• *Report on Fats and Oils*

Ring Out the Old . . .

Soybeans are far and away the favorite trading medium in the fats, oils, and oilseeds field. Traders have favored beans for several reasons.

They are more liquid, and liquidity considerations alone keep some big traders wedded to beans. They have a consistent history of good moves. Chartists feel that formations are reliable. Bean crop reports give future production prospects, and a bean consumption estimate is not hard to work out. Oil and meal production and consumption estimates require more knowledge, information, and time than the average trader has.

As the last crop to be planted, there is always uncertainty over bean acreage. Bean crop reports and acreage estimates have not been as good as in other grains. This allows traders wide latitude in guessing what the next report will show. Statistics (weather, export inspections, visible supply, deliverable stocks, receipts and shipments, arrivals at terminals) are always fresh. Oil and meal statistics are always stale.

Bean prices respond to a wider range of factors than products (*e.g.,* weather; oil price and demand, both domestic and world; meal price and demand; Chinese bean production and sales; conversion both overseas and domestic; export prospects; loan level changes; loan entries and redemptions). On the other hand, oil and meal supply and demand (particularly domestic) are much more cut-and-dried. The multiplicity of potentially important factors causes analysts to arrive at opposite conclusions on price and to take opposite market positions.

THE SOYBEAN crop year that is now drawing to a close has been an interesting one from several standpoints. The market had some strong up-and-down moves as guesses shifted on acreage, yield, crush, and exports. Each of these factors stirred up considerable difference of opinion.

Oil was a dog for the first half of the season. Not only was export business slow in developing, but oil yields were surprisingly good. A further complication came from an apparent falling off in *per-capita* consumption of all fats and oils during the first six months of the season. (This may turn out to have been only inventory liquidation. However there is a feeling that something more basic may be coming into play.) During this same period meal demand was good as swine numbers were still high and exports were excellent because of the European drought.

Eventually oil export demand picked up, helped greatly by some windfall deals to Spain. Oil prices turned up. Meal demand however deteriorated due to lower swine farrowings, producer dissatisfaction with egg prices, and only fair broiler placements. Meal turned weak.

The reversals in product actions roughly coincided. As a result, there was almost no time when crushers could move quantities of both products at good prices.

Processor discomfort was compounded by speculative enthusiasm for the long side of bean futures. This stemmed from bullish forecasts from all sort of quarters, ranging down from official through semi-official and quasi-official to unofficial, uninformed, and unreliable. Farmers heard the same talk and held on to cash beans.

Fairly high beans and fairly low products are making this season the worst for crushers since the very dreary 1954–56 period (Figure 1).

Crush was not cut back as far as expected in response to the poor returns. Apparently crushers cannot or will not respond strongly to margin changes. Crushers are apparently willing to spread satisfactory conversion in futures, but only a few are willing (or able) to reverse in futures and postpone fixing. The few that did so this year will be the moneymakers for things are finally beginning to look up.

Speculators stayed in the market for an astoundingly long time in face of huge losses (four–five million dollars). All year long the "hope-springs-eternal" attitude was as apparent as ants at a picnic. Many of these longs are now in July and have as yet shown no real sign of liquidating.

It appears that the lessons of one year are not learned well enough to carry through to the next. July beans, at this point (June 8), are at the new season's low of 211½. Yet new crop months are selling at prices that indicate new July will be worth 220 or over. To me this is a surprising conclusion for several reasons. Barring very unusual weather, the new crop will be large and total supply will be a record. Conversion is worse in new crop months than in July. Bean exports will likely be smaller, and oil exports will likely be larger than this past season.

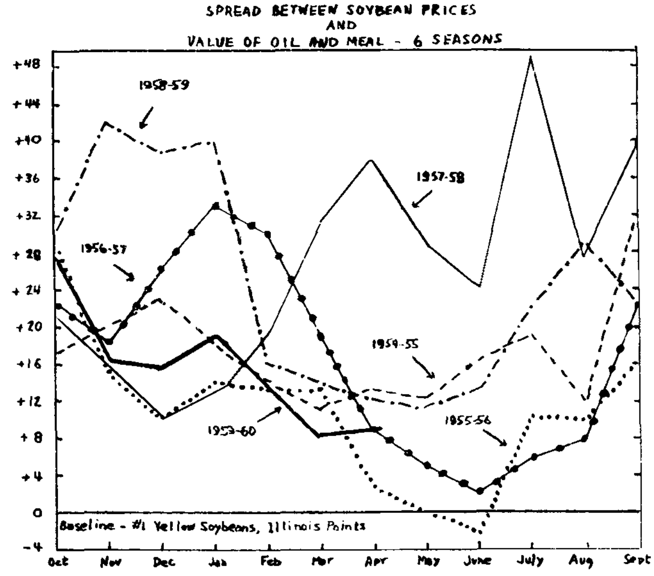

FIG. 1.

THIS is not to say that new crop beans are a sale at this point. We shall probably have our usual quota of baseless weather scares. It seems that the crop is "ruined" about three times yearly. Adjustments could come from breaking July or rallying new crop products. The point is that at this price new crop months are no bargain. Yet there has been no reverse spreading, and there has been the same sort of speculative buying that plagued the market this past season.

At any rate, this season has been a hard one for just about everyone except speculators. Crushers will be glad to see this year end. Me too.

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• *Names in the News*

Harold W. Schultz, head of the department of food and dairy technology, Oregon State College, Corvallis, has been named president-elect of the Institute of Food Technologists at the May meeting in San Francisco and will become president of the 1961 meeting in New York.

Henry J. Noebels, manager of application engineering, Scientific and Process Instruments Division, Beckman Instruments Inc., was a United States delegate to the first world-wide convention of the International Federation of Automatic Control, held in Moscow, Russia, from June 27 to July 6, 1960. He is director of the Analysis Instrumentation Division of the Instrument Society of America.

C. Olin Ball, staff member since 1949, has been named chairman of the Department of Food Science at the Agricultural Experiment Station, Rutgers University, New Brunswick, N. J. He is an editor emeritus of Food Technology.

Henry F. Payne, professor in charge of organic coating research and technology at the University of Florida, Gainesville, will present the annual Joseph J. Mattiello Memorial Lecture at the 38th annual meeting of the Federation of Societies for Paint Technology at the Hotel Sherman, Chicago, October 31–November 2. He will speak on the "Philosophy of Coatings."