• *Report on Fats and Oils*

Summer Salad Season Means Miserable Margarine Movement

April 6, 1962

WE ARE ENTERING the season of the year when margarine and shortening salesmen might as well go fishing. (See charts 2 and 4 which represent factory production. Retail is not much different.) However, this is the busiest time of year for salad oil salesmen. (Chart 3). These are some of the regularly recurring "product seasonal" patterns in the oil industry. They are, perhaps, not as dramatic and certainly not as well known as the price seasonals. These latter are mostly the result of inability to store the raw products. This results in a necessity for storage and usage pricing. In general, these "product seasonals" are the result of strongly ingrained American dietary patterns. No amount of "loss leader" or "twofer" pricing will upset the tendencies. These dietary patterns seem to revolve around the reluctance of the housewife to deep-fry or bake in the summer at anywhere near the winter rate. You will have to make your own decision as to whether this is a question of desire to stay out of a hot kitchen, a greater tendency to eat away from home, a greater tendency to cook outside, or a physiological reduction in the need for calories to maintain body warmth that results in an unconscious refusal to accept fatty foods.

These tendencies seem to work as faithfully as clockwork although there are outside factors that can mask them. For instance, the failure of salad oil to soar last summer was largely statistical as export-type soybean salad oil was produced at a high rate all year long and this disguised the usual seasonal. The increased trend toward year-round use of liquid oils may also have helped flatten the curve. Although the leading margarine components: soybean oil, cottonseed oil, corn oil are the same as the leading salad oil components, the market influences from the seasonal can still be significant. This is because corn oil and cotton oil are much more important in the salad oil complex than in the margarine complex in terms of pounds, in terms of percentages, and in terms of inflexible formulae. Thus, if salad oil should either boom or bust in any given season the influence on corn and cotton oils would be much greater than if margarine sales should boom or bust. The salad oil peak season coincides roughly with the time of year when cottonseed oil is moving into its annual short supply position. This sometimes hampers the competitive ability of cottonseed oil. The portions going to individual oils vary somewhat on a seasonal basis but one has to suspect that this is in large measure a result of price seasonals that shift the competitive positions. It is interesting that the same absolute price weakness results in varying responses in the individual products. Presumably, we are back to the question of inflexible formulae as well as to still other price patterns such as those in animal fats which can alter responses in shortening but not in salad oil.

We have omitted charting soybean oil because as we have mentioned here before, soybean oil is the great leveler of the shifts in the competitive positions of the other oils. In large measure, it simply takes the residual above the amounts not captured by its competitors.

We have not charted corn oil in margarine because it is too new and the numbers are still too fragmentary. By the way, corn oil seems to show some sort of seasonal tendency

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to increase as per cent of salad oil in the fall. Although there is a price seasonal in corn oil which appears to be vaguely related to both the corn price seasonal and to seasonal weakness in competing oils, there is not much divergence on its spread to other oils. Since wet corn milling is not a seasonal operation, I am not sure why this seasonal increase takes place. There must be some outside factor at work and it will be interesting to see if the same tendency eventually shows in margarine.

The actual final total influence of the "product seasonals" is limited in importance by the fact that total factory consumption of the three items does not vary anywhere near as widely as do the month-to-month items themselves. (See Chart 1) So, when salads are soaring, margarines are moping, the total goes rolling along.

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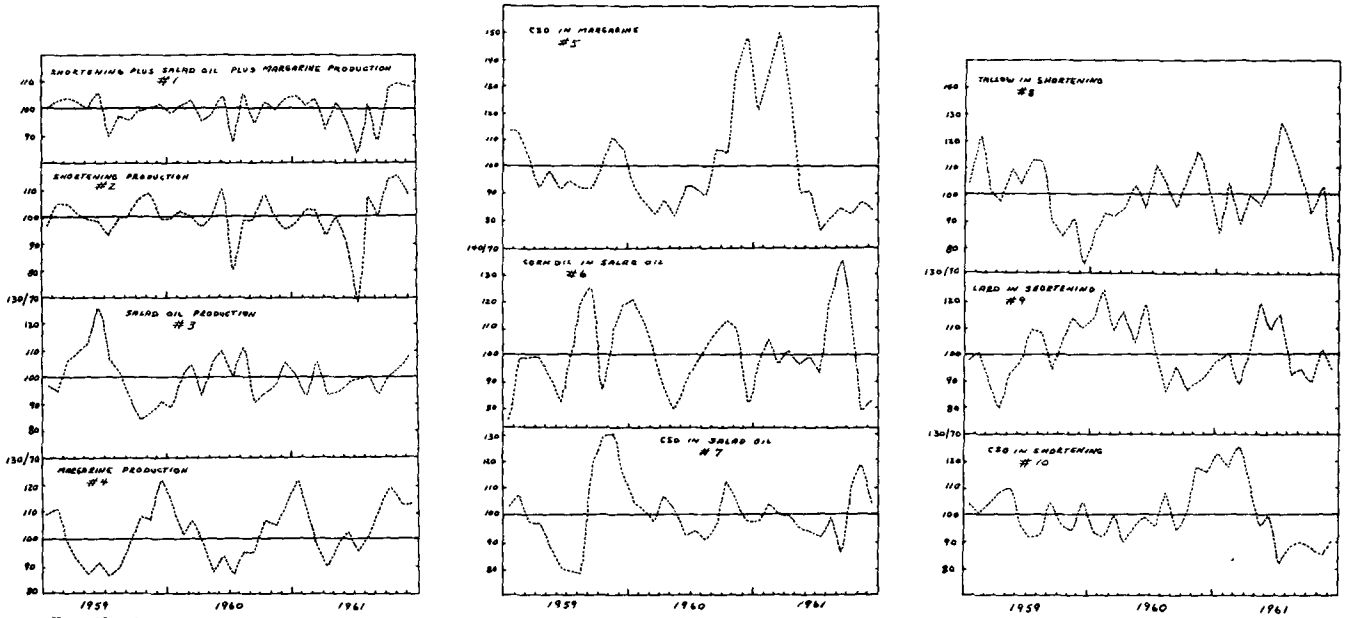

In all of these charts a monthly mean of the calendar year has been constructed. Then variations from the mean per cent (or mean production) have been plotted with the mean as 100.