• *Report on Fats and Oils*

Bitter Butter Battle

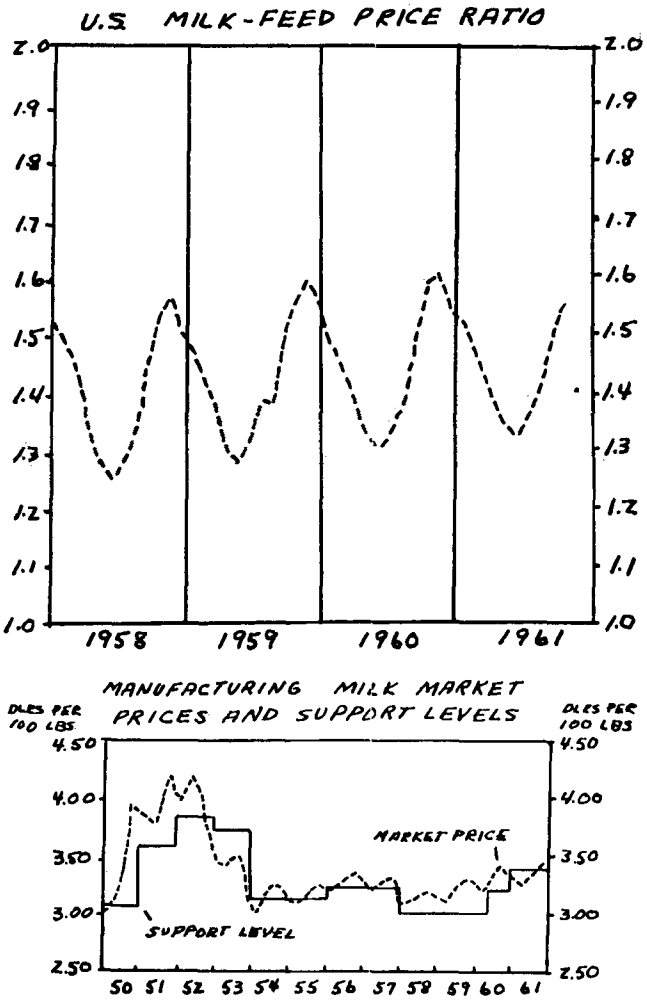
AMONG THE interesting elements contained in the President's Farm Message was a suggested dollar limitation on milk support outlays and a threat of a severe price drop if stiff quotas and penalties are not approved. This points up the possibilities of a steadily worsening milk support situation.

Those of us in the edible oil trade are inclined to look at butter only since it is the competitor of margarine. However, the most important thing to remember about the 'butter situation" is that cows give milk, they do not give butter. This may seem to be belaboring the obvious but it's not. A "butter situation" does not exist. What does exist is the "beef/feed; milk/feed; fluid milk; milkfat; cream; non-fat milk; milk solids; cheese; butter situation." Obviously this complicates analysis considerably.

J. E. McHale

Milk production is currently running well ahead of a year ago—a continuation of a trend that began in late 1960 and picked up considerable momentum in 1961. A record high for fluid milk production is likely to be set in 1962 unless the above mentioned quotas are applied. A big 1961 increase in milk/feed profitability (the big production determinant) had to be expected in view of deliberate USDA pressure to lower feed prices and two successive increases in milk supports (see Charts 1 and 2). The milk support problems of USDA have been aggravated by several pronounced shifts in recent years in the economics and the marketing of milk. Per capita fluid milk consumption has been drifting steadily lower. Butter use has also suffered badly. While total milk production moved up only 5% from 1950 to 1960, the use of solids not fat, for human consumption, increased 26%. The increased use of solids-not-fat was made possible by a strong shift from marketing farm-separated cream to marketing whole milk. By doing so the farmer got a much better price for his skim milk than under the old method wherein he "sold" it to himself as an animal feed. The rise in SBM availability helped this. In the past several years aggregate use of milkfat in fluid items was maintained by population growth. In 1961, however, a significant decrease of milkfat in fluid occurred possibly due to the same cholesterol worries that have caused the upset in the edible oil trade in the last two years.

Price-support-caused increase in milk production coupled with lower use of milk solids in fluid items increased sharply the amount of milk moving into price-supported manufactured items such as butter, cheese, non-fat dry milk, and solids-not-fat. Indications are that both the upward production trend and the increased CCC accumulation will continue strongly into at least the first half of 1962, barring quotas. So CCC is going to have another substantial disposal problem on its hands although the $300 million limitation will ease the problem. Undoubtedly, there will be eventually a considerable overseas aid movement—especially of butter. Thus while the American housewife buys margarine largely because it is cheaper than the "70 cent spread," she pays taxes so that people elsewhere in the world can enjoy the "70 cent spread." As we noted some months ago, a similar anomaly exists in shortening where overseas relief recipients get 80-20 SBO-CSO shortening and the U. S. housewife often gets one made with lower-priced animal fat components. At any rate, industry and USDA problems in the butter field are likely to grow larger in the years ahead. As the quality of herds improves, very large increases in per-cow production are likely to take place. Fluid milk and butter use are likely to remain on the defensive. As the average size of individual herds is still increasing and the number of herds is decreasing, those herdsmen remaining in the business will very likely be the better operators, i.e., those most likely to take hold of every scientific and genetic advancement. Despite dairying having become a pretty highly specialized venture, beef facilities and dairy facilities still lend themselves more readily to back-and-forth switching than do either to any other type of agricultural endeavor. Thus changes in the beef/feed relationship are second only to changes in the milk/feed relationship as determinants of shifts in direction and magnitude of milk production. Also a high absolute price for canner and cutter cows has some effect since it determines the "scrap" value of a depreciated but producing asset. The cheese-butter relationship can also be an important factor in butter analysis. Starting in late 1960, the demand for cheese has shown a considerably stronger trend than the demand for butter. Consequently, cheese manufacturer bids were high enough for some time to hold some milk out of butter plants. (How cheese consumption is or is not determined by high meat prices is a separate argument. At any rate, this cheese demand finally faded and butter began to back up. The 35 Market butter storage figures on January 27 were 180 million lb versus 56 million lb on the comparable date a year earlier. Of course, the fluid milk supports and USDA purchase price of 60½ cents (Chicago) will prevent this butter from ever competing with our old friend margarine. Elsewhere in the world margarine and butter are bitterly competetive.



There seems to be no reason to suppose that dairy farmers will reject quotas although to many the $300 million

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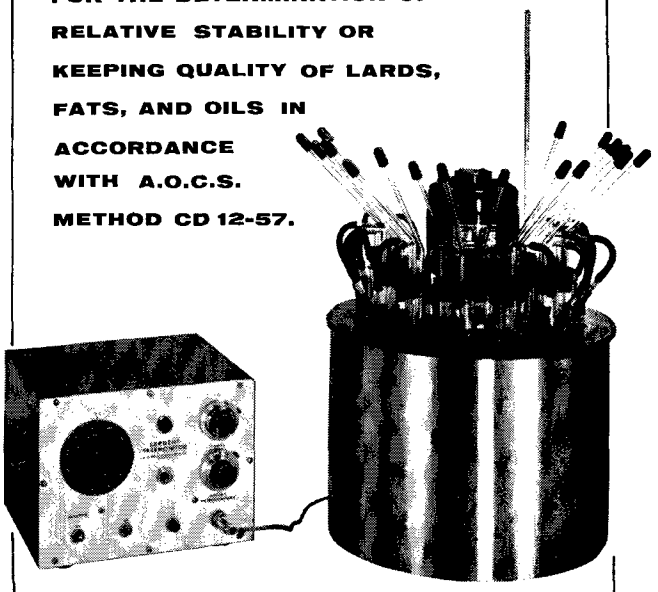

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A.O.C.S. Commentary

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United States. It is especially the gateway to Central and South America. A visit to the International Trade Mart is worth your time. In the port there are impressive facilities for the unloading of cars, storage, and shiploading of soybeans.

The processing of oil seeds and the production of edible oils and fats is an important segment of industry represented by the plants of Armour, Swift, and Wesson Oil and Snowdrift companies. In the area there are great petrochemical complexes, and producers of natural gas, oil, sulfur, and salt. The well known Southern Utilization Research and Development Division of the U.S.D.A. is out on Robert E. Lee Boulevard.

The convention program committee has prepared two symposia: on chemical modification and on methodology. There is much to be gained from the technical sessions that are being offered. So come prepared to take advantage of these, and allow some extra time to see those attractions of the old and of the modern New Orleans which may appeal to you.

More Research on Peanut Chemistry Sought

A potentially large new outlet for their products was suggested to leaders of the peanut industry at a utilization research conference in New Orleans Jan. 15-16. Representatives of the industry in turn urged more research on the chemistry of peanuts as a basis for improving quality of the products now in use.

The conference was held at the Southern Regional Research Laboratory, USDA, with 66 members of the peanut industry, state and federal research workers, and others interested in peanut processing and utilization participating.

A potentially important new outlet for peanuts was suggested as a source of protein. A. M. Altschul, Chief Research Chemist of the Seed Protein Pioneering Research Laboratory, described results of investigations into the structure and chemistry of the peanut, the applicability of these results to other oilseeds, and their potential value to the peanut industry. He then referred to the growing importance of vegetable protein in supplying the needs of the world population, and the suitability of peanuts as a source of protein for both man and animal nutrition.

Max Milner, of the Food Conservation Division of UNICEF, stressed protein shortage as the world's greatest nutritional problem. He said that in clinical trials peanut protein in the proper formulations had proved as effective as milk in preventing the symptoms of protein deficiency.

J. W. Phenix, of the Food Division of Procter and Gamble Co., Cincinnati, Ohio, speaking on "Peanut Quality and the Finished Product," keynoted the current research problems of the peanut processing industry.

A. A. Woodham, of Rowett Institute, Edinburgh, Scotland, who is working at the Southern Division as a visiting research scientist, discussed the importance of peanut meal as a protein supplement for livestock and poultry feeds in the U. K.

S. R. Rao, of the Regional Research Laboratory in India, who is stationed at the Southern Division in New Orleans on an assignment from UNICEF, said that while India is the world's largest producer of peanuts, heretofore most of the residue from oil extraction has been used as fertilizer. Efforts are now being made to modernize oil extraction methods, which should increase the output of peanut residue suitable for human consumption.

Bitter Butter Battle

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limitation may sound ominous. If quotas are rejected, the "70 cent spread" might well become another very differently priced spread. If this happens then margarine may be in for a bitter butter battle.

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