is forecast at 346,000 MT, and sunflowerseed at 172,000 MT. The combined cottonseed and sunflowerseed acreage is estimated at less than 75% of last year's level.

This year's peanut production is forecast at 37,000 MT, down 5,000 MT from last year, and rapeseed production will probably reach 88,000 MT, more than double last year's 32,000 MT.

Even though Australia is expected to grow 116,000 MT of soybeans, the country will still remain a net importer of soybeans and soybean products. Twenty-five thousand tons of seed and 10,000



MT of oil will probably be imported to help meet domestic demand. However, Australia's overall imports will stay below 1985 levels because domestically produced cottonseed, sunflowerseed and rapeseed products will be substituted for soybean products.

On the export side, sunflowerseed remains the dominant export crop among the oilseeds, with 30,000 tons of seed projected for export. The first significant shipments of cottonseed from Australia were in 1984/85; that output is expected to continue so long as production remains high.

Bangladesh

Surging palm oil imports are glutting the market in Bangladesh and may be acting as a deterrent to improving the nation's self-sufficiency in oilseed production. This year a record 200,000 metric tons (MT) of lower-priced refined palm oil will enter the country, 40,000 MT more than last year. The increase is allowing the nation to stockpile.

In 1984/85, total oil imports were estimated at 210,000 MT; this year 240,000 tons will be imported. Besides boosting the level of total imports, palm oil is also replacing more costly soybean oil. Imports of soybean oil dropped to 40,000 MT, a 20% decline from last year.

Domestic oilseed production falls far short of total vegetable oil requirements. Edible oil consumption is projected for 220,000 MT; 57,000 MT will be produced domestically, mainly from mustard and rapeseed (which are considered the same crop in Bangladesh.)

Domestic vegetable oil production is holding steady, despite declining oilseed yields and prices and unrestricted imports of palm oil. According to USDA, these factors have acted as a disincentive

to oilseed producers, who this year will grow 171,000 MT of mustard/rapeseed, peanuts and cottonseed. The increases in production have hovered between 3% and 4% per year, and they are expected to continue at this rate.

The Vegetable Oil Refiners Association (VORA), increasingly concerned about the future of the domestic refining industry, has asked the government to raise the duty on palm oil from 20% to 50% and to restrict palm oil imports to 60,000 tons per year. No immediate action is expected due to a strong palm oil lobby and good relations between Malaysia and Bangladesh.

Belgium

Record European Economic Community (EEC) rapeseed production helped boost Belgium's rapeseed crushing capacity close to its limit from fall 1985 through spring 1986. Estimates for total 1985/86 crush are slightly over 1.8 million metric tons (MT). The breakdown is as follows: soybeans, 1.2 million MT; rapeseed, 390,000 MT; sunflowerseed, 130,000 MT; corn oil, 70,000 MT; and linseed oil, 10,000 MT.

The rapeseed crush will probably decrease somewhat in 1986/87 due to lower rapeseed production estimates within the EEC and because of potential difficulties with radioactivity levels in rapeseed from eastern Europe. However, crushers anticipate some increase in crush from imported French sunflowerseed into 1987.

Even with increases in rapeseed crush, overall crushing is forecast to decline approximately 3% from last year. Soybean crush is dropping off by more than 7% this year due to increased imports of palm oil and U.S. soybean meal into some of Belgium's west European markets. Belgian traders are reported saying that expansion of the U.S.'s Tar-

geted Export Assistance program might negatively affect soybean crushing margins in Belgium because the program maintains good oil prices in the U.S. and permits U.S. exporters to sell meal at more competitive prices.

Belgium remains a marginal oilseed producer in comparison to its annual crush. The only domestic production for this year is 8,000 MT of flaxseed and 6,000 MT of rapeseed. Flaxseed production probably has peaked, and rapeseed production has not taken off in Belgium the way it has in other EEC countries, mainly because of the quality of available seed varieties.

Import trends show soybeans, particularly U.S. soybeans, are losing more of the market share. This ties in with complaints from Belgian processors about the quality of U.S. beans.

Although soybean oil production is estimated to drop down to 224,000 MT this year, Belgian oil production will remain stable during 1985/86 with production reaching 437,000 MT, 3,000 MT more than last year. An estimated 67,000 MT of imported palm oil will probably compete heavily with domestically produced soybean and fish oil.

Brazil

Brazil's soybean production for 1985/86 is projected to be 5 million metric tons (MT) lower than 1984/85's record 18.2 million MT crop. Prolonged drought during planting season in southern Brazil forced many farmers to plant late, or they switched to more profitable wheat and corn, which have higher support prices.

While soybean acreage levels should return to normal during 1986/87, the U.S. farm bill, soft international prices and high transportation costs could hold down



expansion. This year, an estimated 9.1 million hectares were harvested, compared to 10 million hectares in 1984/85.

Cottonseed and peanuts experienced similar declines because of the drought. Cottonseed production will reach 1.08 million MT this year, a drop of 610,000 MT from 1984/85, and peanut production is set for 220,000 MT, a decline from last year's 340,000 MT figure.

The outlook for 1986/87 indicates that cottonseed production will continue to drop, especially as producers move to more favorably priced crops.

Export figures for soybeans and soybean products have also dropped sharply in comparison to last year. An estimated 3.5 million MT of soybeans were exported in 1984/85; this year's figure has been reduced to 1.5 million MT. Brazilian soybean meal exports for 1985/86 are estimated at 7.4 million MT while oil is set at 680,000 MT. Last year's figures were 8.44 million MT and 1 million MT, respectively.

Changes in the Brazilian government's loan policies are expected to lower cash soybean prices in Brazil, discourage big government purchases of soybeans, stimulate crush activity and encourage soybean product exports over raw soybean exports. Under the new policy, commodity loans to growers will be spaced over 120 days; this is supposed to lower farmer selling to the government which, in turn, will raise the crush margin and boost meal and oil exports.

The Brazilian government had been forced to buy a record 2.5 million MT of soybeans from growers in central-west Brazil in 1985 because high transportation costs prevented crushers and exporters from purchasing and exporting profitably. When the soybeans entered the open market, the government took a loss.

Brazil's domestic consumption

of soybean oil, the most important oil in the Brazilian diet, will increase this year to 1.63 million MT, with 130,000 MT coming from imports.

Efforts to encourage sunflowerseed and rapeseed production as an alternative to wheat have not been successful, and palm and palm kernel oils remain relatively unimportant.

Canada

Canada's carrying stock of rapeseed is expected to reach 1.5 million metric tons (MT) by 1987 as production increases and oilseed demand remains somewhat static. Although demand for the oilseed is declining slightly, the Canadians anticipate greater demand for rapeseed products, particularly in the U.S. The Canola Council of Canada has been actively targeting the U.S., Mexico, Japan and many Pacific Rim nations as markets for canola.

Latest estimates indicate that Canada will produce 3.5 million MT of rapeseed in 1985/86, and of that, 1.4 million MT will be exported. Of the 480,000 MT of oil produced, 205,000 tons are targeted for export, mainly to India, Mexico, the U.S., Hong Kong and Japan.

Domestically, canola oil continues to take over more of the market. Fifty-five percent of the oil consumed is canola, and 28% is soybean. In 1986, Canadians are expected to consume 265,000 MT of rapeseed oil, 165,000 MT of soybean oil, 28,000 MT of sunflower oil, 25,000 tons of palm oil, and varying amounts of other food oils.

Even with high carrying stocks, approximately 5% more land went into rapeseed production in 1986. The increase is due partly to the lowering of wheat and barley prices and the subsequent switch to oilseeds in regions where they can

be substituted.

Canada will produce approximately 5.5 million MT of oilseeds in 1985/86. It is expected that these supplies will meet most domestic needs, probably leading to a decline in soybean imports from the U.S.

Flax area is forecast to increase by more than 10% in the coming year due to increased export demands for flaxseed in 1985/86. In 1985/86 Canada produced 920,000 MT of flaxseed; 650,000 MT were exported. The potential for Canadian flax was buoyed because less Argentinean flaxseed was available for export and because the Canadian dollar declined relative to western European and Japanese currencies, which made flaxseed less expensive in those markets. The pace of sales may not be as brisk through the remainder of this marketing year and next, but prices are expected to remain constant enough to be an incentive to Canadian farmers to produce more flax.

China

USDA's early projections peg China's oilseed production at more than 34 million metric tons (MT) in 1985/86, an increase over last year's 32.24 million MT production. The increase is anticipated despite reports that cottonseed production will fall to 7.1 million MT in 1985/86, down from 10.64 million MT in 1984/85. Cottonseed production probably will continue downward in China now that the government has imposed more controls on cotton production.

In 1985/86, there were large expansions in soybean, rapeseed, peanut and sesame plantings. A total of 7.8 million hectares of soybean land is expected to yield 10.51 million MT of soybeans this year, up from 9.69 million MT in 1984/85. Yields were lower than



expected because of unfavorable weather early in the season. Next year's soybean crop is forecast to reach 11.5 million MT mainly because the government has raised the procurement price for soybeans and soybean oil by 15%.

There continues to be a strong nationwide demand for peanuts and peanut oil in China, so much so that the forecast for 1986/87 production is 7 million MT. Of the 6.66 million MT to be produced this year, 180,000 MT will be exported. Total domestic consumption is estimated at 6.42 million MT. Peanut oil production is to rise to 880,000 MT, compared to 592,000 MT last year. About 45,000 MT of peanut oil is scheduled for export.

Rapeseed production probably will rise to 5.59 million MT, up from last year's figure of 4.2 million MT.

Expansion of rapeseed area is expected to continue in 1986/87 now that the government has lifted its restriction on rapeseed area and has called for an expansion of cash crop area. The government is attempting to expand production of low erucic acid varieties because much of the Chinese rapeseed crop has erucic acid content above 40%, higher than the percentage allowed by many potential importers.

The rising incomes of people in both urban and rural areas have increased consumer demand for edible oils beyond the six kilograms per year allocated by the government.

The demand for sesame oil has been so great in China that China has expanded sesameseed production, anticipated to reach 600,000 MT in 1985/86, making China the

world's largest producer.

Total oil production in China should rise to 4.07 million MT in 1985/86, from 3.44 million MT in 1984/85. Most of that will go for domestic needs, with only 120,000 MT of cottonseed, peanut and rapeseed oil being exported. Minimal amounts of soybean oil, approximately 10,000 MT, will be imported.

Despite domestic demand for more oilseed and oilseed products, China will remain a net exporter as it continues to seek foreign exchange to develop other aspects of its economy. Total oilseed exports, mainly soybeans, cottonseed and peanuts, are forecast at 1.17 million MT, with oilmeal exports set at 1.08 million MT. No meal imports are expected, while oilseed imports are estimated at 200,000 MT.

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Colombia

In efforts to keep crushers working closer to crushing capacity, the Colombian government is continuing to encourage soybean imports instead of oil and meal imports. Early import estimates for 1986 indicate 100,000 MT of soybeans will be imported, 11,000 MT less than 1985's record. Colombia's domestic production should total 120,000 MT. Forty thousand tons of soybean oil will be produced and 60,000 MT will be imported, mainly from Argentina, to meet domestic need.

Total domestic oil consumption is set for 311,000 MT; 214,000 MT will be produced domestically and 97,000 MT will be imported.

African palm oil, the oil that is expected to eventually supply most of Colombia's edible oil needs, had been showing a steady upward trend but was set back slightly in calendar year 1986 due to weather conditions last year. The original 146,000 MT oil forecast has been lowered to 131,000 MT. Further planting developments for African palm may slow due to increased loan rates. Cottonseed expectations have also been lowered to 185,000 MT from 201,000 MT for this year due to weather and increasing production costs, combined with low profit margins. Cottonseed oil estimates are down to 28,000 MT for 1986.

Sesameseed has shown a dramatic upturn in plantings and production. In 1985, 16,000 MT were harvested, up from 5,000 MT the previous year. This year's projection is set at 14,000 MT. Good farmer prices and greater export potential to Japan are expected to improve the popularity of sesameseed among growers. The domestic industry is reportedly considering sesameseed as an oil and meal source.

Czechoslovakia

Czechoslovakia's total oilseed production is projected at 330,000 metric tons (MT) for 1985/1986. Estimations would have been higher except that a dry fall prevented germination of approximately 10% of the rapeseed crop.

Despite increased seed production, rapeseed and sunflowerseed oil production are expected to decline somewhat because two of the nation's four crushing plants are being remodeled. Total oil production for 1985 was 166,000 MT; for 1986, the estimate is 144,000 MT. The production of sunflowerseed oil probably will reach 18,000 MT and 112,000 MT of rapeseed oil will be produced.

The decline in meal and oil production will result in a restriction of oilseed imports for 1986 and possibly 1987; however, oil imports are expected to increase to meet the decline caused by the shutdown of the two plants. In addition to the increase in oil imports for human consumption, KOOSPOL, the sole trader of vegetable oils in Czechoslovakia, will import 9,000-10,000 MT of medium-high erucic acid rapeseed oil to meet industrial oil needs.

According to KOOSPOL, a new soybean crushing plant is being built and is expected to be operational in 1988. If the new crushing plant is operational by 1988, soybean imports are expected to rise, and oil and meal imports will decline. Usually, Czechoslovakia imports 30,000-35,000 MT of soybeans each year; this year only 5,000 MT will be imported from China through a bilateral trade agreement.

Czechoslovakia's policy is to rely on domestic production as much as possible. The five-year plan for 1986-1990 calls for an increase in oilseed area to approximately 40,000

hectares, mainly for rapeseed and sunflowerseed.

Denmark

Increased European Economic Community (EEC) subsidies and a heightened awareness among Danish growers that grains give a better yield following rapeseed production have helped push rapeseed area to 217,000 hectares for 1985/86. Expansion is expected to continue through 1986/87, with production area projected to reach 230,000 hectares for 1986/87.

This year's output is set at 575,000 MT, and next year's is tentatively forecast at 600,000 MT. Denmark remains in the forefront of the EEC countries in the production of double-low varieties.

About 85% of the Danish rapeseed crop is exported to West Germany, Belgium and the Netherlands. Domestically, rapeseed consumption is rising quickly. In 1984/85, consumption totaled 82,000 MT, almost double that of the previous year. This year, rapeseed consumption should hit 135,000 MT, compared to a total oilseed consumption of 225,000 MT.

With increased production, oilseed imports will decline to 90,000 MT. The only imports will be Argentinean and U.S. soybeans, which will be crushed and manufactured into specialty fats and protein concentrates.

The trend toward increased rapeseed production is carrying over into oil with this year's rapeseed oil output set for 53,000 MT, a 21,000 MT increase over 1984/85. Twenty-six thousand tons will be exported. Rapeseed oil is now substituted for most other oils, and this trend is expected to continue in the Danish margarine industry. Now, 75% of the rapeseed oil produced is used in the margarine business; the rest goes to salad



oil and dressing production. Soybean oil imports will most probably decline as rapeseed oil gains favor.

Total oil production should reach 134,000 MT in 1986, with fish oil making up 65,000 MT of the output.

Dominican Republic

The government of the Dominican Republic has increased the support price for peanuts and is promoting joint venture projects to produce palm and cotton in order to stimulate the depressed oilseeds industry. The government also is providing a line of credit to the oilseeds industry to provide help to small peanut farmers, many of whom lack the financial resources to cover increased peanut production costs.

Peanut production is expected to be 18,000 metric tons (MT) in 1986. Peanut oil, the traditional oil of the Dominican Republic, now makes up less than 10% of the vegetable oil consumed. Peanut oil consumption is estimated at 6,000 MT for 1986 and is expected to decline to 5,000 MT in 1987.

In 1986, 4,000 hectares of African palm trees will come into production. Because this is a relatively new crop in the Dominican Republic, it is still unknown how popular the oil will be with consumers. Industry sources say that by 1990, African palm production will exceed peanut production. An estimated 2,000 MT of palm kernel oil will be produced in 1986.

The devaluation of the Dominican peso last year has lowered the purchasing power of Dominican consumers for most oils except soybean oil, which is under price control. Of the 85,000 MT of oil used for human consumption in 1986, 40,000 will come from im-

ported soybean oil. Soybean oil extraction from imported soybeans improved somewhat in 1985, but under the present economic conditions it remains more economical for crushers to buy crude vegetable oil rather than to process imported beans.

Ecuador

A sharp increase in palm oil production is helping the Ecuadorian oilseeds and products industry recover after a three-year slump. Palm oil production rose to 100,000 metric tons (MT) for 1985/86, 20,000 MT more than initially expected. Last year's output was 85,000 MT. The increase is due mainly to new palm oil plantations starting production this year. Next year, the production is forecast to jump to 125,000 MT, and by 1987/88, probably will reach 150,000-160,000 MT.

Total domestic oil production for 1985/86 is set at 160,000-170,000 MT. This, combined with oil imports, will create a 40,000-ton surplus. The surplus, mainly of palm oil, probably would have to be exported. The government is studying a palm oil export policy to meet future national needs. Because Ecuadorean exports would be in competition with lower-priced palm oil on the international market, the government is considering export subsidies.

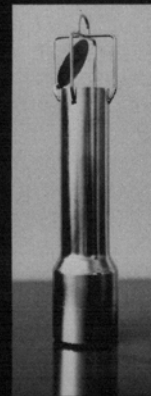
Ecuadorean palm oil producers are reportedly encouraged by government plans as their profits and credit improve. To hold on to foreign exchange and to stimulate domestic soybean oil and palm oil production, the government has banned all soybean oil imports. Soybean production for this year is 57,000 MT and for next year is projected at 72,000 MT.

Egypt

The combination of a rapidly rising population and a long-term decline in oilseed production is making Egypt increasingly dependent on imported oilseeds and products. One hundred thousand metric tons (MT) of oilseed, mainly soybean, and 453,000 tons of oil are expected to be imported in 1986.

Two hundred and five thousand MT of cottonseed oil, the most popular oil in Egypt, and 206,000 MT of sunflowerseed oil will be imported. The Egyptians will produce 46,000 MT of soybean oil and import minimal amounts. Soybean oil is generally made into ghee as poor domestic refining techniques have limited its appeal as an oil.

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Reportedly, the American Soybean Association and the National Sunflower Association are working with the agricultural counselor's office to provide information on oilseed crushing and refining. The U.S. is providing \$25 million in credit guarantees to Egypt to make U.S. vegetable oils more competitive in fiscal year 1986.

A palm oil refining plant is under construction in the free zone of the Suez. However, it has not been determined whether the oil will be for domestic use or for export. Currently, Egypt imports 30,000 MT of palm oil annually from Malaysia.

Finland

Finland's spring rapeseed output for 1986 is expected to reach 105,000 metric tons (MT), 10,000 tons short of the government goal. However, production is still higher than the 90,000 tons produced in 1985. The projected increase may be due to greater interest from farmers because the government is paying seven times more for oilseeds than wheat and because farmers are looking for crops which are not in surplus.

The entire rapeseed crop is crushed, mainly for domestic use. In 1986, less than 10% of the projected 31,000 tons of oil to be produced will be exported. Approximately half of the remaining 28,000 tons will be used in margarine production.

Total domestic consumption of vegetable and marine oils for 1986 is estimated at 44,000 MT. That demand will be met partially with soybean oil made from imported beans. Soybean imports will rise to 132,000 MT, up about 12% over last year. Finland will buy approximately 60% of its soybeans from

the U.S., down from 100% in 1982. The switch reportedly is due to favorable pricing from South American suppliers and problems with foreign material and high moisture content in U.S. soybeans.

France

Even with a projected 23% increase in French oilseed production over 1985, France's domestic crush will only rise 3% due to sharp increases in sunflowerseed and rapeseed exports and an overall reduction in soybean imports.

France's total oilseed production is expected to reach 2.86 million metric tons (MT) in 1985/86, more than double the national output in 1980. The rise in recent years has been due to continued record rapeseed crops and sharp increases in sunflowerseed, which receives high support prices from the European Economic Community and is increasingly popular with European crushers. The increased incentive of higher support prices for sunflowerseed may account for the fact that 80% of the increased oilseed output for this year came from sunflowerseed. In 1985, 476,000 hectares of sunflowerseed were harvested; it is estimated that 850,000 hectares will be harvested in 1987. This year's sunflowerseed yield is forecast at 1.4 million MT.

French rapeseed production probably will exceed 1.38 million MT for 1986, a new record over last year's output of 1.3 million MT. However, plans to increase the 1986/1987 rapeseed area failed due to a drought last fall which prevented many farmers from planting winter rapeseed.

Although seed is available, large-scale adoption of low erucic acid varieties of rapeseed has not occurred in France.

France will continue as a net oilseed exporter in 1985/86, with more than half of the rapeseed and sunflowerseed crop being exported. Fellow EEC countries—West Germany, Belgium and The Netherlands—remain the largest buyers. Imports—mainly U.S. soybeans—will decline by 4% to 735,000 MT.

Even with the production increase, French oilseed crush will rise only to 1.88 million MT, a 3% increase over last year. The rapeseed crush in 1986 is falling due to higher export demand from West Germany and reduced crush margins relative to sunflowerseed. Rapeseed crush is expected to decline through next year due to lower production estimates. The decline will be met by increased sunflowerseed crush.

Two new crushing plants, mainly for sunflowerseed, will be built this year. Vamo Mills is expected to begin construction on a plant with a capacity of 400,000 MT in the Mediterranean port of Sete at the end of the year, and Huileries de L'Arceau will build a 60,000–65,000 MT plant in central western France, the largest sunflowerseed region in the country.

French vegetable and fish oil production will rise by 7% to 639,000 MT, but 438,000 tons will be exported, leaving France as a net importer to meet domestic needs. Total domestic consumption for 1986 is projected at 787,000 MT; of that, 583,000 tons will be imported.

Rapeseed oil exports for 1985/86 total 250,000 MT, with most of that going to North Africa, sub-Saharan Africa, India and the Soviet Union, where French exports compete heavily with U.S. soybean exports. Sunflowerseed oil continues to be exported mainly to EEC countries. Senegal, Malaysia and the Philippines will continue to supply almost one quarter of France's edible oil imports.



Federal Republic of Germany

In West Germany, rapeseed oil is gaining considerable strength in margarine and fine food processing and is expected to push soybean oil aside as the No. 1 vegetable oil domestically. In addition to expanding at home, rapeseed oil also is increasing in importance as an agricultural trade item.

Domestic use of rapeseed oil rose to 295,000 MT during the 1985 calendar year, up from 250,000 MT the previous year. Soybean oil consumption during the same period fell from 423,000 MT to 359,000 MT. In the final quarter of 1985, rapeseed oil overtook soybean. Rapeseed consumption in 1985/86 is expected to reach 300,000 MT.

An estimated 720,000 MT of rapeseed oil will be produced, with 457,000 MT slated for export. Last year, 545,000 MT were produced and 339,000 MT were exported.

West Germany remains the third largest rapeseed crushing nation; this year 1.85 million MT will be crushed. As they've increased demand for rapeseed, German crushers have become increasingly dependent on supplies from France, Denmark, the United Kingdom and Poland. This year's imports could reach 1.15 million MT compared to 870,000 MT in 1984/85. Other oilseed imports include 3 million MT of soybeans, 473,000 MT of sunflowerseed, 260,000 MT of flaxseed and 100,000 MT of peanuts.

Rapeseed production probably will rise 141,000 MT this year, bringing output to 803,000 MT, more than 99% of West Germany's total oilseed crop. While rapeseed remains the most important commercial oilseed crop, farmers in southern Germany have begun

growing sunflowerseed. An estimated 7,000 MT will be harvested. The development of this crop will probably continue because the European Economic Community offers good support subsidies for sunflowerseed.

German Democratic Republic

The German Democratic Republic's plans to achieve self-sufficiency in oilseed production are not expected to reach fruition in the foreseeable future as rapeseed area in production remains stable. In 1986, 290,000 metric tons (MT) of rapeseed—East Germany's only significant oilseed crop—are expected to be harvested.

Total domestic oilseed consumption is forecast at 336,000 MT. That demand probably will be met with imports of 35,000 MT of sunflowerseed and 11,000 MT of soybeans, mainly from the U.S., Argentina and the inter-German trade.

Total domestic oil consumption for 1986 is estimated at 248,000 MT; 70,000 MT of soybean oil and 52,000 MT of sunflowerseed oil will be imported in 1986, and 120,000 MT of rapeseed oil and 13,000 MT of sunflowerseed oil will be produced.

According to USDA reports, intake of vegetable fats and oils remains low relative to animal fat consumption in East Germany, despite warnings from health experts and limited government efforts to encourage consumption of vegetable fats. The latest intake figures (from 1984) indicate per capita consumption of butter was 15.9 kilograms while margarine was 10.7 kilograms.

Hungary

A World Bank project to modernize and expand Hungary's six crushing plants will begin this year. The project is expected to allow the industry to boost crushing capacity to 920,000 metric tons (MT) from the current 700,000 MT.

The government is earmarking the increased oil output from the expansion for export, since domestic oil consumption is showing a continued downward trend. This year, Hungarians are expected to consume approximately 91,000 MT of vegetable oils—60,000 MT of sunflowerseed, 23,000 MT of rapeseed and 8,000 MT of soybean oil—compared to last year's figure of 94,000 MT.

Hungary's overall production of oilseeds might reach 784,000 MT this year—47,000 MT over 1984/85—despite increases in diseases in the sunflowerseed crop and a decline in rapeseed production. Even with diseases striking the sunflowerseed crop, 669,000 MT probably will be produced compared to last year's 596,000 MT. However, plans to expand sunflowerseed production have been curtailed, and some of the area in sunflower production has been turned over to corn. The area planted in sunflowerseed is not expected to exceed 340,000–350,000 hectares in the near future.

Dry weather last fall prevented much of the rapeseed crop from germinating well. This resulted in almost 1/3 of the land being plowed under this spring. The production outlook indicates that 70,000 MT will be harvested, compared to a preliminary forecast of 100,000 MT.

The government is encouraging farmers to grow rapeseed varieties with an erucic acid content of less than 5% or greater than 45%.



Growers have had difficulty marketing varieties in between because of the unsuitability of the oil for most uses.

India

A prolonged drought in certain regions of India this year has lowered oilseed production by as much as 14%, thus forcing the government to purchase more oil than it originally had planned.

Oil World's production estimates from June 6 for the eight major oilseeds follow, with the 1985 figures in parentheses: unshelled peanuts, 4.8 million MT (6.7 million MT); soybeans, 1.2 million MT (934,000 MT); cottonseed, 3.1 million MT (3.15 million MT); sunflowerseed, 320,000 MT (365,000 MT); rapeseed/mustardseed, 2.72 million MT (3 million MT); sesame seed, 475,000 MT (525,000 MT); linseed, 445,000 MT (388,000 MT); and castorseed, 365,000 MT (466,000 MT). Total oilseed production is expected to drop to 13.4 million MT, down 2.2 million MT from last year.

Imports of soybean, rapeseed and palm oil reportedly increased sharply in late May due to sharp declines in oilseed production and vegetable oil stocks and a subsequent price increase. Early USDA studies predicted that India, the world's largest importer of vegetable oils, would try to limit oil imports to 1 million MT as a stimulus to domestic oilseed growers. Soybean oil imports were to drop to 200,000 MT in 1985/86, compared to 425,000 MT last year. Rapeseed oil will decline; palm and other oils are expected to remain stable.

While historically most of the imported oil has been allocated to the vanaspati industry, the government this year cut to 30% the industry allocation of imported oil at the subsidized price, as a measure to encourage domestic oilseed pro-

duction. When retail prices for vanaspati began rising sharply, the government moved to curb the price hikes by increasing the amount of imported oil it would provide at below-market prices from 30% to 40%, and again to 50%. By the end of this marketing year, the allocation is expected to increase to 70%. From October 1985/March 1986, vanaspati production declined by 1/10, to 432,000 MT. *Oil World* credited the decline to the government's policy to raise domestic prices of vegetable oils and oilseeds through limitations of oil supplies to the vanaspati industry. Indians have responded by shifting to cheaper palm oil.

In May the government announced another policy to promote the consumption of soybean oil as liquid oil. The government now permits private processors to blend soybean oil with peanut oil. The blended oil must contain at least 20% peanut oil and must be properly labeled.

Eighty percent of domestically produced oilseeds go to the manufacture of vegetable oil; an anticipated 3.12 million MT will be produced, down 9% from a year ago. Peanut oil and rapeseed oil traditionally make up about 65% of total oil production, but great damage to the peanut crop will hold peanut oil production to 1.2 million MT, down from last year's output of 1.6 million MT. Rapeseed oil production is estimated at 965,000 MT for 1986; this shows an improvement over last year's output of 942,000 MT, but not as large as originally hoped. Soybean oil production is projected to rise to 173,000 MT, an increase of 27,000 MT.

According to USDA, soybean is emerging as an important domestic oilseed crop. The area in production has grown to 1.25 million hectares, from 300,000 hectares in the late 1970s. The increased soybean pro-

duction has been accompanied by an increase in crushing capacity. The addition of several crushing plants presently under construction will push processing capacity to over 3 million MT, compared to a crop output of 1 million MT. In order to use capacity, the industry is advocating soybean imports, but the government prohibits oilseed imports.

Indonesia

The Indonesian vegetable oil market is expected to continue its adjustment to a more normal supply and demand situation as export levels and stocks even out. Edible oil exports had risen to record levels in 1985 after the government abolished export restrictions that had been imposed the previous year.

In 1985, exports of palm oil, coconut oil and palm kernel oil increased approximately 300%, 450% and 550%, respectively, over 1984 exports. Oil export figures, in metric tons, for 1986 follow (with 1985 figures in parentheses): total oils, 760,000 (809,000); oil palm, 600,000 (519,000); coconut oil, 60,000 (192,000); and palm kernel oil, 100,000 (98,000). The release of stored surplus oil onto the world market probably will bring stocks down to a more traditional level.

Total oil production is expected to go up with the overall increase in oilseed production. In 1986, an estimated 2.44 million MT of vegetable oil will be produced, up 247,000 MT over last year. The sharpest increase probably will be in palm oil output, which is scheduled to rise from 1.3 million MT in 1985 to 1.5 million MT in 1986. Palm kernel oil production should reach 141,000 MT compared to last year's 124,000 MT, and coconut oil production will rise from 755,000 MT in 1985 to 784,000 MT in 1986.

The Indonesian government con-



tinues to encourage increased oilseed production and hectareage for palm, coconut, soybeans and peanuts. Palm kernel oilseed production is to rise by 35,000 MT, to 300,000 MT, in 1986. From 1980 through 1983, the quantity of palm kernel production was 17.5% of palm oil production; this percentage rose to 21.5% in 1984-85, attributed to the introduction of use of the Cameroon weevil to stimulate pollination.

The government is allocating more land for oil palm expansion; an estimated 940,000 hectares have been set aside in Sumatra. However, because many state-owned plantations are operating at a loss and because palm oil prices are low, expansion will be difficult if investors can't raise development funds. Also, some plantations are experimenting with oil palm clones to achieve higher yields, but widespread use is not expected in the near future.

Copra production for 1986 is set at 1.3 million MT; the crop output is finally recovering to levels experienced before the 1982 drought. However, any significant long-term increases will depend on the willingness of growers to cut down old trees and plant hybrids. The government is distributing 34 million hybrid coconut seedlings in 1986 and 1987 for replanting.

In order to keep up with domestic demand and to reduce foreign exchange expenditures on imports, the government is particularly pushing for increased soybean production. Soybean output in 1986 probably will be 890,000 MT and is set for 980,000 MT in 1987. Soybean area rose to 910,000 hectares in 1986, up 11% from last year.

Imports for this calendar year are set for 300,000 MT, a decline from last year due to increased production. However, next year, when Indonesia's first soybean

crushing plant goes onstream, imports are expected to double, with the U.S. providing a large share of the soybeans.

Israel

Cottonseed, Israel's major oilseed crop, probably will decrease in output by 25% in 1985/86 due to shortages in irrigation water. The declining profitability of cotton is also serving to keep this year's production estimate at 120,000 metric tons (MT). Production is projected to rise to 150,000 MT in 1986/87.

As cottonseed is a by-product of the cotton business, little attention is paid to seed quality. Farmers continue to use half of the cottonseed produced for animal feed. Only 10,000 MT of cottonseed oil will be produced this year.

The only other oilseed production for 1985/86 will be 17,000 MT of peanuts and 2,000 MT of sunflowerseed. Neither are used in oil production in a significant way.

After a period of decline due to a poor economic climate, Israeli vegetable oil producers anticipate an increase in output. This year's projection is for 87,000 MT, and for 1986/87 it is 91,000 MT.

Soybean oil, produced from imported U.S. beans, accounts for 73,000 MT of the production estimate for 1985/86. Four hundred and four thousand metric tons of soybean were imported.

Currently the government is the sole oilseed importer; however, there is a possibility that the private sector will take over this year.

Italy

Early forecasts predict that Italy's soybean production could more than double between 1985/86 and

1986/87. The Italian Oilseed Association said next year's output would be between 500,000 and 600,000 MT, up considerably from this year's estimated 283,000 MT forecast. Soybean area is expanding, particularly in northern Italy where it is mostly displacing corn. Soybean imports are estimated at 1.4 million MT for 1985/86, down 153,000 MT from 1984/85.

The only other oilseeds produced, sunflowerseed and rapeseed, will reach production of 181,000 MT and 13,000 MT, respectively.

Oil production estimates for 1986 hover at 888,000 MT, a 162,000 MT increase over 1984/85. The increase is due partly to the fact that olive oil production forecasts rose to 492,000 MT after it was determined that last year's frost did not damage the trees. Sunflowerseed oil and rapeseed oil production estimates remain stable at 90,000 MT and 14,000 MT, respectively.

Palm oil and corn oil imports are increasing. This year, corn oil imports are expected to double their 1983/84 import level of 37,000 MT; palm oil imports are scheduled to reach 120,000 MT, 52,000 MT more than two years ago. Cheaper palm oil imports and European Economic Community plans to dispose of butter surpluses will continue to depress the seed oils market. To meet domestic demand for olive oil—670,000 MT in 1985/86—280,000 tons will be imported.

Official estimates for Italy's 1985 soybean imports show a total value of 719,064 billion lira, with 42.8% of imports coming from the U.S., 28.5% from Argentina and 27.4% from Brazil.

Japan

Japan's total oil production should rise to 1.8 million MT in 1985/86, approximately 3% above last year's



production, but production growth will slow a bit in 1986/87 as Japan raises its imports of palm oil. Some forecasts predict palm oil imports will hit 200,000 MT, especially now that Japan has eliminated its palm oil import tariff. Estimates for 1986 palm oil imports are at 170,000 MT. Other major oil imports include 20,000 MT of rapeseed oil and 25,000 MT of cottonseed oil.

Production estimates for 1986 are for 400,000 MT of fish oil, 36,000 MT of linseed oil, 52,000 MT of coconut oil, 16,000 MT of cottonseed oil, 565,000 MT of rapeseed oil, and 725,000 MT of soybean oil. Three hundred and three thousand MT are scheduled for export, while 1.6 million MT will go to domestic food use.

Rice bran is Japan's only important domestic vegetable oil. Last year

463,000 MT were crushed, but this year the crush dropped about 8%.

Most of Japan's oil production comes from imported seed. This year Japan will produce 282,000 MT of oilseeds, a slight decline from last year. However, it will import slightly more than 6.6 million MT of oilseed, including 4.8 million MT of soybeans, 1.4 million MT of rapeseed and 125,000 MT of cottonseed. The only domestic production will be 228,000 MT of soybeans, 51,000 MT of peanuts and minimal amounts of rapeseed.

In terms of trade, Japan has been eyeing the rapeseed development in the northwest U.S. as a possible source of seed. If price and quality are acceptable, the U.S. could be a factor in the market. The U.S. may also regain some of its soybean market because Brazil's and Argen-

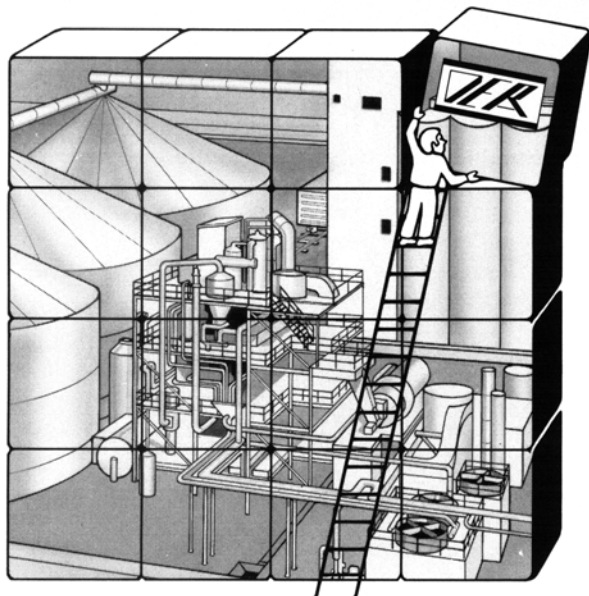
tina's outputs are not expected to be as strong as they were last year.

Malaysia

Higher output, larger stocks, sluggish exports and low prices are the dominant factors in the 1985/86 Malaysian palm oil picture. Malaysia's palm oil output has been rising over the past decade and now makes up almost 73% of the world supply. Estimated production for 1985/86 is 4.8 million metric tons (MT), an increase of 983,000 MT over the previous year.

This growth is expected to continue. The Malaysian government, in its Fifth Malaysian Plan, projected an annual growth of 6.7% until 1990. Plantings are expected to reach 1.8 million hectares, and

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production by 1990 is forecast at 5.7 million MT. Assuming Malaysian output reaches this level, it would be roughly equivalent to 32.2 million MT of soybeans, or twice the level of Brazil's current total soybean output.

Exports are not keeping pace with growing supplies. Malaysia will probably export 3.98 million MT of palm oil in 1985/86, 171,900 MT more than in 1984/85. As of May, there were 775,000 MT of oil in ending stocks. Ending stocks for 1984/85 were listed at 257,000 MT.

Export earnings for palm oil are declining somewhat for Malaysia. Export earnings topped US \$2.3 billion in 1984, \$2 billion in 1985, and probably will be lower in 1986.

Singapore, India and Pakistan are Malaysia's major markets; however, it is uncertain how much India's plans to cut vegetable oil imports will affect Malaysia. Indonesia's expanding palm oil exports are beginning to compete with Malaysian output.

In the Malaysian Industrial Master Plan (IMP), palm oil downstream development of higher added-value products is emphasized. It recommends that the government provide incentives for increased processing and refining of palm kernel. Currently, 90% of the country's palm kernel oil is exported unprocessed; the plan envisions that by 1995, 80% of palm kernel oil exports will be processed. The IMP also calls for 870,000 MT of palm oil and 280,000 MT of palm kernel to be used in downstream industries by 1995. Combined oil usage now is about 370,000 MT.

According to USDA, the future of copra production is not promising in Malaysia. The large estates have virtually abandoned the crop, leaving it mainly in the hands of smallholders. This year's production is estimated at 245,000 MT, down from last year's output of 252,000 MT. During the 1983/85 period, copra production has de-

clined an average of 4.4% per year. The only thing that has prevented a faster decline is the interplanting of coconut with cocoa, which needs the shadecover provided by the coconut.

Mexico

Mexico's anticipated oilseed output for 1985/86 is projected at nearly 1.5 million MT, a 3% increase over last year. The increase is due mainly to an upturn in soybean production. However, next year's production is expected to drop by nearly 20% as soybean and safflower output decline.

Soybean production is expected to reach 750,000 MT this market year, but will decline to 500,000 MT next year. Safflower production will probably drop to 150,000 MT in 1985/86, from 180,000 MT in 1984/85. Production estimates for 1986/87—90,000 MT—are less promising due to poor seed quality, disease problems and dry conditions. Even though safflower oil is a preferred cooking oil in Mexico, it will continue to decline and eventually disappear from the market because little research goes into improving safflower seed quality.

Mexican cottonseed production is showing a downward trend with 1984/85 production at 459,000 MT, 1985/86 at 355,000 MT and next year's at 300,000 MT. Depressed export prospects for Mexican cotton are expected to be a major factor in holding cotton acreage to 170,000 hectares next year.

This year's slight increase in production is not enough to help Mexico meet its domestic demand. Total domestic oilseed consumption for 1985/86 is estimated at 3.45 million MT; to fulfill Mexico's oilseed needs, 2.2 million MT tons will be imported.

This year the U.S. will supply, through sales and credit guarantees, 1.1 million MT of soybeans to

Mexico, and next year the figure is expected to rise to 1.3 million MT. Sunflowerseed imports are set from 575,000 MT this year, and for 600,000 MT in 1986/87. The Mexican Institute of Oils, Fats and Proteins has been trying to promote sunflowerseed as a replacement for safflower, but production estimates for 1986/86 remain at a low 20,000 MT. Most of the 222,000 MT of sunflowerseed oil produced in Mexico will be from imported seed.

Mexico's edible vegetable oil consumption is estimated at 861,000 MT this year, including 470,000 MT of soybean oil. These figures are projected to rise to 915,000 MT and 480,000 MT, respectively. Consumption of vegetable oil in Mexico will continue to increase, but low incomes and reduced buying power due to inflation will keep growth at a low level for the foreseeable future.

Morocco

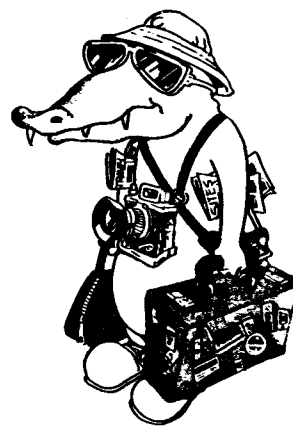
Drought, a weakened national economy and higher consumer prices will keep Morocco's overall consumption of oilseeds and products, along with fish oil, relatively stable through the year. In 1986, 112,000 metric tons (MT) of oilseeds, 260,000 MT of vegetable oil and 15,000 MT of fish oil—a slight uptrend over last year—probably will be consumed.

Outputs of peanuts, sunflowerseed and cottonseed may be limited to 36,000 MT, 21,000 MT and 15,000 MT, respectively, due to dry conditions in the early part of the marketing year. The drought has kept the production of olives—Morocco's most important oil crop—down. Producers anticipate higher yields for 1986/87 as the weather improves.

Morocco continues as a net importer of oilseeds and products; however, the country is hindered in

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Annual Meeting



Bonjour mes amis. Have you started making plans to attend the 78th American Oil Chemists' Society Annual Meeting, May 17-21, 1987, in New Orleans, Louisiana, yet? Here's just a sample of what's already in store for you. There will be 3 Short Courses: Prostanoids, Fatty Acids, and Oxidation of Food Lipids; 25 Symposia Sessions on Surfactants/Detergents, Genetic Engineering of Oilseed Proteins, Proteins and Health/Disease, Vegetable Proteins (Nutrition, Structure, Utilization), Edible Oils Mycotoxins, Antioxidants and Skin Cancer, Lipids and Aging, Hydrogenation, Fats & Oil Processing. In addition, current research papers in these areas are being solicited for General Sessions (oral presentation) and Poster Sessions (more personal one-on-one presentations). There's something for everyone's interests in the Program.

Our Headquarters Hotel (Fairmont) is undergoing a \$5 million renovation to be completed by September, 1986, so facilities should be excellent for May, 1987. We will also have the 3rd Annual AOCs 5K Fun Run and Fat Man's Walk on Tuesday morning through Audubon Park's tree-shaded course. And what about after the Sessions? New Orleans is an interesting city. A walk along Canal Street from the hotel to the Mississippi River shows both old and new buildings, with the Historic French Quarter just a block away on the left. In the Quarter you can smell the aroma of Cajun and Creole cooking and hear the sounds of Dixieland Jazz from the doorways of 200-year-old houses - many great places to eat and relax after the daily Sessions. If you stroll to the River, you can watch the traffic along the second busiest port in America. (For importers and exporters of oilseeds, seed meals, fats and oils, we are planning a tour of the Port and River by steamboat during the Meeting).

For the spouses, the local Committee is planning to visit several new places of interest but will leave enough free time to browse through the Quarter's antique stores, boutiques, and department stores, plus there will be a Ladies Hospitality Room open every day for those who prefer to stay in the hotel.

We're planning to make this Meeting the biggest and best ever, so make plans now to take part in the Technical Program, the good food, and good music. We'll have something for everyone!

Gaston

GASTON THE GATOR and
the New Orleans Local Committee



its ability to expand imports because of its large external debt and weakened foreign exchange position. Total oilseed imports for 1986/87 are set for 34,000 MT, up 1,000 MT over this year's estimate. Projected imports of oil—mainly rapeseed and soybean—are slated to reach 221,000 MT in 1986/87, an increase of 8,000 MT over the 1985/86 projection. High import tariffs (32%) also may limit demand somewhat.

The use of vegetable oil among Moroccan consumers had been increasing significantly. However, any future increases are expected to be somewhat limited since the government lowered subsidies on vegetable oils. Even though consumer prices have risen between 15% and 17%, officials still anticipate an increase in demand.

Moroccan oil output falls far short of demand because the crushing industry is geared toward crushing for meal needs. This shortfall probably will continue because only one plant remains open; the other closed due to inadequate crush margins.

The government continues to encourage soybean production, but soybeans have not proven themselves price competitive against other irrigated crops. Only 1,000 hectares went into production this year.

Nigeria

Even though Nigerian oilseed production is expected to expand to 1.19 million metric tons (MT) by 1986/87, supply of oilseeds and products will not meet demand. Oil supplies will be particularly tight in the near future because in January 1986, the government banned vegetable oil imports, hoping to encourage domestic oilseed production.

Total oilseed production in 1984/

85 was 937,000 MT; this year it is set at 1.06 million MT. Production figures are as follows (in metric tons, with 1984/85 figures in parentheses): peanuts, 600,000 (500,000); soybeans, 68,000 (60,000); cottonseed, 36,000 (32,000); and palm kernel, 355,000 (345,000).

The Nigerian government is pushing for expanded oilseed production and self-sufficiency through several policies. In addition to banning vegetable oil imports, the government has lifted the ban on agricultural exports, increased producer prices and credit and is encouraging local industries to use domestic raw materials in production.

Peanuts and palm kernel remain the dominant oilseeds. Recent peanut crops had declined due to rosette outbreaks, but the government hopes production will rebound to reach 700,000 MT in 1986/87 so that peanuts can return to their prominence as a cash crop. With the lifting of the export ban and a greater emphasis on the export of cash crops, Nigeria is looking at peanuts as a potential source of revenue. Palm kernel expansion is expected to be slower, due partially to lower investor interest.

Soybean output is projected to rise to 75,000 MT next year. Soybean crushing probably will begin this year, given the great demand for oil and meal, the import ban on vegetable oils and the establishment of a solvent extraction plant.

Although cottonseed production is rising, significant increases are not expected until the textile industry grows.

Nigeria's total oil supply for 1985/86 is forecast at 884,000 MT, down from last year's 964,000 MT. Production increased to 830,000 MT, a 58,000 MT increase from 1985/86. The increase was due mainly to greater palm and palm kernel oil production. The shortfall

will be due to the 142,000 MT decline in imports this year. High prices and serious shortages are anticipated.

Norway

Norwegian production and consumption of soybean oil are expected to show a slightly declining trend for the near future. The use of soybean oil by the margarine industry is dropping off slightly as less costly palm oil and fish oils capture part of the soybean market share.

The price difference is such that soybean oil eventually will be replaced. This is expected to take some time since pure soy margarine is the most popular type of margarine in Norway.

Norway will produce 52,000 metric tons (MT) of soybean oil this year, down 1,000 MT over last year. Thirty-three thousand tons of that will be consumed domestically in various food uses. Most of the 8,000 tons to be exported will go to Sweden.

Norway grows no soybeans; in 1985/86, the country is expected to import 300,000 tons of soybeans. Next year, imports will decline by 20,000 MT. Traditionally, the U.S. has been Norway's major soybean supplier, but recent complaints about the quality of U.S. beans have caused Norway to switch to soybeans from South America. Norwegian crushers have claimed that some U.S. soybean shipments have had three times the desired free fatty acid content.

Fish oil, Norway's most abundant source of oil, also will show a decline this market year. Predictions indicate 103,000 MT will be produced, compared to last year's 130,000 MT. This is tied to restrictions which were placed on fishing due to reduced fish stocks.



Pakistan

Pakistan's aggregate oilseed production for 1985/86 is expected to increase almost 21% due to a record cottonseed crop. This year's total oilseed output is estimated at 2.81 million metric tons (MT), with cottonseed making up about 88% of the crop.

Good weather, better pest management and increased fertilizer use will push cottonseed output to an estimated 2.47 million MT, up about 454,000 MT over last year. Next year's cottonseed crop is expected to decline to 2.32 million MT. Some growers are reportedly switching to sugarcane and rice because they will receive better support prices.

Increases in cottonseed supplies are boosting oil and meal production and consumption this year. However, the increase in cottonseed oil production is still far from adequate to meet Pakistan's total domestic oil needs. Two hundred and fifty two thousand MT of cottonseed oil are to be manufactured this year, compared to 205,000 MT in 1984/85 and 237,000 MT forecast for next year.

Pakistanis will use approximately 1.05 million MT of vegetable oil in 1985/86; 341,000 MT will be produced in Pakistan, and an estimated 700,000 MT will be imported. Palm oil imports, mostly from Malaysia, will hit 500,000 MT, and soybean oil imports, mainly from the U.S., are estimated at 200,000 MT. Pakistan continues to lean toward palm oil imports because of the better price. In addition, Pakistan has a loan from the Islamic Development Bank, which provides concessional loans for palm oil purchases from Muslim producing nations. Oil imports are to rise to 740,000 MT next year due to lower estimates for the cottonseed crop. Pakistan will remain a major importer for the next decade.

In order to counter Pakistan's dependence on imported vegetable oils and to improve the oilseed industry's efficiency, the government liberalized edible oil prices effective July 7, 1986. Among the measures taken were the abolishment of controls on the retail price of vegetable ghee and cooking oil, relaxation of Pakistan's excise duties on the sanctioned production capacity of existing ghee and cooking oil units in the private sector, and imposition of a regulatory duty on soybean and palm oil imports by the private sector and the Ghee Corporation of Pakistan.

The other traditional Pakistani oilseed crops—peanut, sesame, rape and mustard—still have relatively low productivity rates because they are planted on marginal land. Peanut production dropped about 4% to 65,000 MT this year; rapeseed and mustardseed output was set at 242,000 MT, an increase of 8,000 MT over 1984/85.

The government continues to encourage production, but offers no supports for rapeseed and peanuts. Growth in the nontraditional oilseeds such as sunflowerseed, safflower and soybean is slow despite government encouragement. The combined sunflowerseed and soybean output for this year is 22,000 MT. Inadequate price incentives for growers and a lack of marketing arrangements to buy back production are the major deterrents in soybean production. Sunflowerseed production is expanding, but the government's projected goal of 40,000 MT in 1986/87 appears overly optimistic given this year's output of 20,000 MT.

Increased production will push crushing utilization to 75-80% capacity.

Paraguay

Paraguay's total oilseed production is expected to be 35% below last

year's record 1.3 million metric tons (MT). Drought conditions during the growing season caused soybean and cottonseed estimates to drop to 600,000 MT and 210,000 MT, respectively, down from last year's outputs of 950,000 MT and 210,000 MT. The peanut crop was relatively unaffected, and output is set at 40,000 MT.

Soybeans account for 95% of Paraguay's oilseed exports. This year 475,000 MT will be exported and 80,000 MT will be crushed for domestic use. Paraguay will produce and consume 13,000 MT of soybean oil. The balance of oilseed exports will come from 18,000 MT of peanuts.

Two hundred thousand metric tons of the cottonseed production will be crushed and 32,000 MT of oil produced. All cottonseed products are used domestically.

Peru

Steady cottonseed production and improvements in Peru's fishing sector will push total oil production up to 174,000 metric tons (MT) in 1985/86, a 32,000 MT increase from 1984/85. The increase is attributable mainly to added fish oil production, which rose to 130,000 MT from 104,000 MT. In addition, an anticipated 26,000 MT of cottonseed oil, 14,000 tons of palm oil and 3,000 tons of soybean oil will probably be produced.

Cottonseed, Peru's dominant oilseed crop, is holding steady with production estimates for this year at 145,000 MT. A slight decline is forecast for next year.

Twenty thousand tons of soybeans will be imported this year from the U.S., while Argentina will be the sole supplier of soybean oil.

Neither oilseeds nor vegetable oils are exported. However, 50,000 MT of fish oil is earmarked for export this year. Palm oil produc-



tion is slowly nudging upward, but no exports are expected in the near future as local industries have geared up to use this product domestically.

The Philippines

In 1985/86 the Philippines is expected to export 1.2 million metric tons (MT) of coconut oil, the largest export volume in its history. Overall copra and coconut production and exports are increasing and are expected to peak in 1986/87. Exporting copra products had been prohibited since 1983, but with the resumption of exportation, the United Coconut Associations of The Philippines predict copra exports to reach 130,000 MT in 1986, the largest amount in the past decade.

Projected copra production for 1986 is 2.3 million MT, up almost 460,000 MT from 1985. This increase could help crushers use 74% of their 3.3 million MT capacity; last year's utilization was only 38%. Oil production will reach 1.5 million MT—approximately 97% of total production—up almost 600,000 MT over last year. These increases have, at least temporarily, halted plans to pursue the mothballing of excess milling capacity.

Production is increasing due to the resumption of exports, greater domestic consumption and more foreign demand due to depressed world market prices. Traders reportedly are saying that the break-up of the UNICOM/COJUANGCO monopoly has helped liberalize copra trade, which, in turn, is stimulating production.

The U.S., Europe, the Soviet Union and Japan have imported large amounts of coconut oil; copra is sold mainly in southeast Asia. Both the U.S. and Europe have been slow to purchase copra due to concern over the presence of afla-

toxins. In order to increase copra's possibilities in these potentially large markets, the government is reportedly revitalizing an educational campaign to improve drying and storage techniques.

Domestically, coconut oil consumption is expected to increase in the next two years, particularly in the production of coco-diesel fuel and coco-chemicals.

Philippine palm oil production remains insignificant in relation to world production volumes; 22,000 MT will be produced in 1986, and 10,000 tons will be imported. However, the goal in the Philippines is to expand palm oil production to meet domestic demand so that coconut oil can be exported.

The only oilseed that is expected to be imported in 1986 is peanuts. Carryover soybean stocks probably will meet domestic food and crush requirements, particularly if the Phil-Asia plant in Batangas remains shut down.

Poland

A record rapeseed crop for 1985/86 will allow Poland to double oilseed exports and keep the nation's crushing plants working at capacity. This year's rapeseed output reached 1.08 million metric tons (MT), 19% above last year's crop.

The increases of the past several years have allowed Poland to again export substantial quantities of rapeseed. This year, 250,000 MT will be exported, mainly to West Germany, Scandinavia, Yugoslavia and Bangladesh.

The increased production will push Poland's crushing capacity—750,000 MT yearly—to virtually full capacity. This limited crushing capacity, along with limited hard currency, hinders Poland's ability to import other oilseeds. The government reportedly plans to build two additional plants in the

next two years in the northeast to crush imported beans and high erucic acid rapeseed.

Poland's soybean imports will drop to an estimated 35,000 MT this year, down 40,000 MT from preliminary projections. Imports are expected to increase in the 1987 market year due to an anticipated decrease in rapeseed production.

Even though greater rapeseed output will increase domestic oil production to 316,000 tons, up 59,000 tons over last year, limited crushing potential will keep the Polish market open for increased imports of soybean oil. This year an estimated 46,000 MT will enter the country.

Imported oils have made up 30% of Poland's domestic consumption, but this is declining as better quality rapeseed oil is produced at home. Polish consumers still prefer animal fats even though prices for vegetable fats are lower.

South Africa

Although South Africa's oilseed output for 1985/86 should increase to 528,000 metric tons (MT), 2.7% over last year, production is far below the record 982,000 MT produced in 1981.

Oilseed production has been depressed by the continuing drought that began in 1982, by record farm debts brought on by inflation and by a discrepancy between the prices paid for oilseeds versus corn.

Sunflowerseed production should total 280,000 MT; peanuts, 164,000 MT; soybeans, 38,000 MT; and cottonseed, 93,000 MT. Production for all oilseeds is projected to increase in 1986/87, with output possibly reaching 400,000 MT for sunflowerseed, 225,000 MT for peanuts, 40,000 MT for soybeans and 100,000 MT for cottonseed. The national oilseed board is cautiously promoting oilseed expan-



sion through a controlled pricing mechanism. The board, anticipating a major protein shortage over the long-term, would like to promote plant protein, particularly soybean, production.

The only oilseeds that will be exported this market year are 21,000 MT of HPS (hand-picked selected) peanuts. Until the drought, peanuts had been the most lucrative aspect of the South African oilseed industry. The low value of the South African rand makes importing oilseeds more costly. Due to the oil shortage, all available domestic oilseeds are crushed for oil.

South Africa probably will produce 209,000 MT of oil and import 62,000 MT in 1985/86. Almost half of the oil imported is sunflowerseed.

Sri Lanka

Sri Lankan copra production in 1986 is expected to reach 230,000 MT, almost four times the 1984 drought-level crop of 62,000 MT. Copra's resurgence last year increased crush levels and exports and lowered the price by one-half.

This year's crush should reach 232,000 MT due to some carryover from last year. Currently, Sri Lanka's total crushing capacity is about 300,000 MT with an oil recovery rate of 62%. Much of the equipment is outdated, and there are no plans to upgrade it, due to lack of money.

Much of the coconut produced is consumed fresh; the surplus is crushed. This year, an anticipated 140,000 MT of oil will be produced, with 65,000 MT slated for export. Domestic food oil consumption is estimated at 63,000 MT and industrial use at 15,000 MT.

The only oil product import will be approximately 3,000 MT of palm oil for use in the margarine industry.

Sweden

Rapeseed output for 1985/86 is expected to be around 320,000 metric tons (MT), down 7,000 tons from the previous year. The decline is due partially to poor weather conditions during planting season and to less expansion of double-low spring rapeseed acreage than expected. Estimates for total production for 1986/87 are set at 328,000 tons.

There is a trend toward producing more double-low spring rapeseed in Sweden; an estimated 111,000 tons is to be produced this year. In 1987, a double-low spring turnip rape will probably be introduced, and in 1988, a triple-low rapeseed may be planted.

A decrease in the rapeseed crush will push rapeseed oil production down to 87,000 metric tons from a projected 96,000 MT for 1985/86. However, increased planting of double-zero rapeseed is expected to boost oil production considerably.

The Swedes consume approximately 120,000 MT of edible oils annually. About 1/3 of domestic oil needs are met with domestically produced rapeseed oil; the rest is made up mainly of imported soybean and fish oils. This year, 16,000 tons of fish oil and 62,000 tons of soybean oil will be imported.

Over the long term, soybean oil imports are expected to decline if a new turnip rape variety being developed in Sweden is commercially successful. The new variety, which is to come into commercial use in four or five years, is rich in palmitic acid and is expected to take the place of soybean oil in margarine manufacturing. Currently, rapeseed oil is technically limiting in table margarines because the oil produces a grainy consistency.

The only oil-bearing materials

presently imported are copra and shea nuts.

Turkey

Turkish cottonseed production will continue downward in 1986/87, but increases in sunflowerseed and a possible doubling of the soybean crop are anticipated.

Total oilseed output forecasts are around 1.65 million metric tons (MT) for 1985/86, down from 1.75 million MT last year. The decrease was due mainly to a 13% decline in cottonseed area, which lowered production estimates to 810,000 from 928,000 MT. Increases in sunflowerseed, soybeans and peanuts were unable to offset the cottonseed decline.

The trend for cottonseed probably will continue through next year as growers continue to express dissatisfaction with cotton prices. Current indicators show that in 1986/87, cotton area will drop to 600,000 hectares, 10% below this year. Production is forecast at 760,000 MT.

Officials estimate that by using higher yielding sunflowerseed varieties, 1986/87 production might reach 800,000 MT. The government hopes next year's soybean production will be 160,000 MT, compared to this year's 75,000 MT harvest.

Although the government encourages domestic oilseed production, output still does not meet meal and oil demands. In 1985/86, 472,000 MT of sunflowerseed, cottonseed and olive oil will be produced, and 170,000 MT will be imported.

In order to make domestic oils more competitive with lower-priced imports, the government has responded to requests from local crushers to increase the import surtax on oil. This tax has risen from \$1 per ton to more than \$90 per ton in the past year.



Yugoslavia

Total imports of oilseeds and vegetable oil were predicted to decline in 1985/86 due to increased oilseed production. Oilseed production this year reached 528,000 metric tons, a 22,000 MT increase over 1984/1985. Although dry weather pushed soybean output down to 174,000 MT, a 24% decline, sunflowerseed production more than made up for this decline by increasing 52%, to 234,000 MT. Oilseed production, particularly sunflowerseed and soybean, is expected to rise in 1986/87 due to larger plantings and better yields.

Bean imports will dip to 250,000 MT this year compared to 272,000 MT last year; the decrease is due to a smaller demand for meal. The downward trend will continue through the next marketing year due to an anticipated increase in domestic bean production. Thirty thousand tons of sunflowerseed and rapeseed probably will be imported this year; none are projected for next year.

Vegetable oil imports are expected to total approximately 110,000 MT; soybean oil, 65,000 MT; sunflowerseed oil, 35,000 MT; and rapeseed oil, 10,000 MT. Brazil, Argentina, Spain and Italy will continue as the main suppliers of soybean oil; South America and Hungary will provide sunflowerseed oil, and eastern Europe will provide most of the rapeseed oil.

How a new "contingent" law will affect oilseed and oilseed product imports remains to be seen. The new law, which went into effect in early 1986, requires that all major oilseeds be put on a "contingent" regime. Previously, oilseeds were imported freely, and only vegetable oil imports were controlled by quotas. Now, quotas will be set, and in the case of soybeans, the Yugoslavian Economic Chamber will determine the countries of origin, based on the country's overall

balance of payment situation.

According to USDA, the controlled prices of vegetable oils, combined with the increased cost of inputs, caused great financial losses for crushers and refiners in 1985. The rise in production costs was due mainly to the high interest rates processors had to pay to buy seed. The industry has asked the government to either subsidize interest rates or loosen controls on retail oil prices.

Oil World June 20th announced that the Yugoslavian government had stopped vegetable oil imports to protect domestic crushers. *Oil World* reported that oil imports between October 1985 and April 1986 had reached approximately 124,000 metric tons, more than double the 56,000 metric tons imported during the same period a year earlier.

Zimbabwe

Although Zimbabwe's 1985/86 oilseed output rose to 334,000 MT, a 62,000 MT increase over last year, production still fell short of demand. Zimbabwe's crushers and processors requested 362,000 MT from the government's Grain Marketing Board, but only 74% of the request could be granted. The shortfall will not be made up because Zimbabwe is short of foreign exchange for imports.

Cottonseed production in 1985/86 reached a bumper figure at 186,000 MT; however, next year, output should decline to a more average crop of 155,000 MT. Even though cottonseed is gaining prominence in the oilseed industry, processors prefer soybeans.

Soybean output declined this year to 86,000 MT; only 44,000 hectares were planted, a decrease from last year. Because demand is so great, the agricultural marketing authority would like soybean out-

put to reach 160,000 MT with some of the additional output going to protein production and soybean milk for human consumption. Peanut production rose to 44,000 MT in 1985/86 compared to 17,000 MT in 1984/85. Next year's projection is set for 72,000 MT.

Zimbabwe's export market is negligible, but the government is reportedly trying to enter European markets with high quality edible peanuts. Reportedly, a large European confectionary firm will do test trials on a new variety of peanuts from Zimbabwe. If the trials prove successful, Zimbabwe hopes to export 5,000 MT of the Flamingo variety. Eventually, the government hopes other markets will open.

Sunflowerseed remains a minor commodity, with production estimated at 18,000 MT this marketing year. However, the government continues to favor the seed in hopes that its increased production would help the country meet its oil requirements.

Total oil production for this year is set for 46,000 MT with cottonseed oil making up 27,000 MT of production and soybean oil making up 14,000 MT. Actual demand is 50,000-55,000 MT.

USDA 1986/87 outlook

USDA predicts world fats and oils and related products trade will continue to be influenced by rising palm oil supplies, with world palm oil production to hit 8.7 million metric tons (MMT). World vegetable and marine oil consumption is set at 49.7 MMT, a 4% increase over this year. World oilseed output for 1986/87 is forecast at 196.5 MMT, a one percent increase over a record 1985/86 crops.