

• Report on Fats and Oils

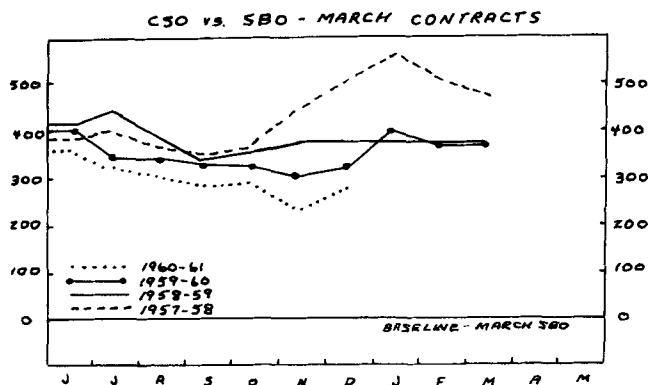
Too Close?

AS THIS is being written, exporters are preparing offers of CSO and SBO for the Spanish tender on December 13. There is a real possibility that for the first time in five years Spain will take a fair amount of CSO. The structure of the Spanish tender makes it necessary that PBSY CSO compete with degummed SBO. (Crude CSO is undesirable in Spain because there is no market for soapstock.) Interestingly enough, PBSY can compete on a price basis even though it is a semi-refined product whereas degummed SBO is only a high type of crude. Actually price is not the only consideration. Adulteration of olive oil by the addition of SBO is difficult to detect. Forcing the addition of CSO or sesame seed oil to the SBO when it arrives makes cheating much easier to uncover. Spain is determined to protect the reputation of her export olive oil. She is afraid that big imports of U.S.A. SBO are making overseas olive oil buyers suspicious. Unfortunately recent strength in CSO futures is advancing the premium of CSO over SBO and therefore decreasing its attractiveness except for the above-mentioned detection factor. However only a couple of weeks ago PBSY CSO could have been bought at about even money with crude degummed SBO FOB vessel gulf. Considering refining losses, especially in the batch refining methods employed in Spain, PBSY was cheaper.

You will note from the chart that the CSO-SBO spread is closer for this time of year than in other recent seasons. A number of factors have forced this. The most important is smaller buying of CSO than in other recent years by the big European consumer. This is due to resurgence in production and fall in price in both copra/coconut oil and peanuts/peanut oil. Exports of edible oils to Germany-Netherlands are expected to be down 100 million pounds or more to perhaps 275-300 million pounds. So far this European "Reluctant Dragon" has probably taken less than 40,000 metric tons of U.S.A. CSO. He is not expected back in the market in quantity until more precise ideas are gained as to the size of the African peanut crops, and maybe not then. The CSO market has missed this support, which is always helpful both statistically and psychologically. The next most important reason is that domestic refiners have been slower than expected in switching to CSO at these differences. This fall refiners in virtually the entire South and far West eagerly paid higher delivered prices for crude SBO than they did for crude CSO. This, in turn, may mean that the last couple of years there have been some unsuspectedly large gains in the acceptance of SBO by some old-line CSO users. This increased acceptance may have been masked by firm domestic CSO prices because of export demand.

ANOTHER depressing factor on CSO has been the appearance of large amounts of West Coast CSO in New York. The slow but inexorable westward movement of the cotton belt puts more excess CSO on the West Coast each year. This difficulty is compounded by weak ocean freights. This means that CSO can move to New York fairly cheaply, thus effectively going around many major consumption points. Since PBSY CSO in New York is the basis of the CSO futures contract, this means a small but nagging excess of "Position" oil.

At the same time that CSO export prospects looked grim, SBO exports began to look rosier. U.S.D.A. expects total CSO-SBO exports to be around 1.5 billion pounds, about unchanged from last year. Of this, Spain is expected to take nearly 600 million pounds, 40% of the total and up a fantastic 250 million pounds in one year. All of this was expected to be SBO. October CSO exports were only 12.7 myn pounds vs. 64.4 myn last year. This export outlook resulted in heavy speculative accumulation of SBO futures and a distinct lack of interest in CSO futures. As a result, CSO hedges have depressed CSO futures, perhaps unduly. There is a strong seasonality to the CSO-SBO spread. It tends to be at its weakest when seed is moving, *i.e.*, in late fall. CSO production tends to be very high early in the season as seed stores poorly. Beans, on the other hand,



store quite well, and month-to-month production of SBO is much more stable than that of CSO. Spread weakness tends to price large amounts of CSO into consumption both at home and abroad, potentially creating a mild scarcity late in the season. By the time this article is printed, we shall all know whether the price this year has been forced so cheap that even a traditional SBO buyer like Spain feels that CSO is underpriced. The spur of Spanish CSO buying (if they buy) may be sufficient to bring in better domestic CSO business. Considering all the emotional factors, it is hard to say whether prices were too close at the lows of a few weeks ago. My guess is that they were too close.

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

Fatty Acids

October production of fatty acids classified under Categories No. 1 to 12 totalled 39.4 million pounds, up 0.7 million pounds from September but down 6.1 million pounds from October 1959, according to the Fatty Acid Producers' Council, New York. Production of tall oil fatty acids as defined by Category No. 13 was 7.8 million pounds compared to 7.3 million pounds in September.

Disposition of all fatty acids, except Category No. 13, amounted to 43.0 million pounds compared to 42.0¹ million pounds (corrected) in September 1960, and 45.1 million pounds in October last year. For Category No. 13 disposition totalled 9.3 million pounds. Disposition, as a total of all types now in the census, was 52.3 million pounds in October versus 49.0¹ million pounds (corrected) the previous month.

Finished goods inventories for Categories No. 1 to 12 were 45.2 million pounds on October 31, down 1.7 million pounds from the September 30 level. Work-in-process stocks, as a total of all categories, was 21.3 million pounds, up 0.6 million pounds from the end of September.

¹Note: Totals have been adjusted to reflect a correction in September 1960 in the Category No. 12 captive consumption figure. This figure has been revised from 143,000 to 50,000 pounds. Category No. 12 September receipts have also been revised, from 69,000 to 163,000 pounds.

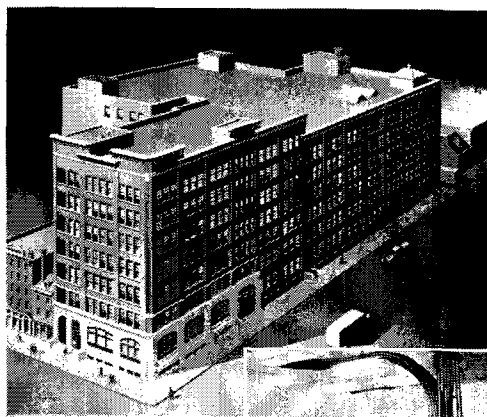
A.O.C.S. Commentary

(Continued from page 4)

digious amount of original literature covered by these two Journal services. Many other aspects of the Journal are also time-savers. Last week I wished to buy a certain piece of laboratory equipment and also needed prices on several items of proposed plant equipment. The advertising section quickly provided names of several suppliers on whom I knew I could rely.

Again I say, "time is precious." I would like to encourage each of our Journal readers to take full advantage of the time-saving features of the American Oil Chemists' Society. Also you will surely want to extend these privileges to some acquaintance or friend, associate or colleague, by inviting him to join the Society—now! A handy application blank is printed on page 20.

A. R. BALDWIN, editor, J.A.O.C.S.



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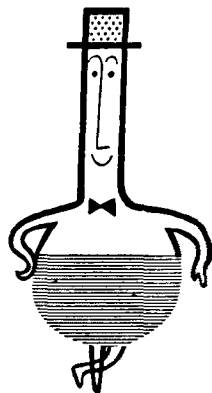
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Meetings

A.O.C.S. National Meetings

1961—St. Louis, Sheraton-Jefferson hotel, May 1-3
Chicago, Pick-Congress hotel, October 30-31, November 1
1962—New Orleans, Roosevelt hotel, May 7-9
Toronto, Royal York hotel, October 2-4
1963—Atlanta, Atlanta Biltmore Hotel, April 22-24
Minneapolis, Radisson hotel, September 30-October 2

A.O.C.S. Section Meetings

North Central—bi-monthly at the Builders' club, Chicago, 6:30 p.m.
Northeast—first Tuesday of February, April, and June, 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, at Rodger Young Auditorium, Los Angeles, 6:30 p.m.

Other Organizations

January 17-19—Winter Instrument-Automation Conference and Exhibit, Instrument Society of America, Sheraton-Jefferson hotel, St. Louis, Mo.
January 30-February 3—American Society for Testing Materials Committee Week, Netherland Hilton hotel, Cincinnati, O.
February 20-23—46th Annual Meeting of the Technical Association of the Pulp and Paper Industry, Hotel Commodore, New York, N. Y.
March 27-31—The 1961 Symposium on Temperature—Its Measurement and Control in Science and Industry in Columbus, O., sponsored by American Institute of Physics, Instrument Society of America, and National Bureau of Standards.
June 26-27—5th Annual Conference on Vacuum Metallurgy, American Vacuum Society, University Heights Campus, New York University, N. Y.
August 13-18—International Symposium on Micro-chemical Techniques, Pennsylvania State University, University Park, Penn.

Form Chemical Group

The Southeastern Texas Section of the American Chemical Society announces the formation of a polymer chemistry group of 61 charter members representing 27 Gulf Coast companies.

Schedule Courses

Three courses in Applied Microscopy will be offered for 1961 by McCrone Research Institute, 449 East 31st street, Chicago 16, Ill. Each will be three weeks long and will cover optics, photomicrography, micrometry, crystallography, fusion methods, and the application of the microscope in fields of air pollution, forensic science, and synthetic fibers. The schedule follows: March 6-24, San Francisco, Arthur D. Little Inc.; June 26-July 7, London, England; July 10-28, Chicago.