

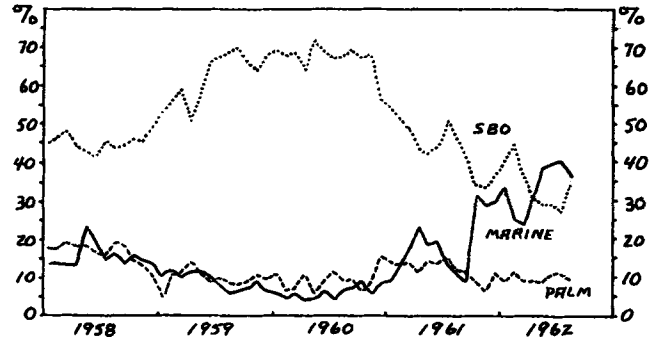
North of the 49th Parallel

FROM TIME-TO-TIME we have noted that price influences create back and forth substitutions between various oils. This is true both in the U.S.A. and the world markets. In the U.S.A., the range of available oils is fairly small. In the world market, the range of oils is much wider. Unfortunately, the direction and amount of the substitutions in most world-sensitive markets are difficult to follow. Statistics on the fat portion of most European oil products is fragmentary or not available.

There is, however, one market that is partly sensitive to world oil prices and is easy to follow. That market is Canada. Buying by refiners there is extremely responsive to price. The duty structure makes available to Canadian buyers a fairly wide range of international oils at net landed prices not greatly dissimilar from those in other import nations. Although the countries that supply Canada are not generally main suppliers to other international markets, all supplier countries are subject to pretty much the same influences. For instance, Canadian coconut oil comes from Ceylon and Malaya and thus is partly insulated from Philippine and Indonesian prices due to the preferential tariff and high quality. However, extreme weakness in Philippine or Indonesian coconut oil prices will carry down Ceylonese and Malayan. Extreme weakness in U.S.A. soybean oil will certainly weaken Canadian since Canada imports U.S.A. soybean oil.

It is an exaggeration to say that Canada is the world oil market in miniature. However, if you do view it that way, you will understand more about both the Canadian market and the world market. The resemblance of the Canadian to the world market is less pronounced in shortening than in margarine. In shortening, the primary fat, and almost always the cheapest fat, is domestic edible tallow. As in most slaughter fats, its production is cyclical. At high points of the slaughter cycle, tallow prices are weak. For instance, this summer Canadian edible tallow was so weak that it could be moved to Chicago, duty paid, more attractively than it could be sold domestically. Then prices rallied very sharply. Lard, another slaughter fat, is

CANADIAN CONSUMPTION OF OILS IN MARGARINE MONTHLY AS PERCENT OF TOTAL OIL IN MARGARINE



even more cyclical but the top of the cycle will be stopped by the cost of U.S.A. lard plus duty and freight. Also, shortening is different from margarine in that a higher percent of shortening sales are in branded products. This means very cheap fish oil will not be used.

Canada is a regular importer of soybean oil, cottonseed oil, and lard from the U.S.A.

	1961/62	1960/61	1959/60	1958/59
	(millions of pounds)			
Soybean oil.....	18*	24	37	30
Cottonseed oil.....	30*	43	44	18
Lard.....	22*	23	15	3

* Estimates.

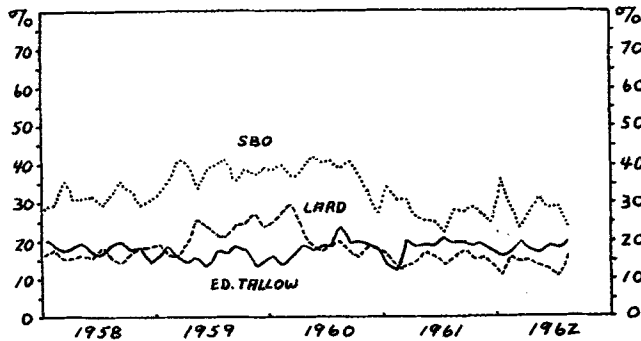
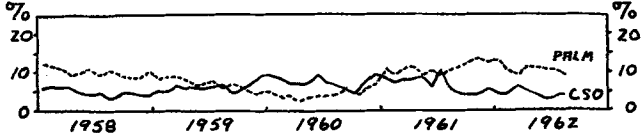
These fats come in despite a substantial duty and despite the fact that the Canadian crusher brings in oil in a sense duty free in the form of duty-free beans.

	British preference	Most favored nation	Other
Lard.....	1½¢/lb	1¾¢/lb	2¢/lb
SBO.....	15%	20%	25%
CSO.....	Free	10%	10%
Fish oil.....	15%	20%	25% USA 17½%
Palm and PK.....	Free	10%	10%
CCNO.....	Free	10%	10%
PNO.....	Free	10%	10%
Beans.....	Free	Free	2¢/lb
Meal.....	15%	20%	25%
Tallow.....	Free	17½%	20%

When U.S.A. oil prices are held far above their world values, the Canadian crusher, who does not get the benefit of P.L. 480 and "Food for Peace" bolstering of oil prices, must sell his oil cheaply to compete with low-priced international oils. The big utilization of marine oils has been almost all Icelandic herring, British Columbian herring, and U.S.A. East Coast menhaden. There have been intermittent efforts to sell South African pilchard and Peruvian fish oil into Canada but most without success. Canadian oil refiners and manufacturers are justly proud of the remarkably high-quality products that they make from fish oil and are not disposed to take additional quality risks. These other origin fish oils can present such risks. At present, fish oil goes only into the lower priced margarines that compete on a pure price basis. Some day, they may go into the second line margarines, but this does not appear to be

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CANADIAN CONSUMPTION OF OILS IN SHORTENING MONTHLY AS PERCENT OF TOTAL OIL IN SHORTENING





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imminent. Currently, the brands that contain fish oil probably contain 50% fish as percent of total fat. Other vegetable oil on the chart is largely rapeseed oil.

You will note in the margarine charts that during 1960 when coconut oil turned very strong, utilization of coconut oil in margarine disappeared. A high Unilever official recently stated that in 1958 when Philippine copra was £66 a number of margarine factories were using coconut oil for up to 28.6% of the total fat charge. By December, 1958, copra had risen to £90 and consequently the proportion of coconut oil declined to 2.4%. A subsequent rise to £100 reduced it to 1.2%. After the price declined to £76 in September, 1960, it rose to 10.9% and subsequently to 17.4% in 1961 after a further price decline. So the Canadian response is similar to that abroad. At that time, Canadian soybean oil usage increased sharply. During 1961 when U.S.A. soybean oil and cottonseed oil prices soared and fish oil prices collapsed, Canadian utilization of U.S.A. oils turned down and there has not been much subsequent recovery. Presumably, there will not be as long as U.S.A. prices do not fully reflect the general world weakness in oil prices.

A major factor in world oil weakness has been the fish oil-fish meal complex. The economies and pressures in the fish situation are too complicated to discuss here. However, cheap fish oil is a problem that will be with us indefinitely and this will complicate U.S.A. oil sales to Canada.

If you know someone who lives in Canada get them to send you a pound of fish oil base margarine. The quality is excellent. You will be surprised what goes on north of the 49th parallel.

JAMES E. McHALE
Merrill Lynch, Pierce, Fenner & Smith
Incorporated

• *New Products*

CURTIS & TOMPKINS, LTD., San Francisco, Calif., has announced that, due to the increased use of refined vegetable oils and fats, the company has produced a bomb or zone sampler of stainless steel, as shown under the AOCS Official Method Cl-47.

HAYWARD INDUSTRIES, Costa Mesa, Calif., has introduced a new type of filter which is completely automatic. There is no pre-coating required of the filter, and can be used for clarification, and for high solids removal.

BLUE M ELECTRIC Co., Blue Island, Ill., has released the Blue M Stabil-Therm Convection Oven, which achieves more stable constant temperatures because it circulates tempered air horizontally across working chamber to produce more uniform heat distribution and equalization.

FISHER SCIENTIFIC Co., Pittsburgh, Pa., now offers a new model Fisher Flowmeter 63, with interchangeable tubes and floats that cover a wide range. Also new for this universally-used apparatus, is the fast effortless snap-in changing of tubes.

ROGER GILMONT INSTRUMENTS, INC., New York, N.Y., has developed Shielded Flowmeters, in order to extend the use of RGI calibrated and correlated flowmeters to systems which cannot tolerate exposed glass.

STEPAN CHEMICAL Co., Northfield, Ill., has announced the development of a new non-ionic surfactant called Makon NF-5, that provides excellent detergency with virtually no foam. The product is ideal for mechanical dish-washing, dairy cleaning, bottle washing, and metal cleaning compounds.

ROTRON CONTROLS CORP., Woodstock, N.Y., released the operating and technical specifications on the Model BTI Base Temperature Index, a temperature compensating totalizer for use with all Rotron Flowmeters.