

• *Fats and Oils Report . . .*

(Continued from page 256A)

on the value of beans in store at Chicago, while product futures are based on Decatur, Illinois values, but the trend representation is accurate. It should be mentioned, however, that crushers customarily use futures as a hedge so that whatever profits they realize from futures transactions become a part of the total profit equation. Thus it becomes possible for a crusher, at times, to secure only a modest profit, or no profit, from the actual crushing operation, but when the futures profit is added on there is a satisfactory return indeed.

The 1971 Crop Outlook

More than the usual uncertainty surround the soybean situation as we approach the 1971 crop. The carryover from the current season has been forecast to be only about 75 myn bushels on September 1, and new crop does not become available until late September. This could be a very tight situation. But more recently a carryover of at least 100 myn bushels has appeared to be more realistic since crush and export rates have fallen back from those seen earlier in the season. Now if part of this amount were in government hands it would be of no concern, but currently the government inventory has been liquidated. So all of it is in free supply and the grain trade will be willing to carry the excess into new crop year only at a carrying charge discount under November futures if new crop production looks adequate for the indicated demand.

There is one way, however, that the grain trade may escape the obligation of carrying the excess supply into new crop. It works this way: almost 23 myn bushels are still held by farmers in the re-seal loan program from the 1967 and 1968 crops. On July 31 those farmers holding title to those beans must decide whether to pay off the loan plus interest, or forfeit the beans to the government. If they can see no economic advantage to paying off the loan, they surely will surrender title. (Decision date for 1969 and 1970 crops in the loan program is June 30, but the break-even point on these is much lower due to a lower loan value and less interest cost, so they most certainly will be redeemed by farmers and sold into the market.) Meanwhile, much more will be known about the 1971 crop outlook. If the crop looks short of needs, then the market will be anxious to get all the supply into free hands and will bid up the price to keep them out of government inventory. If the crop looks ample, then there is no reason for the market to want any extra amount from previous years.

We can expect some additional acreage to be sown to soybeans, above the 3.2 myn acres increase shown in the March planting intentions report. In the first place, prices of new crop futures have never in the past 15 years been so high before planting time when farmers could be influenced to do something about it. Secondly, the new government farm program allows farmers more latitude to change between various crops, and some modifications in the program have been made since the planting intentions report was assembled. And third, if weather conditions conspire again to promote the probability of serious corn blight damage, there will likely be some corn acres switched to soybeans since beans can be planted later than corn. Therefore, we assume that soybean acreage will be increased by 4 to 5 myn acres over last year, which would be a total of about 48 myn acres planted.

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This would mean about 47 myn acres harvested, which would produce 1,270 myn bushels at 27 bushels per acre, vs. 1,136 myn last year. We could even see a reduction in demand for the reasons stated earlier, if other oilseed crops in other countries expand. Partially off-setting this, however, will be less lard competition, better broiler demand meaning better meal demand, and the possibility of less cottonseed oil and meal competition due to drought in part of the cotton area if that condition continues.

Thus, it is understandable why the market has been acting so nervously in past weeks. The situation is extremely sensitive and could respond with considerable vigor, depending upon the events of the next 60 to 90 days.

• *Local Section News . . .*

Northern California Section

The Northern California Section of the AOCS has elected new officers for 1971. They are:

Chairman—Glenn Fuller, Western Regional Research Laboratory

Program Chairman—D.A. Chace, Safety Stores, Inc.

Secretary—F.R. McKenna, CPC International, Inc.

Treasurer—Edward Kirschner, Pacific Vegetable Oil Corp.



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