• *Report on Fats and Oils*

Whither New Crop Prices?

As PLANTING TIME APPROACHES, the attention of the market becomes concentrated on new crop factors. A little more certainty is beginning to appear.

Soybeans. Farmers have indicated intentions to plant 23.2 million acres, down 1.7 million from last year. This might be increased slightly but is unlikely to decrease. The applying of a three-year yield average to probable harvested acreage indicates production of about 506 million bushels. Add to this a carry-over of 75 to 80 million bushels, and it becomes obvious that we will not have shown much improvement in the supply situation *vis-á-vis* this past year (crop 574 million plus 20 million carry-over). This is true despite a 24¢ lower support price. Last year's supply situation resulted in November futures closing out at about the national average loan while at this writing (early April) November futures are 30¢ above the new national average loan. Bean prices therefore seem to indicate trader feeling that either indicated acreage will not be planted or else yields as good as the three-year average will not be obtained. On the other hand, apparent crush margin (see April issue) is not at all unfavorable, allowing for a substantial discount under futures for early movement beans. At present such a discount seems likely to occur.

Cottonseed. Moisture conditions in the cotton belt are excellent. Given decent weather, yields might well approach last year's record. They will not equal it because of the land that was in the soil bank last year and is back to cotton this year is not top-yield land. Heavy fertilization probably will not overcome this. At any rate we should produce around 15 million bales of cotton. This in turn will mean seed crushings of roughly 5¾ million tons *vs.* probably 4¼ million tons this year. The additional crush will yield around 500 million more pounds of oil. Coupled with this increase in production is a $7-per-ton cut in the support price for cottonseed. Not all of this cut is going to be taken out of oil values, of course, but the price at which CCC will buy oil next year, assuming they do, should be below the 11¢ per pound price of this year.

Animal Fats. Spring farrowings and intentions to farrow for June–August both show increases over last year that indicate for the crop year lard production may well be 8–10% over this year. Only a sudden reversal in feeding ratios will prevent this increase.

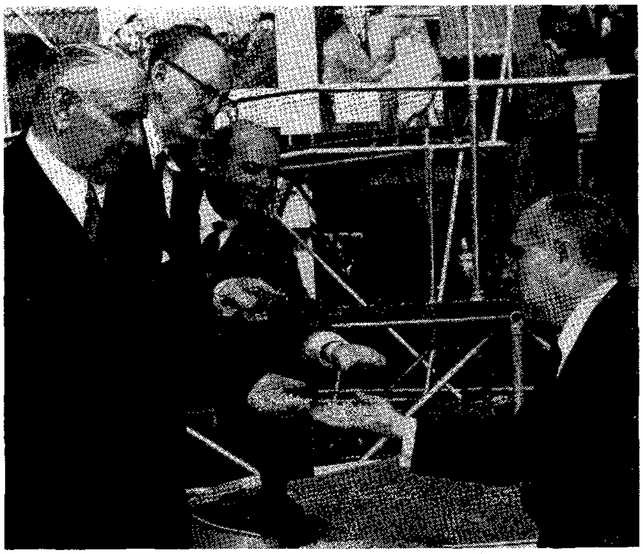
High cattle numbers indicate substantial increases in cattle marketings in 1959–1960.

Other. There seems to be no reason to expect cuts in peanut production, and price support levels have been set so as not actively to discourage butter production.

Imports. The remarkable insensitivity of U.S.A. buyers to high prices for high lauric oils this year, because of reluctance to change formulas, indicates that imports of lauric oils will be large.

General Comment. At present it appears that considerable difficulty will be experienced in moving all of this supply into consumption. Were the big increase in beans instead of cottonseed, we would be inclined to say that the carry-over of beans would simply pile up farther. However the cottonseed will all be utilized. At the same time the enormous and expanding animal population will keep the demand for soybean meal quite high. (Increased production of cottonseed meal does not satisfy feeding demands for nonruminant animals.) The relationship of oil to meal, disregarding beans, indicates sentiment favoring general crush reduction rather than a demand stronger for meal than oil.

Demand. At this stage it is always easier to see the supply side than the demand side. Often unforeseen demand appears. For example, there was tremendous buying of CCC cottonseed oil by the big European consumer this year. Whether such buying will appear again presumably depends upon the price action of competing oils as well as whether there was an element of stock-piling in this year's buying. (Nervousness over Berlin?) The year 1960 is scheduled to be an "on" year for the Mediterranean olive crop.



Discussing the high qualities of U. S. soybeans, particularly the use of soybean meal in balanced livestock and poultry rations, are Bartolo Maymone, president, National Livestock Experimental Station, Rome; J. R. Smyth, head, Poultry Science Department, University of Maine; Dialma Balasini, Agricultural Inspector, Verona; and Dominic Marcello, director for Italy, Soybean Council of America. For the past two years a mobile exhibit sponsored by the U. S. Department of Agriculture, the Soybean Council of America, and the Grain Producers Association, has been appearing at Italian Agricultural Fairs.

There is a limit to the amount of oil that we can pour (no pun) into Europe, PL 480 or not. The expected increases in world peanut and copra shipments have not taken place. If supplies of these items continue short, then increasing world demand will help the United States sell oil. Chinese production is, of course, uncertain, and we do not have any ideas as to what motivates their marketing decisions. Apparent defaults this year cast considerable doubt on exports next year.

Domestic disappearance per person is not likely to change much from the 45.4 pounds (fat content) of 1957–1958. Some increase in total consumption is, of course, certain on account of rising population. Revised business conditions should help nonfood uses of food fats somewhat.

After all these pessimistic comments we must, in order to be fair, list possible factors which singly or in combinations could change the picture: upset in Berlin (or somewhere); bean acreage and/or yield below our expectations; cotton and seed yield cut by weather; liquidation of animal population as a result of unfavorable feeding ratios (This would cut bean crush and perhaps lard production.); high world oil prices that would increase free dollar demand; raising support prices on beans and/or cottonseed (This would not change the supply but would change the prices at which oils would move into consumption.).

JAMES S. MCHALE, Merrill Lynch, Pierce, Fenner, and Smith Inc., Chicago, Ill.

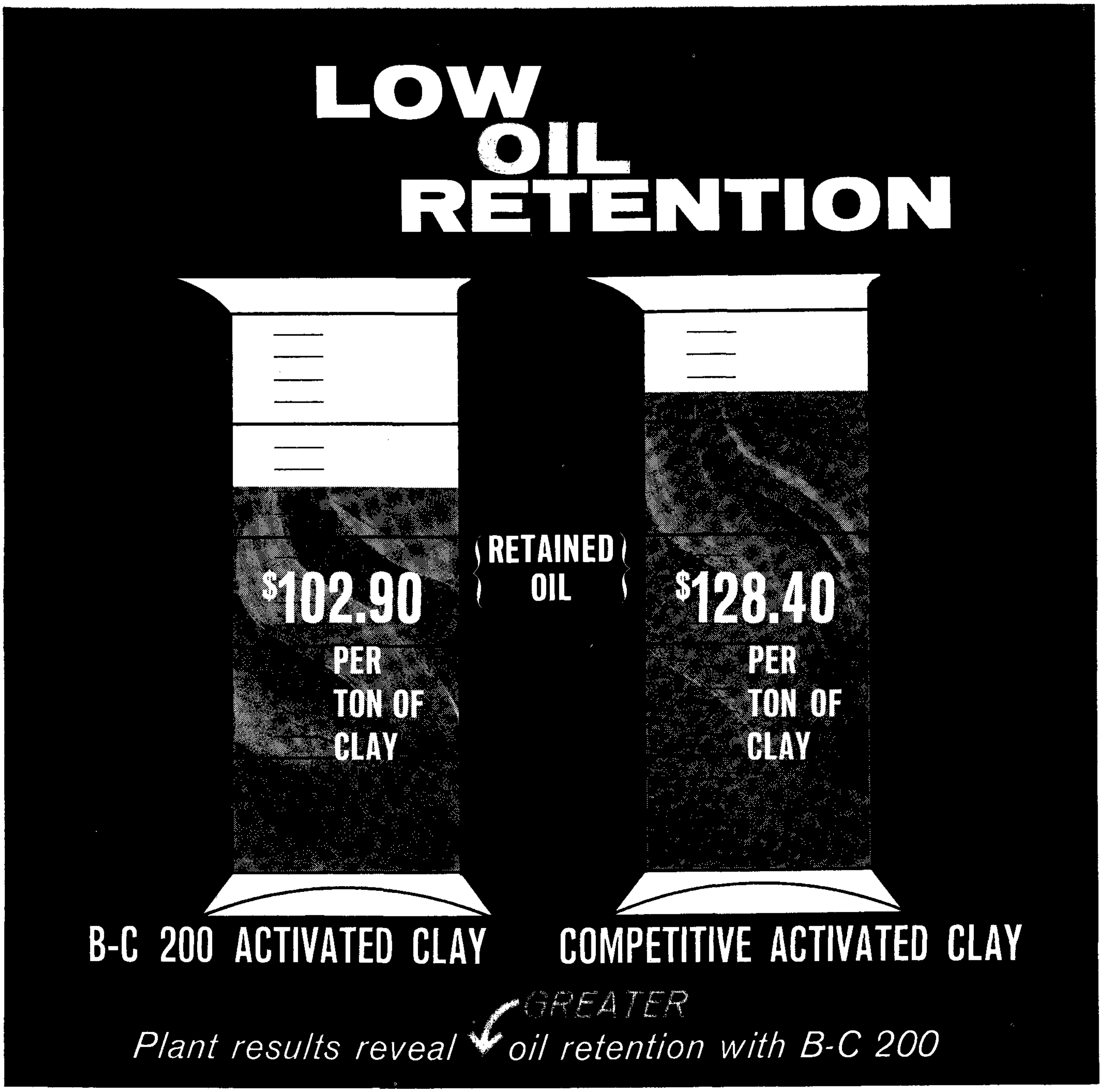
• *A.O.C.S. Commentary*

(Continued from page 5)

so that we may enhance our financial solidity, 3. extend our influence by cooperation with other societies in work of mutual interest, 4. encourage academic research and the training of skilled professionals in our field of activity, 5. keep high our professional standards and ethics, and 6. keep A.O.C.S. the warm, friendly society that it always has been.

I am humbly grateful for the honor as serving as your president. To my successor, Norris Embree, and his Governing Board, I extend my congratulations and hearty best wishes for a successful year.

J. C. KONEN, Archer-Daniels-Midland Company, Minneapolis, Minn.



% OIL RETAINED
(Clay As Charged Basis)

PLANT	B-C 200	COMP. CLAY
A	36.4%	42.8%
B	31.8%	42.9%
C	35.3%	46.6%
D	38.4%	46.6%
E	29.8%	35.3%
Ave. 5 Plants	34.3%	42.8%

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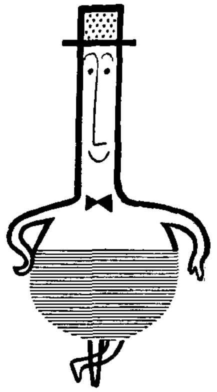


Meetings

A.O.C.S. National Meetings

1959—Los Angeles, Statler Hilton hotel, September 28–30

1960—Dallas, Baker hotel, April 4–6
New York, The New Yorker, October 17–19

1961—St. Louis, Sheraton-Jefferson hotel, May 1–3
Chicago, November 6–8

1962—New Orleans, Roosevelt hotel, May 7–9
Toronto, Royal York hotel, October 2–4

1963—Atlanta
Minneapolis

A.O.C.S. Section Meetings

North Central—March 25, and May 27, 1959, at the Builders' club, Chicago, 6:30 p.m.

Northeast—first Tuesday of February, April, and June, 1959, at Whyte's Restaurant, New York, 6 p.m.

Northern California—May, September, and November at selected places

Southwest—second Thursday of every other month, beginning January 8, 1959, at Rodger Young Auditorium, Los Angeles, 6:30 p.m.

Other Organizations

May 18–20—Fifth National Symposium, Instrumental Methods of Analysis, Instrument Society of America, Hotel Shamrock Hilton, Houston, Tex.

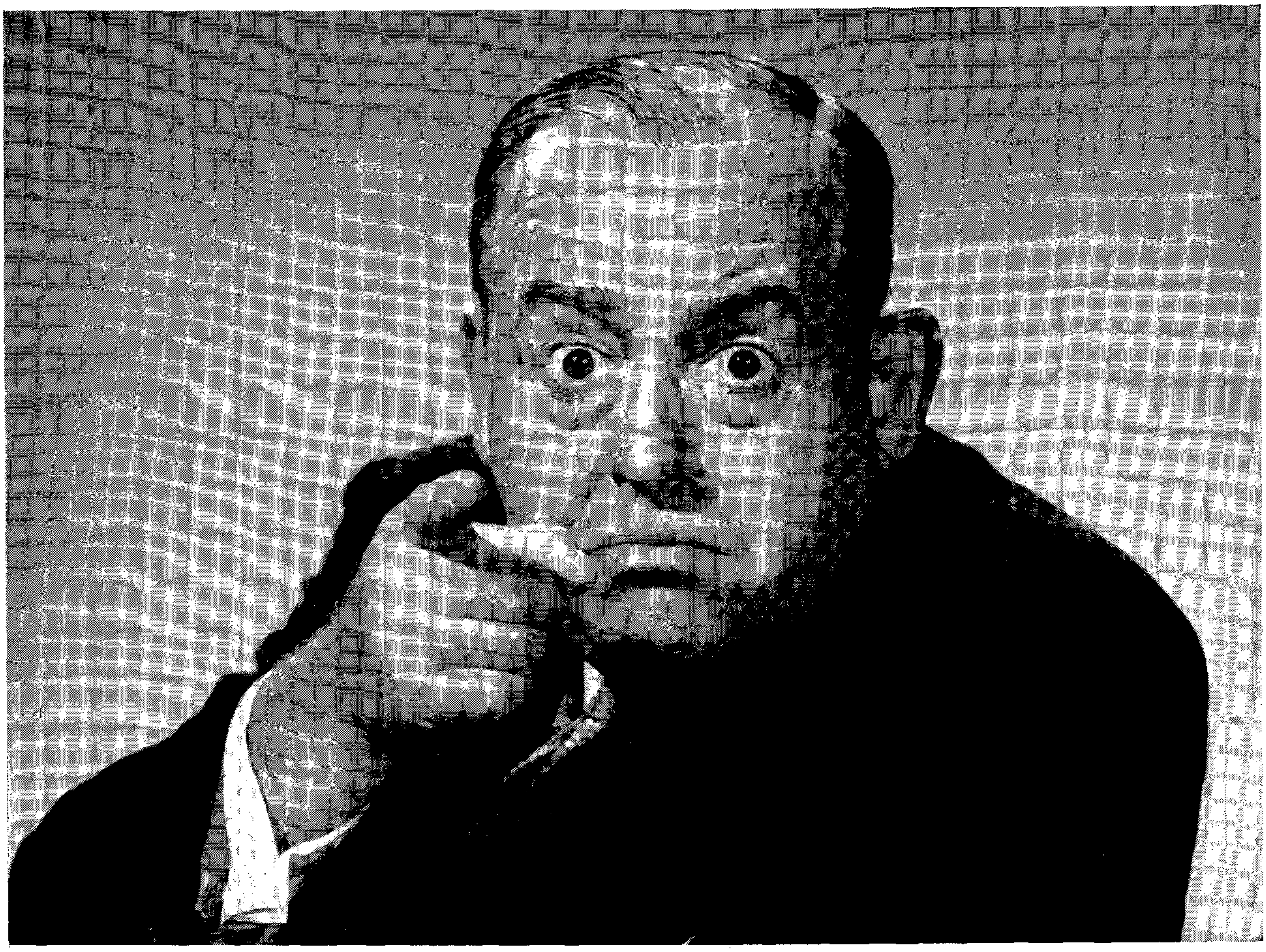
May 25–27—42nd Annual Conference, Chemical Institute of Canada, Halifax, N.S.

June 10–12—Second International Symposium on Gas Chromatography, Instrument Society of America, East Lansing, Mich.

To Work on Methods

A new subcommittee to select methods that will be required in the analysis of feed grade fats has been established by V. C. Mehlenbacher, chairman of the Fat Analysis Committee, and approved by J. C. Konen, president, American Oil Chemists' Society. This will work jointly with the Association of Official Agricultural Chemists.

Personnel are F. W. Quackenbush, Purdue University, Lafayette, Ind., chairman; T. F. Waters, Procter and Gamble Company, Cincinnati; T. J. Potts, Ralston-Purina Company, St. Louis; D. L. Henry, Law and Company, Atlanta, Ga.; V. C. Mehlenbacher, Swift and Company, Chicago; M. P. Etheredge, Mississippi State Chemical Laboratory, State College, Miss.; Gardner Kirsten, Food and Drug Administration, New York; and David Firestone, Food and Drug Administration, Washington, D. C.



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