

• Report on Fats and Oils

An Unrigged Quiz Game

THE ANNUAL GUESSING GAME has begun in earnest. Pencils are moving fast in Washington, New York, and the vast unexplored areas to the West. The game involves setting up schedules as below and putting in one's personal guesses as to supply and disappearance figures (herewith mine).

TABLE A

Beans (myn bu)	1958-59	1959-60	Comments on the forecasts
Beginning stocks.....	21	62	<i>Partly new crop?</i>
Production.....	574	525	<i>Watch out for new est.</i>
Total supply.....	595	587	<i>"Ify" but should be close</i>
Crush.....	401	400	
Exports.....	110	125	
Seed and feed.....	30	30	<i>Might be low by a million</i>
Errors.....	DEF 8?	?	<i>Always tough</i>
Utilization.....	533	555	<i>Best guess</i>
Ending stocks.....	62	32	<i>Mostly CCC</i>

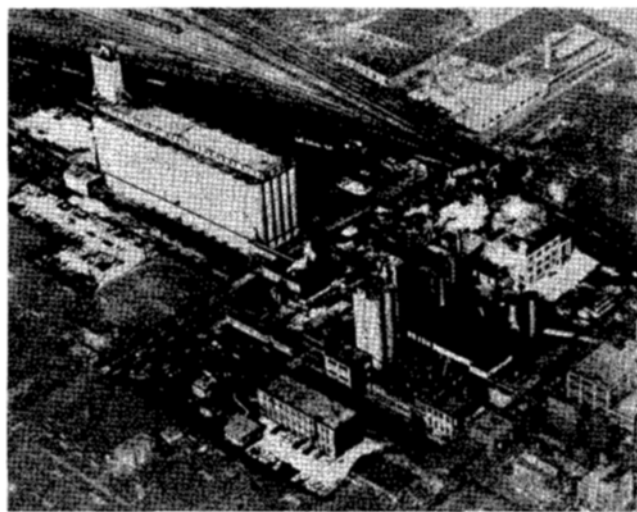
TABLE B

Stocks Oct. 1			
Oil-equivalent beans..	231	682	<i>Note possible error above</i>
Lard.....	48	93	<i>Census Bureau</i>
CSO.....	154	203	<i>Census Bureau</i>
SBO.....	281	298	<i>Census Bureau</i>
Production			
Lard.....	2,517	2,700	<i>Seems likely</i>
CSO.....	1,587	1,900	<i>Almost certain</i>
SBO.....	4,250	4,400	<i>11 lb. bu. oil yield</i>
Exports			
Lard.....	534	600	<i>Could be low</i>
CSO.....	404	600	<i>Shade high?</i>
SBO.....	930	600	<i>Shade low?</i>
Total.....	1,868	1,800	<i>Big olive crops</i>
Domestic consumption			
Lard.....	1,134	2,000	<i>Price-is-cheap</i>
CSO.....	1,936	1,300	<i>Spread to SBO is right</i>
SBO.....	3,304	3,300	<i>Something had to give</i>
Total.....	6,374	6,600	<i>Hard to see more</i>
End stocks			
Lard.....	93	193	<i>Exports probably low</i>
CSO.....	203	203	<i>Looks good</i>
SBO.....	298	798	<i>Oh-oh-looks too high</i>
Oil-equivalent beans..	682	352	<i>Oil may be here instead</i>

As you will note, everything went along quite well until we came to the end stocks figure. Here, particularly in SBO, all is not well. Naturally the temptation is to raise the export figure on some or all of these items. This would automatically tend to right the situation. However cold reality demands that we be extremely careful in doing so and probably prevents us from raising it sufficiently.

Inability to adjust figures too far from the above is the reason that oil prices have been weak and show no signs of turning up. It does not seem likely that we can stand an accumulation of quite these proportions, at least not if the oils are in the free market. We have had much bigger stocks before, notably 1952-1954, when CCC stocks of CSO reached pretty wild proportions. End-of-October Census Bureau oil stocks were nearly 3500 cars (basis refined) above a year earlier, two-thirds of this SBO. November and December probably saw more increase. This is a lot of oil, even admitting that oil exports will be much better later on in the crop year.

At present nearby discounts in SBO do not appear large enough to compensate crushers and refiners for holding oil stocks of this size. This is especially true for mills, the current margins of which are less than generous. If crush is not cut back in order to allow absorption of stocks, discounts might become wider. This is one way in which the crush margin can act as a stock regulator. This year meals have held up beans and cottonseed long enough so that most of the cottonseed and much of the bean crop will have been marketed at prices above support levels. Since cotton oil and lard production have very definite elements of compulsion in their final size, it seems likely at this time that we have to cut back the bean crush. This should help meal relatively more than oil and most probably would cause weakness in beans.



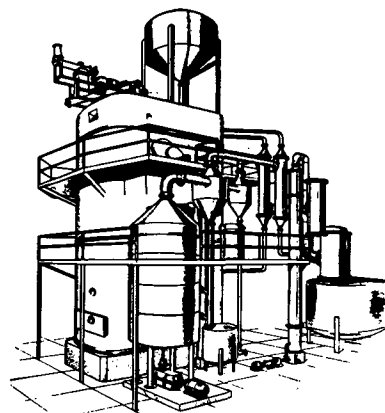
CHEMURGY DIVISION—The light brick building on the far right houses the recently completed Promine plant of the Central Soya Company in Chicago. It was dedicated October 27, 1959, as the nation's first isolated soya food protein plant and chemurgy laboratories. Home office is in Fort Wayne, Ind.

One alternative to reduced crush might be an U.S.D.A. purchase program for oils or oil-based shortening. This might be a little hard to justify as long as beans are over the loan and the loan is still available (especially since the CCC arm of the U.S.D.A. is SELLING beans at current prices). An attraction of an oil purchase program is that it would tend to keep meal prices down. In view of current moderately unfavorable feeding ratios, this is not an unimportant consideration.

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

SOLVENT EXTRACTION SYSTEMS

The country's leading processors of oil seeds have specified French Solvent Extraction Equipment again and again because of its versatility—ease of operation—economy—efficiency—safety—and finer and more profitable end products—all at no extra cost.

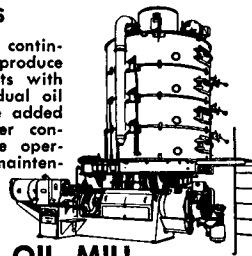


FRENCH

SPECIALISTS IN OIL MILLING EQUIPMENT SINCE 1900

SCREW PRESSES

High capacity French continuous screw presses produce highest quality products with exceptionally low residual oil in meal... plus the added benefits of low power consumption and full-time operation with minimum maintenance.



- French Rolls
- Box Presses
- Formers
- Valves
- Pumps
- Accumulators

THE FRENCH OIL MILL MACHINERY CO.

PIQUA, OHIO

U.S.A.