Report on Fats and Oils

A Last Look at the Old Crop Year

IT MAY SEEM a little early to be taking a last look at the crop year which won't be over until the end of September, but that's the way it has to be. If you don't stay a respectable distance ahead of the game, you're automatically behind. By the time all the official statistics are in for the 1957–58 crop year, they will be useful only for comparison with the situation in the 1958–59 crop year, which will by then be two or three months old. At this writing (early June) the latest figures available on production and stocks of the major fats and oils are those for April; the latest official export figures are those for March, and so far as imports are concerned, everything since January still has the asterisk beside it meaning "estimated."

Before going into any statistics, it might be interesting to conjecture about what will eventually prove to have been the feature of this crop year from a market point of view. A likely candidate, it seems (although not a much-discussed one), will be the tremendous reductions which have taken place since November in estimates of lard production. To demonstrate, we quote first from the U. S. Department of Agriculture's "Fats and Oils Situation" of November 21, 1957: "lard output in 1957–58 is estimated at close to 2,750 million lbs., up around 125 million lbs. from last year . . ." Then from the latest issue of the same publication: "lard output in 1957–58 is now forecast at 2,475 million lbs., about 150 million below a year earlier." This reduction of 275 million lbs. in expected lard production is equivalent, in terms of soybeans, to a crush of more than 25 million bushels. It has enabled soybean processors to crush more heavily than originally seemed possible, despite some disappointments in export business. We would be hard put to guess what the behavior of fats and oils prices might have been if the early estimates of lard production had been realized.

Another aspect of this crop year (and a widely-discussed one) which will rank high among important market factors has been the big increase in foreign production of fats and oils, which almost wrecked the "free-dollar" export demand for U. S. cottonseed oil and brought about a sharp reduction in lard exports. Finally, and perhaps most spectacularly, was the upsurge in demand for soybean meal because of favorable feeding ratios, greater poultry production, and a phenomenal increase in supplement feeding to swine.

Now for some figures. We shall begin with the usual assumption that domestic *per capita* consumption of fats and oils is practically constant from one crop year to another. On this basis we can place the total domestic disappearance of all fats and oils for food purposes at 7,410 million lbs. during the 1957–58 crop year. This is slightly above the comparable figure of 7,300 million lbs. for last year because of the population increase. Of this demand we shall estimate that 1,070 million lbs. will be satisfied by butter [1] (compared with 1,077 million lbs. last year) and that 260 million lbs. will be satisfied by the food uses of the so-called "nonfood" fats [1] (compared with 246 million lbs. last year). These figures are based on trends which seem to have developed so far in the year. With 1,330 million lbs. of this projected demand taken care of, there remain 6,080 million lbs. to be satisfied by our familiar "food fats"—cottonseed oil, soybean oil, lard, and "other." [1] This however is only the domestic demand for food uses and is far from being the total demand. We must add to it the domestic demand for our food fats in nonfood uses.[1] This we will estimate at 451 million lbs., compared with 440 million lbs. last year. The slight increase is caused by higher refining losses which more than offset an expected decrease in the use of soybean oil in paints and varnish.

We must also add to the demand figures the export [1] demand. This we shall place at 1,589 million lbs., down sharply from the figure of 1,949 million last year, primarily because of significant decreases in exports of lard, peanut oil, and cottonseed oil. It might be a good time to reduce the above to a table.

[1] See footnotes to Table I.

TABLE I

Demand for Fats and Oils, 1956–57 and 1957–58 [a]

Year beginning October 1	1956		1957 [a]	
	(mym. lbs.)		*(mym. lbs.)*	
Total domestic demand all fats and oils for food	7,300		7,410	
Less domestic consumption butter [b]	1,077		1,070	
Less domestic use nonfood fats [c] for food	246		260	
Balance, domestic demand for food to be satisfied by food fats [d]		5,977		6,080
Plus domestic demand for food fats in nonfood products [e]		440		451
Plus export demand [f]				
Lard	588		450	
Cottonseed oil	423		265	
Soybean oil	808		765	
"Other" food fats (except corn oil)	39		15	
Manufactured products and corn oil	91		94	
Total exports		1,949		1,589
Total demand for food fats [d]		8,366		8,120

[a] Estimated. [b] Fat content. Commercial production. [c] Principally coconut and palm-kernel oils. [d] Lard, soybean oil, cottonseed oil, and "other" (peanut oil, corn oil, olive oil, and edible beef fats). [e] Principally soybean oil in paints and varnish. Includes refining losses. [f] Includes shipments to Puerto Rico and U. S. possessions.

In the above table the sharp reduction in cottonseed oil exports is primarily attributable to the increased availability of African (and more recently, Indian) peanut oil, which has reduced German and Dutch demand for U. S. oils virtually to zero. The decline in lard exports results from a much smaller volume of business with Yugoslavia and increased local production in Canada and in northern Europe. The poorer over-all export demand this year is solely responsible for the fact that the total demand arrived at in the last line of Table I is only 8,120 myn. lbs. compared with 8,366 myn. last year.

Supplies

In determining how this demand would be satisfied, it used to be a safe procedure to estimate the production of lard, cottonseed oil, and "other" food fats and to use whatever amount remained as the portion which would have to be satisfied by soybean oil. It was possible in this way to estimate the total soybean crush on the basis of this demand for soybean oil. This year however we believe that the need for soybean meal will result in a slightly higher crush than would be necessary to satisfy the demand for oil, and on this assumption we are estimating the total soybean crush at 344 million bushels, which would result in a soybean oil production of about 3,690 million lbs. So far as lard is concerned, we have no reason to quarrel with the U.S.D.A.'s recent estimate that it will fall 150 million

[2] These figures are not the same as those quoted from the U.S.D.A. at the beginning of this discussion since theirs include estimates for home production on farms and ours do not.

TABLE II

Food Fats and Oils [a] Supply and Demand 1956–57 and 1957–58

Year beginning October 1	1956		1957	
	(mym. lbs.)		*(mym. lbs.)*	
Beginning stocks, Oct. 1				
Lard	123		69	
Cottonseed oil	254		146	
Soybean oil	227		286	
"Other"	66		49	
Secondary products [b]	279		246	
Total stocks		949		796
Production				
Lard	2,427		2,275	
Cottonseed oil	1,622		1,475	
Soybean oil	3,431		3,690	
"Other"	684		664	
Total production		8,164		8,104
Imports [c]		49		51
Total supply		9,162		8,951
Total demand (from Table I)		8,366		8,120
Ending stocks, Sept. 30		796		831

[a] Lard, CSO, SBO, and "Other." [b] Includes deodorized, hydrogenated, winterized oils, shortening, margarine, and stearine. [c] Principally olive oil.

lbs. below last year, and we can therefore place it at 2,275 million lbs. compared with 2,427 million last year.[2] Production of cottonseed oil we shall estimate at 1,475 million lbs. compared with 1,622 last year. (This is based upon the assumption that the August-September period, which is actually new crop so far as cottonseed is concerned, will see a bigger production than the same two months in 1957 when very unfavorable harvesting weather retarded the flow of seed to mills.) To complete the picture and get ready for another table we need only to provide a figure for the production of the "other" food fats. This we will put at 664 million lbs., down slightly from the 684 million of 1956–57, primarily because of lower production of peanut oil.

Of the above indicated carry-over of 831 myn lbs. on September 30, 1958, we expect that most of this increase over last year will be in the form of soybean oil and some of it in the stocks of secondary products.

There have been some reports lately of new export deals under P.L. 480 for Turkey and Spain. We do not know if they will materialize, but if they do come about in time to result in shipments before October, we would have to revise upward from 765 myn. lbs. our estimate of soybean oil exports and reduce the ending stocks. Besides altering the figures, such export business would have the important effect of bringing the demand for soybean oil up to that for meal, at least temporarily.

Defines Olive-Oil Competition

THE PRIZE of 1 million lire (about $1,600) being offered by the International Olive Growers' Federation will be awarded to the author of the best original, practical method making possible the formal identification according to sample of 1) a virgin, or natural, olive oil; 2) a pure olive oil (mixture of virgin olive oil and refined olive oil, with the percentages indicating the limits of appraisal); 3) an olive oil containing a mixture with refined or re-esterified oils from olive husks (with the percentage indicating the limits of appraisal); and 4) a mixture of olive oil with an oil of another origin (with the percentage indicating all the possible components with the limits of appraisal).

The competition is announced by José Navarro y G. de Canales, general manager of the Federation. Entries must reach Sr. Navarro, Paseo Calvo Sotelo 25, Madrid, Spain, before October 30, 1958. They must be submitted in five copies, written in French, typed on one side only, double-spaced, on paper size 21 by 27.

Builds Public Tank Farm

A tank farm available to manufacturers, distributors, and shippers on a lease basis is under construction by the Memphis Mixed Products Terminal Corporation on an 11-acre site on President's Island, one and one-half miles from downtown Memphis and linked to the mainland by a causeway. Tanks are being built to specification as contracts for their use are received.

Chemicals, vegetable and animal oils, and acids are among the liquids which will be stored at the tank farm. Rail, barge, and truck line services are available right to the tanks.

Codes Tank Cars by Color

A COLOR CODING SYSTEM that will immediately identify the type of service for which tank cars are used has been adopted by the U. S. Industrial Chemicals Company, New York.

Twelve different color arrangements have been worked out for the tank-car domes. A black dome will indicate sulfuric acid, maroon will indicate caustic soda, and so on. The tank itself will be painted black on light gray with the traditional U.S.I. oval in black and red.

Plans call for repainting the entire fleet of 900 tank cars.