THE SPECTACULAR DEPARTURE from the market of the big exporter may have spelled in a very real sense the end of an ear. He appeared to be brought down by 1) poor trading; 2) bad market analysis; and 3) an uneconomic position, i.e. an attempt at and/or an expectation of further inflation of price of an item that was already over inflated by poor government economics. In some ways, the last of these will be with us for quite a while. At any rate, his departure creates some short-term market problems, and points out some long-term ones.

The accumulation of his enormous position over a period of a couple of years strongly resembled a governmental operation, i.e. uneconomic inventorying to bolster prices. In his absence, this task must probably fall to the lot of the USDA. Unlike a business operation, the USDA has an almost inexhaustible source of funds in the form of the taxpayers purse. This means that uneconomic government operations do not necessarily have to end eventually as do private ones. The USDA internal assessment of their potential short-term and long-term involvement in oil accumulation will be necessary pretty soon. It is hard to tell if such a study will be taken with or without the usual USDA over-optimism about oil price and consumption prospects. This optimism reflects a long standing USDA abhorrence of high meal prices. This produces some wishful thinking and wishful forecasting about the portion of the bean price load that can be shouldered by oil. High meal, so the theory goes, would not be only a political liability in farm areas, but also makes no sense since high supported bean prices, that result mainly in higher meal prices, only take from the farmer with the left hand what was given to him by the right hand. The consumer in theory has no cause to complain about low meal-high oil since his higher purchase prices for fats and oils should be at least partly offset by lower meat purchase prices. There are, however, those who now feel that there have been so many structural changes in the feed industry and in animal agricultural methods, both here and abroad, that cheap meal is no longer the subsidy to the farmer that it once was. Cheap meal makes cheap chickens, a field in which no one but big corporate entities can compete successfully. Yet cheap chicken makes for cheap pork and cheap beef, areas where the farmer is still struggling to be successful.

One must admit, that valid or not, the thesis that cheap meal is no blessing is a good one to have around, as it sets the stage for some necessary hard thinking about the future of the meal vs. oil price relationship, and to what extent the USDA should intervene in the markets beyond simply supporting the bean price.

What has gradually developed is that because of high price supports the USA has become a residual supplier to the world of many agricultural products. These include meal for which there is an important and growing world residual, and oil for which the residual gap is not large and to an increasing extent is being covered by the oil content of exported beans. World effective protein demand is growing much more rapidly than the effective fat demand. Also the world oil demand is being supplied with oils and oil seeds of other origins, all of which seeds are higher in oil content and lower in protein content than are beans. It seems strange that beans, which have the lowest oil content of any major oil seed, should be the most leaned-on by this, but that is the result of non-market-pricing—a sociological free-choice which we have made. Climatically most of these other nations are probably permanently restricted to these high oil content crops.

Attempts to hold meal prices low for the apparent benefit of USA farmers and the probable benefit of USA feed industry have resulted in an increasing free dollar export meal demand. Given decent processor margins, this in turn will naturally force down oil prices by increasing oil production faster than oil consumption. In other than a free market economy the obvious solution would be restriction of, or taxation of meal exports or subsidization or oil exports. In a market economy which the USA resembles, price is expected to help accomplish the same purpose. The USA has chosen the alternative route of concessional movement of some oil, i.e. AID plus donations plus the various P.L. 480 titles. For a while this approach worked, but its effectiveness has faltered because new justifiable oil recipients have not been found as fast as USA oil production has increased, with the latter a function of meal demand. European complaints notwithstanding, there has been very little USDA "chiseling" as to definition of who is a justifiable oil recipient. Another facet of high oil prices-low meal prices is that they create a problem in statistical economics. That is, from an economists point of view, it is nearly impossible to construct a storage horizon for almost anything of high bulk, low price per pound and a seasonal production pattern. Disregarding the relative technical difficulty of storing meal vis-á-vis oil, rigid USDA oil-meal price policies have structurally encouraged oil storage which is likely to be economically fruitless, and discouraged meal storage which

(Continued on page 7)

We recall that the American Oil Chemists' Society was organized in New Orleans over fifty years ago. During these years the city has played an important part in the growth and development of the Society to its great international status of today. So once again, we return to the cradle of our history for our 55th Annual Meeting, to be held in the Roosevelt Hotel, April 19–22, 1964.

See you in New Orleans—This Spring.

Everything Points to Outstanding Technical Program

Four symposia are assured in the Technical Program for the New Orleans Meeting. Three of them will extend over two technical sessions of the meeting: "Tall Oil," organized by J. P. Krumbein; "Biodegradable Detergents," organized by M. E. Ginn and Eric Jungermann; and "Analysis of Unusual and Minor Constituents in Fats and Oils," assembled by the Technical Program Committee. A one-session symposium on "Thermal Oxidation and Polymerization in Fats" has been set up by M. R. Sahasrabudhe.

In addition, the program also will feature a number of contributed technical papers in the various fields of fats and oils research, such as Chemical Reactions, Soaps and Detergents, Processing and Utilization, Biochemistry and Nutrition, Coatings and Polymers and General Properties of Fats and Oils.

The New Orleans Technical Program Committee, H. P. Dupuy, *Chairman*, with the able assistance of many other members of the Society, has been organizing this material for the past several months. Everything points to an outstanding 55th Annual Meeting.

The Committee plans to present a complete outline of the program in the March issue of the Journal.

Ladies' Program to Feature a City of Contrasts and Three Centuries of History

In planning an outstanding program for the enjoyment of ladies attending the forthcoming AOCS Meeting, the Ladies' Entertainment Committee, under the leadership of Mrs. H. L. E. Vix, has selected a theme which depicts New Orleans . . . A City of Contrasts . . . a blend of yesterday's events and today's industrial and urban developments.

Mrs. H. L. E. Vix

Nearly three centuries of history and tradition have left their mark here; on the other hand, this great metropolis today boasts of industry, agriculture, commerce and transportation. Much of the history of our country starts here. In contrast to other great U. S. cities, New Orleans has always been a "space city" . . . responsible over 160 years ago for the first great space project of our nation. In purchasing New Orleans from France for fifteen million dollars, President Jefferson gained with it enough land for the U. S. to carve out thirteen new states. The Place d' Armes (now Jackson Square) still possesses much of the physical grandeur that existed when the Louisiana Purchase took place here, Dec. 20, 1803. Yet today, only a few miles away, scientists, engineers and craftsmen are adding to the impact of changes in New Orleans, building stages for the Saturn Missile which will soon power man through space to the moon.

To capture much of this contrast, the Ladies' Program centers around each of the three centuries, with each day's events preceded by a Continental Breakfast at the Roosevelt.

Monday, April 20 will feature 18th Century New Orleans, a city of less than 10 thousand, and feeling the impact of a transfer from France to Spain. Much of this period's grandeur is still evident in the French Quarter, or Vieux Carre (Old Square). A guided walking tour, with narration, through this section will be climaxed by a French cuisine luncheon at the world-famous Brennan's Restaurant.

Tuesday, April 21 will highlight the New Orleans of the great modern metropolis of nearly one million people. Air-conditioned buses will tour many of the new suburban residential and business developments fringing the old city and will utilize the many modern bridges, over- and underpasses and freeways that quickly take one from the banks of the Mississippi River to the shores of Lake Pontchartrain. Luncheon will be served at the new Vista Shores Country Club on Bayou St. John, where a surprise entertainment awaits you.

Tuesday evening, the ladies are invited to attend the Banquet at the Roosevelt Hotel with their favorite escorts.

Wednesday, April 22 will focus attention on 19th Century New Orleans, when the population was between one hundred and two hundred thousand. One of the developments during this time was its lacing with a transportation system, comprised first of mule-drawn cars and later with the installation of electric trolleys. Two are still in operation.

In private trolley cars, you will tour the section depicting the city's growth during that century: Garden District, homes of the millionaires of that day, Audubon Park, Tulane and Loyola Universities, and the Carrollton section. The trip will be climaxed with a Coffee Party in the Cornstalk Room of Delmonico's Restaurant, a location existing one hundred years ago.

The Committee hopes to make your stay a mile-stone of enjoyment when they *see you in April.*

Through A Glass Darkly . . .

(Continued from page 4)

might under some conditions be profitable.

The market situation of the current season reflects some of these long term symptoms. Oil stocks have grown enormously in the past several years. Meal stocks have increased only slightly. A year and a half ago, analysts would have hooted at any suggestion that oil stocks would increase during the 1962–63 season to the extent that they did. Yet it happened, mostly because of exporter absorption of the excess oil. Currently USDA is anticipating a further very substantial expansion in commercially held oil stocks. Once again this seems to be a ridiculous forecast, but presumably it could happen under certain conditions of meal demand. The only problem is that it might require both weak prices and severe carrying charges, so severe as to present weird pricing problems into the old-new crop transition period. The flat price part of this oil pricing problem might be postponed if USDA should raise the support price or if we should have a relatively short crop next season, say 700 million bu or less. Postponement and solution of the total problem, however, are two very different things.

About the best that can be said for the oil market, is that the price is now low enough to encourage stockpiling overseas rather than exclusively at home as was the case in the 1962–63 season. The one hopeful factor for oil is that if European meal demand should turn out to be poor, then production of oil could be cut rather sharply. We know oil production can not be expanded as there are insufficient beans to allow much increase in crush, so strong meal can increase oil production only so far and no farther. Processor margins both current and in forward positions point strongly to a reduced crush. The main unknown seems to be the potential for meal sales to Enrope from mid-January on. After a sharp downturn European livestock numbers are now turning up again, particularly poultry where soymeal is a key item. The broiler industry in the USA is in its biennial trouble cycle but numbers have not yet fallen much. Lower USA pig numbers (down 5%) will hold that section of the feed business. It is difficult to separate the influence of weather from the influnce of trend as far as European demand is concerned. Certainly weather means more there than it does here, and another vicious winter (like the last two) should mean heavy consumption despite big production of feed grains and a heavy supply of unmillable wheat. Europe would have to turn to the USA for protein because other normal suppliers to Europe —Argentina, Peru, and Russia—also have less meal to sell. Also, rapeseed production is down everywhere.

As a basis for further guesses, we have to begin with meal consumption. (All tables are October 1 through September 30.) On the basis of bean supplies either E_2 or E_3 seem the most likely. Note that this is in a sense both a forecast of short meal supply due to low crush causing high meal price, and also a forecast that meal prices probably

TABLE I

	1961–62	1962–63
Domestic	9.2 million short tons	9.6 million short tons
Export	1.1 million short tons	1.5 million short tons
Total	10.3 million short tons	11.1 million short tons

TABLE II

	1963–64 E_1 low meal price $65 or less ETL	1963–64 E_2 middling meal price $70 or less ETL
Domestic	9.7 million short tons	9.5 million short tons
Export	1.6 million short tons	1.4 million short tons
Total	11.3 = 480 million crush	10.9 = 465 million crush
	1963–64 E_3 high meal price $75 or more ETL	
Domstic	9.4 million tons	
Export	1.3 million tons	
Total	10.7 million tons = 455 crush	

(Continued on page 20)

Through A Glass Darkly . . .

(Continued from page 7)

have to stay fairly high in order both to ration bean supplies and hold down oil production. Obviously a 20 million guess gap between high carryover and low carryover will make a considerable difference in late season prices. As the season progresses we should be able to tell whether crush and exports will fall toward the high or low side of the ranges or somewhere in between. In both cases the demand for protein will be the principal determinant of the position in the range. This assumes that the higher crush would produce weaker oil and heavier carrying charges, thus encouraging somewhat improved overseas movement, both for free dollars and by allowing the same number of P.L. 480 dollars to purchase more oil. The problem that the soybean oil market faces is not so much an increase in total stocks, but an increase in commercial stocks. It costs a good deal of money to carry a big national oil inventory, particularly the portion represented by the Board of Trade receipts. Unless there is a clear incentive to pay out the money there is widespread reluctance to do so. Therefore, we have to assume little ability for soybean oil prices to stage a major upturn without the appearance of some very substantial pieces of unexpected export business. It appears necessary that the USDA take over a considerable amount of cottonseed oil. It seems unlikely that commercial interests can or will hold a major increase in cottonseed oil stocks in addition to a major increase in commercially held soybean oil stocks. The incentive to do so is obscure, unless the bean support and consequently the seed support should be substantially increased.

The intervention price of USDA in cottoneed oil is an untested quantity since their margin allowance and formula calculation methods are both unknown. However, it should not be much below 8.5¢ west Texas vs. a current price of 9¢. Any substantial down-move in cottonseed meal would raise the oil buying price and conversely an up-move in cottonseed meal would lower the buying price.

TABLE III

Million Bu

	1962–63	1963–64
Carryin	58 million bu	15 million bu
Production	669 million bu	701 million bu
Excess pre 10/1 use	−10 million bu	0
Supply	717 million bu	716 million bu
Crush	475	455–465
Export	180	180–190
FSR	47	50– 50
USE	702	685–705
Carryout	15	31– 11

TABLE IV

Million Lb
The Soybean Oil Situation Based on 455 and 465 Million Crushers

	1962–63	1963–64
Carryin	620 million lb	920– 920 million lb
Production	5100 million lb	4950–5050 million lb
Supply	5720 million lb	5870–5970 million lb
Domestic	3650	3750–3750
Export	1150	1250–1350
	4800	5000–5100
Carryout	920	870– 870
Thereof exporter held	350	0– 0
Thereof commercial	570 million lb	870 million lb

TABLE V

Cottonseed Oil
Million Lb

	1962–1963	1963–64
Carryin	300	500
Production	1900	2000
Supply	2200	2500
Export	400	500
Domestic	1300	1400
	1700	1900
Carryout	500	600
Thereof exporter	200	0
Thereof USDA	0	200
Thereof commercial	300	400

TABLE VI

Lard—Million Lb

	1962–63	1963–64
Carryin	73	81
Production	2389	2300
Supply	2462	2381
Domestic	1874	1750
Export	507	550
Use	2381	2300
Carryout	81 million lb	81 million lb

Some of the expected improvement in domestic consumption of vegetable oil will stem from lower availability of lard. Production will be somewhat lower. Exports, mostly to the U.K., are likely to be larger due to reduced availability of marine oils and palm oil. The lard price, at 110% of crude soybean oil, is definitely on the high side of the historical range vs. soybean oil and is likely to stay high all season.

A modest increase can be expected in tallow production due to fairly high slaughter. However, a major portion of the slaughter increase has already taken place. This should result in reasonable price firmness, given no major additional weakness in vegetable oils. The export estimate assumes a fair movement to Russia although perhaps less than the 200 million lb of 1960–1961. This is because there apparently has been heavy animal slaughter there. This reduces pressure on short fodder supplies but results in short-term increased supplies of animal fats.

One of the most interesting and least assessable factors

(Continued on page 40)

Through A Glass Darkly . . .

(Continued from page 20)

TABLE VII

Tallow—Million Lb

	1962–63		1962–63	
Carryin		370		330
Production		3670		3750
Supply		4040		4080
Domestic	1970		2000	
Export	1740		1800	
Use		3710		3800
Carryout		330 million lb		280 million lb

that can influence oil and meal markets this year is in the marine oil-fish meal situation. Whale oil stocks are down. New Antarctic catch will not be available until April and production will be reduced. World fish oil and meal stocks are down sharply and the fish catch has been poor everywhere. Very little is known of the factors that influence fish catch and oil yield from processing so it is very hard to form any opinion as to when, and if, the catch and oil production will turn up. Certainly processing capacity has increased. Recent spectacular weak price action of soybean oil has about been matched by spectacular strength in fish oil. Fish oil prices, CIF Rotterdam, have gone from less than half of the soybean oil price to nearly even with soybean oil. This must operate to reduce fish oil demand and increase soybean oil demand. For instance in Canadian margarine the 50–55% fish oil figures of this summer may never be reached again, and a rapid decrease is likely.

It appears that 1964 will be an interesting year in our business. Unless the Russians appear in the oil market, oil is going to remain both in actual and psychological surplus. The amount of the surplus depends to some extent on the intensity of the world and domestic protein demand. Up to now protein demand has not been particularly encouraging to the oil bears and the meal bulls. Fat and oil prices are likely to stay under moderate pressure. The extent of the recent declines obviously limits very sharply the amount of the downside potential. In the latter half of the 1964 calendar, the development of certain new crop production prospects will be an active force in shaping market sentiment. These include particularly sunflower crops in East Europe and Russia, the USA soybean crop, rapeseed crops in Europe and Japan, oilseed crops in Argentina, and the world fish catch. European olive prospects probably will not be important as crops this year or so large that very substantial carryover increases are in prospect. It is too early to tell much about any of these. Except for the USA soybean crop, all of the seed crops were badly hurt by worse-than-normal weather. It is probably always an error to trade markets in expectation of weather better or worse than average. If we assume average weather for seed crops and an average increase in fish oil and meal production, then we probably have to assume less buoyant seed and protein markets in the second half of the calendar year.

The situation as outlined here is, of course, only as we see it now. Substantial changes in some or all of the numbers are possible, even likely, as the crop year progresses. The fascinating part about markets and their analysis is the need to be alert for changes in the time of events. There is a constant tendency in markets for the obscure to become clear and the clear to become obscure.

1964 Cumulative Index to Advertisers

American Mineral Spirits Company.....2nd Cover
The V. D. Anderson Company..... *
Barrow-Agee Laboratories, Inc..... 40
Beacon Chemical Industries..... 31
Bennett-Clark Company, Inc..... 35
R. J. Brown Company..... 29
Brookfield Engineering Laboratories, Inc..... 8
Consolidated Vacuum Corporation..... 20
Curtis & Tompkins, Ltd..... *
Distillation Product Industries.....14, 15
Eastman Chemical Products, Inc..... *
Extraction De Smet S.A..... *
F & M Scientific Corporation..... *
Forth Worth Laboratories..... 26
French Oil Mill Machinery Company..... *
Griffin Laboratories..... *
A. Gross & Company..... 18
Hahn Laboratories..... 22
Harshaw Chemical Company..... 3
Hercules Filter Corporation, Division of De Laval Separator Company..... 7
Hoffmann-LaRoche, Inc.....19, 23, 25
Houston Laboratories..... 30
Ing. Ballestra & Company..... 5
Johns-Mansville Corporation..... 27
Labconco..... 33
Law & Company..... 34
G. Mazzoni S.p.A..... 1
Morton Chemical Company.....4th Cover
Philadelphia Quartz Company..... 21
Phillips Petroleum Company.....3rd Cover
Chas. Pfizer & Company..... 11
Pilot Chemical Company..... 9
The Pope Testing Laboratories..... 36
E. H. Sargent & Company..... 37
Skelly Oil Company..... 32
Foster D. Snell Laboratories..... 28
Fred Stein Laboratories, Inc..... 34
Texas Testing Laboratories..... 24
Arthur H. Thomas Company..... 30
Union Carbide Corporation..... *
Universal Oil Products Company..... 36
Votator Division, Chemetron Corporation.....12, 13
Woodson-Tenent Laboratories..... 38
Wurster and Sanger, Inc.....16a, 16b

* Advertisement not in this issue.