male rats "showed that marine oil feeding decreased cholesterol absorption, reduced total fatty acids recovery in lymph, and increased the lymphatic eicosapentanoic acid/arachidonic acid ratio, which may be cardio-protective." Details: *Food Chemical News,* April 20, 1987, p. 51.

Research with soy protein

Soy protein has been shown to halt, or at least retard, kidney failure progression in rats, according to Byung Pal Yu, a professor of physiology at the University of Texas' Health Science Center, San Antonio.

Yu, who spoke at the Federation of American Societies for Experimental Biology in Washington this spring, said scientists have determined that the progress of kidney disease is slowed when the amount of protein consumed declines, but this treatment leads to malnutrition. However, after feeding rats either casein milk protein or soy protein, Yu and his colleagues found that soy-fed rats had less kidney damage.

"The proper selection of a protein source may yield a treatment for the chronic renal failure patient, one which is as effective as protein restriction, but without its risks," Yu said. Details: *Food Chemical News,* April 6, 1987, pp. 25-26.

Meanwhile, the U.S. Food and Drug Administration (FDA) and the French government have agreed to establish certification requirements for caseins, caseinates and mixtures exported from France. The agreement is meant to minimize the need for extensive FDA audit sampling of French imports.

Under the agreement, France will guarantee that exported casein products comply with the Food, Drug and Cosmetic Act. All lots must be *Salmonella*-negative and phosphatase negative. Details: *Federal Register,* April 15, 1987, p. 12255.

Viewpoint

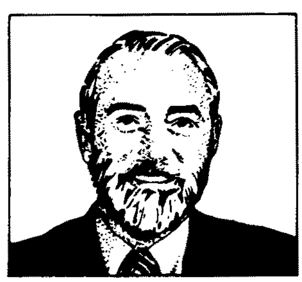
Outlook improves for soybeans

The following article was prepared in mid-April by David M. Bartholomew, oilseed specialist for Merrill Lynch Futures Inc. at the Chicago Board of Trade. Two weeks earlier, the U.S. Department of Agriculture (USDA) had predicted U.S. soybean plantings in 1987 would fall to 56.9 million acres, the smallest planted acreage since 1976.

New crop soybeans continue in the position of leadership in price determination. This became evident some weeks ago when traders drove prices down, in line with much talk about a market loan program for the 1987 crop. More recently, there has been a firm price trend, again with November leading.

It started with the lower-than-expected acreage forecast. Now it comes to light that some private meteorologists predict a hot and dry summer across the leading production states of the Midwest. That is no surprise, of course, to those who are aware of the moisture deficiency pattern that began in the last half of October last year; however, now with predictions that this condition will continue through the corn and soybean growing season and that acreage will be sharply reduced, the public is beginning to be impressed.

It is a sensitive situation, and one that has to be watched carefully. It would be unrealistic to expect prices to maintain an uptrend through



August. There would be selling from Commodity Credit Corporation (CCC) stocks, with an advance of July toward \$5.30-5.40. Sensing that, farmers would increase their outright selling as well as redemption from loan programs. Meanwhile, of course, South American selling is expected to increase very soon. But it is not being concentrated into a few weeks' period as many traders had expected.

Soybean planting begins in May. There could be an area larger than intended area seeded to soybeans if prices at that time are considered attractive (over \$5 November futures).

It must be remembered, however, that beginning in September, the CCC selling formula drops back again to \$5.15 national average at the point of storage.

The soybean oil picture has more than its usual array of opposing factors. Aside from those so well documented by other sources, there are these that are worthy of consideration:

- Inventory of finished products in the U.S. at the end of February exceeded the level of any month in history. This is not included in the crude and refined stock figures which are so closely watched by other analysts and traders.
- The weekly USDA reports showed export shipments and sales of soybean oil had reached only 345 million pounds by the end of March, exactly halfway through the season. USDA has projected they will total one billion pounds more than that for the entire season—a 100-million-pound increase since February.
- It is natural to assume that USDA should be fairly accurate in its predictions of soybean oil exports, because nearly all are with the aid of government programs. Thus, it must be concluded that USDA knows something that no one else

knows about its program plans. Whatever they are, they should be revealed soon, because time is running out.

- India is likely to purchase larger amounts of imported oils. The reason is political. According to the April 6 *Time* magazine, Gandhi's party has done poorly in state elections in five important areas. Another test will come by July in Haryana, where his party usually has a strong majority. To fail there would cause damage from which there possibly would be no recovery. Gandhi can't allow that erosion of support to continue during the two years remaining before national elections. Vegetable oil prices in the interior are substantially higher than a year ago, which is the reverse of international values. That is politically a very dangerous situation. And nothing is more political than vegetable oil and grain prices in a country whose people are mostly vegetarians.

It is surprising how long it took for most traders and analysts to realize that the U.S. crush in the past six months was for meal rather than oil, and that the meal demand has been and is better than they anticipated. USDA economists also have been slow to accept this fact. They began their predictions for this season with soybean meal export projected at 5,500,000 tons, with a gradual increase in subsequent months. From September through November, projections stayed at 5,900,000 tons. Finally, in April, the figure was moved up to 6,500,000 tons, for a one-million-ton increase over the initial figure—an 18% error.

This is not a precise business, but an error of that magnitude certainly lacks professional credibility. Much greater accuracy was seen in precomputer days. Current fascination with mathematical elegance among traders and economists leaves much to be desired. They can warp the market trend for a time, but ultimately, reality has to prevail and price trends must be corrected for those misconceptions.

That is largely the situation recently in soybean meal strength and, to some extent, soybean oil's relative weakness. Traders have accepted the fact that soybean meal exports thus far have not been damaged by South American competition to the extent imagined previously. The same is true for U.S. soybean crush and exports. Brazilian shipments have not been as intensive nor sales as aggressive as expected by many.

Meanwhile, there remains the supporting fact that U.S. hog and broiler numbers are on the increase, and both should accelerate in the weeks ahead. In mid-April, another record high was established in broiler hatching statistics. This was 7% over a year ago, which was a record then. To top it off, turkey numbers have steadily increased by over 20% above last year for the past four months.

David M. Bartholomew