OIL & FAT INDUSTRIES

The Editor's Page

A Field for Standards

IN THESE days of scientific control, mass production and cost accounting, it is almost inconceivable that an entire industry of considerable magnitude can be conducted along the old lines of "Rule of thumb" purchasing. We have constant evidence, however, that such is the case among purchasers of sulfonated oils of all grades.

The manufacturers of sulfonated oils are busily engaged in strenuous "price competition," and most purchasers of these products are ready to listen to any salesman whose story includes a cent or a half-cent lower price than the other fellow's. The methods for determining the grade and quality of sulfonated oils are not at all well defined, so that the salesman who sells 40% total fatty matter oil, describing it as 50% and offering it at bargain rates, is often able to impress the purchaser with the idea that he is being overcharged by competitors, who, on the other hand are actually delivering 50% oil at a fair price for that grade.

Here lies a splendid opportunity for the manufacturers of these oils and for the American Oil Chemists' Society. If the manufacturers will encourage their chemists to join the Society, the day when critical methods of analysis and grading of their products will be adopted will be near at hand. At the same time it would be well for the reputable manufacturers of these products to form a trade association for general elevation of the standards in their industry and for cooperative advertising to inspire confidence in the purchasers of their products.

The manufacture of these products is a legitimate business, and is capable of being conducted along modern lines of frankness and confidence, as all successful businesses are being conducted today.

Free Goods

IT IS a far cry from the oil mill to the counter of the retail store where the finished fatty food products eventually find their way to the consumer, but what takes place in the marketing of any product has an ultimate bearing on those who produce the materials which go to make up that product. Cut-throat competition in the sale of any commodity invariably brings a direct pressure on respective production departments to reduce their costs. One of the time-honored means of helping to reduce production costs is to beat down raw material prices wherever possible.

For years, the custom of giving away so many bottles or cans of this or that product with each case ordered by the dealer has been in vogue. The "free goods offers," so-called, have been almost numberless. The object, of course, has always been to increase the size of the order from the individual dealer, and to get him to push the item in question to reduce his thus acquired larger-than-normal stock.

Irrespective of the merits claimed for free goods, the intelligent dealer realizes that there is nothing free in this life. He has found that he gets what he pays for and little else. If he buys too much of an item in order to get the free goods, he pays for the "free goods" nevertheless in time, trouble, and worry in reducing this stock.

The recently announced policy of one of the largest mayonnaise manufacturers in the country to eliminate all free goods, special offers, and other trick sales methods, and to sell all wholesalers at the same list price and no other, is unquestionably a wise step. Giving free goods in any perishable food product to wholesaler or retailer is a sure method of overselling, causing too large stocks, prolonged storage and possible deterioration before reaching the consumer. This applies to shortening, cooking oils, margarin, and similar products as well as to mayonnaise. The competition which is also engendered reflects back all the way to the supplier of the raw materials.

Free goods are merely a subterfuge and a cause of endless trouble to dealer and manufacturer alike. They have no place in a sensible merchandising plan.

Contracts

INNUMERABLE raw and finished products are sold on contracts extending over a period of months or a year. Most of these contracts carry a flat price per pound, ton, or gallon, and some of them protect the buyer against decline in price. That is, if the market goes below the contract price, the goods covered by the contract are billed at the lower figure. Some contracts carry a minimum and maximum quantity; that is, the buyer agrees, for example, to take not less than say 40,000 pounds and can take up to 50,000 pounds if he sees fit.

A study of many manufacturers' contracts would indicate that the name "contract" is distinctly a misnomer. As far as we can see, most of them are more in the nature of a free insurance policy for the buyer. If the buyer contracts for compound at a price, and the market advances, the buyer will probably take his full maximum quantity and dispose of the excess. If, however, the market has declined, he may or may not take his minimum quantity, and if he does, he takes it at the lower figure where the contract permits. If, coincident with a market decline, there comes possibly a rise in raw material costs, the supplier is faced with a twofold problem, that of paying more for raw material and that of meeting a lower market price for the finished article. This is not an unusual occurrence; it is quite common in many industries.

Where there is a speculative or fluctuating market for raw materials, there most certainly should be some factor in the price of finished goods to compensate for the fluctuations. In other words. the price of an article should be based on the cost of the raw material in the article plus a decent margin of profit. A contract made in January at a flat price for delivery over the year cannot consider intelligently the possible cost of raw material six or eight months later. No matter what the product, whether sold on contract or not, its selling price should be based on cost at the time of its manufacture. Some products are sold on contract today on a sliding price scale, based on the average cost of raw materials. Some soaps are sold at a price which is moved up or down from an agreed figure according to the previous monthly average prices of cocoanut oil or tallow. This seems to be a sensible arrangement, an arrangement through which the business of the supplier cannot suffer severe damage as the result of some crazy movement in raw material prices. It is a type of arrangement which is certainly to be preferred to the contracts now in vogue in so many industries. A sales contract should be a two-way, two-sided agreement, not merely an insurance policy for the buyer.

Exports of copra from Ceylon to United State during 1928 amounted to 10,333,932 lbs., with a value of $569,414, as compared with 3,472,140 lbs., worth $185,927, during 1927.

Herbert B. Battle

IT IS with deep regret that we announce the death, on July 3, 1929, at Montgomery, Alabama, of Herbert B. Battle, Founder and President of The Battle Laboratory, and Past President of The American Oil Chemists' Society. He will be deeply mourned by his many friends and associates among the members of the Society and elsewhere.

Dr. Battle was born at Chapel Hill, N. C., on May 29, 1862, the son of Dr. K. P. Battle, who was for many years the President of the University of North Carolina. Dr. Herbert Battle graduated from the University in 1881, taking his doctor's degree in 1887. He was for ten years Director of the North Carolina Agricultural Experiment Station. He moved to Montgomery in 1903, and in 1906 organized the Battle Laboratory, which he conducted most successfully until the time of his death. In addition to being one of the Founders of the American Oil Chemists' Society, Dr. Battle was a Founder of the Alabama Anthropological Society, and a member of the Rotary Club and of the Executive Committee of the Boy Scouts of Montgomery. He enjoyed the affection and esteem of his associates in every walk of life, not only in the city where he made his home, but throughout the entire country among those, particularly oil chemists, who were so fortunate as to know him.

Exports of palm oil from Lagos, Nigeria to United States during 1928 totaled 5,886,508 lbs., valued at $438,902, according to R. F. Fernald, American Consul at Lagos.

The New York offices of W. H. Jasspon, President of the Jasspon mills, operating several cottonseed oil mills in the South, are now located at 205 East 42nd Street.

Jurgens' Oliefabrieken, of Zwyndrecht, Netherlands, which has been controlled for some time past by N. V. Margarine Unie, the Dutch-British margarine combine, will hereafter be known as "N. V. Mattschappy tot Exploitatie der Vereenigde Oliefabrieken Zwyndrecht."