

• Report on Fats and Oils

How to Miss the Boat

QUITE FREQUENTLY we Americans are likely to forget that there are other countries in the world. The fats and oils trade is perhaps less likely to do so than some other fields of endeavor because of the ever-present PL 480. However it is often easy to overlook what is happening beyond our shores. All year long the domestic market has been filled with bearish talk. Supplies—present and prospective—appeared burdensome. CCC cottonseed oil stocks looked big, and top CCC officials publicly threatened to break the cottonseed oil price line in order to move some oil for export. Delays in shipment and delays in buying harassed PL 480 traders. Exporters and dealers undercut the market by huge amounts in order to get “short” big packages of oil overseas. All the talk from other primary producing-areas forecast substantial crops of edible oil seeds.

About the only items that paid no attention to this talk were copra and coconut oil. They just kept climbing. Since U. S. imports of copra and coconut oil were not cut at all by the sensational price advance (they were actually up slightly) and world production was way down, it was obvious that other consuming countries were feeling the pinch. In 1958 West Germany, for example, turned very strongly to peanuts (up 58,000 metric tons) and peanut oil (up 25,000 metric tons) and rapeseed (up 60,000 metric tons) and away from copra (down 88,000 metric tons) and coconut oil (down 10,000 metric tons). At the same time (and this is the point that we and others missed) West Germany cottonseed imports were down 17,000 metric tons, cottonseed oil imports were down 70,000 metric tons, and her soybean oil imports were down 22,000 metric tons. This trend continued through February. Now with changes in other German fats and oils and oilseed imports relatively balanced, it should have been obvious that West Germany either was liquidating an enormous overstock or would shortly have to become a buyer of oil. In addition,

oils and oilseeds in Dutch bonded warehouses in the final quarter of 1958 declined 70,000 metric tons, basis oil. However it came as a surprise when the big international consumer became a buyer of CCC crude cottonseed oil. At first this was put down to being only a mild eccentricity on the part of an often inscrutable firm. However before long they, with a little help, had picked up the entire CCC stock of crude and were beginning to chew into the refined. Apparently it occurred to very few people that this organization, world-wide in scope, was as close as any one group could be to the value of U. S. oils *vis-a-vis* the other oils freely available in the world; and that they realized that CCC cottonseed oil, crude and refined, was by all odds the cheapest oil available. Now all the CCC refined is gone.

ADDING FUEL TO THE FIRE was a continuation of dry weather in the Philippines during October-January, which raised the specter of another poor crop. Philippine exports through March failed to pick up. Malaya also was known to be hurt by the drought. Thus the very sharp decrease in 1958 world copra availability as compared with 1957 might not be relieved, especially if political unsettlement continued in Indonesia. Consumers can permit stocks to run down temporarily, but 1½ to 2 years are too long a time. In addition, there seems to be a rising trend in Philippine domestic consumption of coconut oil, and this may also be true in other Southeast Asia countries. If this trend is maintained, it just puts that much more pressure on Western buyers for probably only Thailand has the potential of increasing substantially indigenous production of oilseeds. Fragmentary statistics from Mainland China lead one to believe that 1958 peanut production there was up some ¾ to 1 million metric tons from the 2¾ to 3 million metric tons of 1957. (Official figures still are six million metric tons, but this appears to be much too high.) Yield and production of peanuts, soybeans, sesame, and rape were up; how much is impossible to say. However Red China despite these gains has experienced difficulty in meeting her external trade commitments. Whether the troubles were caused by a breakdown in internal transport on account of unexpected problems stemming from the “great leap forward” is hard to say. (If transport is the crux of the problem, then later this year sales from this source could pick up sharply, especially if the 3½ plus million metric tons estimate should be low.) Sudanese cottonseed exports in 1958 totalled only 60,000 long tons *versus* 187,000 long tons in 1957. Mediterranean Basin olive production is now estimated at 1.05 million short tons by the U.S.D.A., 14% below last year and somewhat below early estimates. Unfavorable crop conditions accentuated the anticipated “off-year” decline in production on the North Shore while weather conditions were no better in the Eastern and Southern Shores “on-year.” Only Turkey showed a big increase over the year before. Sudanese new-crop peanut deliveries are up 110,000 metric tons, but Senegalese and Nigerian deliveries combined were down 274,000 metric tons. Weather in South America has been spectacularly unpleasant. Edible oilseed production has been seriously affected in Chile, Uruguay, and Argentina. Flood damage is apparently so extensive in Argentina that this country, normally a strong net exporter of edible oils, is about to receive a PL 480 authorization for purchase of 75,000 metric tons of U.S. edible oils. In addition, some of Argentina’s usual customers undoubtedly will be in the market for some United States oil.

The Argentine oil deal plus an U.S.D.A. forecast that Western Europe’s gross imports of fats, oils, and oilseeds in 1959 would be 15% above 1958 gave the market some fire. It was obvious to traders that smaller availabilities of copra, coconut oil, peanuts, peanut oil, and rapeseed would only be partly offset by increased purchases of palm oil, palm kernels, and palm kernel oil. There were two results of all this: old crop oils were stronger, and a lot of traders missed the boat. They missed it primarily because there were too many things to watch.

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