• *Report on Fats and Oils*

Soybean Pattern of Strength and Weakness Repeated

The pattern of strength in the price of soybean meal and weakness in that of soybean oil which became so familiar in the last crop year has emerged again in this one. The basic reason for these price trends is the same as it was last year, namely, a demand for meal which was better than that for oil or at least appeared to be. It's not that the oil wasn't all used up, because it was. It's simply that most of the time the outlook for meal demand has been better than that for oil.

At the present time the demand for meal for the present crop year looks pretty good. Both poultry and swine numbers (the biggest soybean-meal consumers) are well above last year and will probably remain higher for several months, providing a ready market for a big production of meal. It is not so easy however to see exactly where a correspondingly big production of soybean oil will go. We don't doubt that it will go somewhere or that exports will be very large, but there aren't many people around who can give you much of an idea right now where that export business will develop in sufficient volume to dispose of the supplies. The weakness in oil prices reflects this uncertainty.

Something like this must be watched pretty closely to avoid following an apparently sound line of reasoning beyond its logical conclusion. The person who said a few months ago that the outlook for a good meal demand and an uncertain oil demand implied strength in the former and weakness in the latter has had his argument confirmed. The mere fact however that the demand for meal still looks good and that for oil is still uncertain does not mean that the price of oil will go to zero while meal approaches infinity. The original thesis was that some weakness in oil and strength in meal might be necessary to enlarge the demand for the former and diminish that for the latter and thereby bring them more in balance. This must have been at least partly accomplished. Whether or not it has been entirely accomplished remains to be seen.

Now that the price of oil is lower, it is a little bit easier to see the possibility of demand materializing in certain areas than it was earlier. Furthermore an artificial factor, in the form of U.S.D.A. purchases of cottonseed oil, has been injected in the picture to improve the outlook for soybean oil demand. The decline in the whole United States fats and oils price structure in recent months has been rather severe while some important oils in world markets (principally coconut and peanut) have been firm. This in itself has improved the export outlook for U. S. products. (Something had to.) It is not certain that soybean oil itself will be the direct beneficiary of this development, but it stands to benefit indirectly if cottonseed oil and lard enjoy a greater export demand. The more of these last two which move into world trade, the greater the need for soybean oil to satisfy the domestic requirements.

The artificial factor mentioned above is one which is difficult to evaluate but will probably have at least the temporary effect of improving the demand for soybean oil. Through the operation of its cottonseed support program the U.S.D.A. has bought about 185 million lbs. of cottonseed oil, most of which will be delivered to them in the next few months. Exactly what will be done with this oil is, at this writing, still a matter of conjecture; but for a while, at least, it will not be available for domestic use. The isolation of this much cottonseed oil will work to improve the demand for soybean oil in the domestic market.

There is one other way in which the price decline in soybean oil works to increase demand, and it is a rather simple, direct one compared to those mentioned above. Most of the export business in soybean oil is done through Public Law 480, and purchase authorizations under this law are written in terms of dollars rather than pounds of oil. After a 10% decrease in the price of oil has occurred, a given number of dollars will buy more oil than it would have at the former price.

Well, perhaps the above factors combined still won't bring the total export and domestic demand for soybean oil in this crop year up to the level of the meal demand, but they will probably make some progress in that direction. With the prospects for meal still good, the burden of proof may be on the oil a little longer.

The U.S.D.A. has so far in this year issued one purchase authorization to Spain under P. L. 480, reissued to Poland the unused part of last year's authorization, and signed some agreements of a small to medium size with other countries. The big deal however will be with Spain, as it was last year. It is understood that U.S.D.A. and Spanish officials have been working on this program for some time, and guesses about the size of the program have ranged from 150 to 250 thousand tons. Needless to say, this business is vital to the oil markets in this country, and developments will be watched closely. Last year the Spanish P. L. 480 agreement encountered delays which kept the market in a state of anticipation for more than six months. In the meantime stocks of soybean oil mounted to record levels in this country so that by the time the business was done it was strictly anticlimactic. This year there doesn't seem to be any general doubt among traders that it will again come in due time, but there does seem to be a feeling among traders that there is nothing to be lost by being from Missouri.

R. D. Willemin Sr., Merrill Lynch, Pierce, Fenner, and Smith Inc., Chicago, Ill.

Figures Highest Since March 1957

Production of fatty acids in October 1958 totalled 40.8 million pounds, of which 5.7 million pounds were tall oil fatty acids in the "less than 2% rosin category." Types split from animal and vegetable fats totalled 35.2 million pounds, compared with 31.1 million pounds in September 1958 and with 34.3 million pounds in October 1957.

Fatty acid disposition in October was 41.1 million pounds against 39.0 million pounds in September. October disposition of fatty acids from tall oil (as defined above) was 5.5 million pounds. Disposition of other types was 35.5 million pounds in October as compared with 33.0 million pounds in September and with 32.5 million pounds last year.

The October disposition figure of 35.5 million pounds for animal and vegetable fatty acids (excluding tall oil types) is the highest figure since March 1957.

Finished goods inventories were 30.7 million pounds at the end of October with no change from the September 30 level. Work-in-process stocks rose slightly from last month.

• *35 Years Ago*

Thirteen past presidents and the current president of the American Oil Chemists' Society each contributed a New Year's message to the January 1924 issue of the Chemists' Section of the Cotton Oil Press.

David Wesson wrote an article for the Chemists' Section entitled "Some Unsuspected Factors in the Rancidity Problem."

In the annual report of the Bureau of Chemistry the three sections of particular interest to oil and fat chemists were "Proteins," "Vegetable Oils," and "Fires in Cotton Gins and Cotton Oil Mills."