International Association of Seed Crushers 1972 Congress: President's Review[1]

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I think I would express the sentiments of us all if I said that the past year since our meeting in Copenhagen has been one of eager anticipation of this year's Congress in Kyoto. In a country so noted for its hospitality, I am quite sure that our hosts will more than fulfill our highest expectations of a memorable Congress. I have already this morning commented on the significance of our Congress here in Japan—it is the first to be held in Asia; it is being held in a country noted for its dynamic economic performance, and it is one where the crushing industry has been expanding at a remarkable rate.

I take particular pride, however, in the fact that our meeting here points to the truly international nature of our Association, and this enables me also to look forward to the time when we hold our first Congress in Africa. The word "international" is an important one in the title of this Association. It recognizes the community of interests which exist whether we are crushing in Europe, North America, Africa or Asia, and whether we belong to the developed or developing parts of the world. It is, moreover, a community of interests which is not confined to oilseeds but extends also over the products themselves and, indeed, over the whole range of oils, fats and meals. I am, therefore, particularly pleased that this year I can welcome as associate members The Oil Palm Growers Council of Malaysia and the International Association of Fish Meal Manufacturers. We look forward to the paper to be given by Mr. Ho Sim Guan, who is President of the Oil Palm Growers Association of Malaysia, and to the paper to be given on behalf of the International Association of Fish Meal Manufacturers by Mr. Harry Kreigel of J. Howard Smith Incorporated.

Let me also give a warm welcome to all new members of our Association. The President of one of our new members—Mr. Dominador Lim of the Philippine Coconut Oil Producers Association—will also be presenting a paper to us later in the Session, which I am sure we will find of great interest; there has certainly been a dramatic change in the coconut oil market over the past twelve months. A further paper of great interest to us is being presented by Mr. Caron of The Netherlands on the important subject of multinational companies.

In my own Review, I think it is appropriate that I should first give attention to the position of developing countries in our markets; not only are developing countries increasingly represented in our Association, but our Congress is taking place immediately after the Third UNCTAD Conference in Santiago.

The position of developing countries

In brief, a major problem facing the developing countries is that in the long term their foreign exchange earnings do not expand fast enough to provide the resources required to achieve a satisfactory rate of economic development. The consequence is a growing wealth gap between the richer and the poorer parts of the world. Every thinking person will recognize this as a situation demanding not only the maximum sympathy for developing countries but also the maximum effort to overcome their problems and to help them to achieve higher standards of living. We are fully sympathetic with the objective of helping the developing countries, and I regard it as essential that progress is made. It is important, therefore, that extra care is taken to ensure that efforts and resources are not dissipated on solutions which have apparent short term advantages but which would have serious long term disadvantages for the developing countries. It would be easy to suggest that higher prices should be obtained on world markets, but experience tells us that the result would be overproduction—not necessarily in developing countries—and substitute products would be encouraged. The long term adverse effects of these factors on developing countries would be quite marked. To provide effective help to developing countries is undoubtedly a problem of the first magnitude and, while keeping an open mind to all possible solutions, we must nevertheless recognize that there is no easy solution or panacea.

Much consideration is continually given to international commodity agreements as a contribution to solving the problems of developing countries, and there may indeed be occasions on which they are appropriate. However, to stand a chance of success, the commodity involved must be one where trade is relatively simple, where products are not substituted one for another and where the number of major suppliers is relatively small. Even then there are immense difficulties in reconciling the many interests. In the case of the oils and fats market, its main features are the exact opposite of these criteria for a successful commodity agreement. It is the most complex of commodity markets; there are a large number of producing, exporting and importing countries, both developing and developed, and there are a large number of substitutable oils and a matrix of interrelationships between seed, oil and meal prices. These features point to the enormous practical difficulties—and therefore costs—in endeavoring to manage this market, and must raise grave doubts about the long term viability of such schemes. In such a complex market there are advantages in the continuous adjustment of production, consumption and stockholding induced by the free interplay of market forces.

An all-embracing international commodity agreement for oils and fats would, in these circumstances, not seem to be a workable proposition, and of course agreements relating to individual oils are normally ruled out because of the wide-ranging possibilities of substitution. Nevertheless a major feasibility study for an international price stabilization scheme for lauric oils has been undertaken by UNCTAD, partly because of the special importance of these oils to developing countries, and partly because these oils have major markets in specialized uses and their overall degree of interchangeability with other oils is, as a result, somewhat limited. It seemed, therefore, that an international commodity agreement confined to lauric oils might be feasible.

This study by UNCTAD aimed to produce a statistical model of the operation of the lauric oil market and sought to establish the relationships between supply, demand, stock and price changes over past periods. It was, so far as I can judge, carried out with a high degree of economic and statistical competence. But on being considered by various experts closely involved in the lauric oil market, it became clear that even in this limited area, there was a large gap between the real operation of the market and that purported to be shown by a series of statistical equations. More important, however, the past market behavior can only be a limited guide to its future performance because of

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[1] Presented at the 49th Annual Congress of the International Association of Seed Crushers, Kyoto, Japan, May 1972.

Program Committee announces key speakers for technical sessions

Neil H. Tattrie and the members of his scientific program subcommittee have lined up several key speakers for the technical sessions at the AOCS 46th Annual Fall Meeting, to be held in Ottawa, Ontario, Canada, September 24-28.

Among these speakers will be the following: (1) Fred Mattson, Procter and Gamble Co., "Nutritional Value of Fats"; (2) Carter Litchfield, Rutgers University, "Lipids of Dolphins, Porpoises and Whales"; (3) Bert Craig, National Research Council, Canada, "Effect of Environment and Genetics on Erucic Acid in Commercial Canadian Rapeseed"; (4) J.R. Sargent, Institute of Biochemistry, Scotland, "Marine Biosynthesis of Lipids in the Marine Copepod"; (5) Jean Himms-Hagen, University of Ottawa, "Lipid Metabolism in Relation to Absorption, Transport, Storage and Mobilization of Pesticides in Mammals"; (6) Stuart Patton, Pennsylvania State University, "Origin of the Milk Fat Globule"; (7) Ed Lutton, Retired (Procter and Gamble Co.), "Origin of the Milk Globule"; (8) R.C. Ackman, Canada Department of Fisheries, "Wax Esters of Dolphins"; (9) Orville Privett, Hormel Institute, "The Effect of Dietary Polyunsaturated Fatty Acids on Hypophysectomized Rats"; and (10) Lloyd Smith, University of California at Davis, "Milk Lipids."

For complete program listings and abstracts of papers to be presented, see the 46th Annual Fall Meeting Technical Program in this issue.

Fall Meeting participants urged to prolong stay in Canada

By now, members should all have received a copy of *Canada–the Big Holiday Land,* which was mailed directly by the Canadian Government Travel Bureau in Ottawa.

As Canada enters its second century as a nation, it has never had so much to offer the vacationer; the local committee suggests that members plan to take a few days holiday in conjunction with the Fall Meeting and explore at least a part of Canada.

With each copy of *Canada–the Big Holiday Land,* a business reply card was included. By returning the card, more information may be obtained.

Pictured on the opposite page, top, the new National Library and Archives Building in Ottawa, Ontario, was opened in June, 1967, and houses a priceless collection of historical maps, manuscripts, pictures and other exhibits. Located on Wellington Street, 5 minutes' walk from the Parliament Buildings, it is one of several fine national museums in Canada's capital. Below, the architectural dignity of the Supreme Court of Canada building in Ottawa, Ontario, contrasts strangely with the utilitarian design of a pulp and paper plant across the Ottawa River. Contrast of this sort is a part of Ottawa's charm: gothic government buildings and airy skyscrapers, busy freeways and flower-lined parkways, scarlet-coated guardsmen and the gray-suited businessmen of a great and growing city.

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the dramatically changing nature of the lauric oil market. Over the past 10 years, world lauric oil supplies have ranged between 1.4-1.7 million tons. With rising copra production in the Philippines and increasing palm kernel supplies, future world exports seem likely to range between 2.0-2.3 million tons. At these levels, lauric oils will have to find markets in competition with the whole range of oils and fats. Whatever the past situation, it is unlikely to be possible for lauric oils to be considered in isolation in the future. It would seem, therefore, that international commodity agreements should not be the direction in which to seek to help developing countries in the oils and fats market.

I also believe that it would be undesirable to seek solutions which involve levies on oils and fats imported into developed countries to provide additional aid. These would most clearly be a negation of the progress being made towards a greater liberalization of world trade. Such proposals in essence involve a particular sector of industry financing increased foreign aid and for countries to contribute according to their level of imports of oils and fats rather than in accordance with their ability to pay. I am strongly convinced that the provision of foreign aid is properly the responsibility of governments to be financed nationally and not by imposts on particular industries. One must certainly hope that suggestions of discriminatory levies against developed country exporters can now be firmly ruled out. As we saw last year, there lies in this direction all the familiar dangers of trade wars and lapses into protectionist policies in which all countries–both developed and developing–would be losers.

In seeking alternative solutions it is important to recognize the position of developing countries in this market and identify their specific problems. The developing countries in fact account for less than a half of the world oils and fats market, and the countries involved largely comprise the peanut and palm producers of West Africa and the copra and palm producers in Asia. In total, this is not a great number of countries in relation to the total oils and fats market. This suggests that any proposed solution which involves the total oils and fats market will carry the risk that efforts and resources will be dissipated on schemes of doubtful value. Instead, the greatest benefit to developing countries in this market is likely to be achieved at least cost by recognizing that measures need to be directed to the specific problems of a relatively small group of countries. The most direct approach is through enlarged foreign aid programs by Governments of industrialized countries, and we can be sure that the UNCTAD Conference will have been pressing such countries to meet their aid targets. Perhaps there should also be a flexible element in such programs in the nature of compensatory finance arrangements which would permit aid to be increased to tide a country over a period in which its exchange earnings are being adversely affected by the international environment. There are other possibilities, but what is required is likely to differ from country to country, and clearly this is not the occasion to consider all the complexities of the specific problems in specific countries. Indeed the considerations involved are more wide ranging than our market. At the UNCTAD Conference, a list of 25 most needy countries was prepared, but very few of these are significant exporters of oilseeds, oils and fats. It is important to us in considering solutions for developing countries of special concern, that there is no discrimination against those not involved in our market with equally legitimate claims to their share of available aid resources.

As an Association we should also be ready to endorse trade liberalization measures. I recently attended the FAO

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Northeast Section 11th Annual Symposium features environmental control

Seven present papers to 80 participants

The AOCS Northeast Section conducted its annual Symposium at the Hotel Robert Treat, Newark, N.J., on April 11, 1972.

Eighty participants listened to seven papers concerning various phases of environmental control. In addition to the technical papers, two luncheon speakers presented a coordinated picture of "Industry's Obligation to Protect the Environment."

Frank White, Chairman of the Symposium Committee, arranged the following program, which was enhanced by a question and answer period following each talk. (1) "A Roadmap to Plant Pollution Control," J. Kirby Holcombe, The Research Corp.; (2) "A Subjective Approach to Odor Control and Measurement," Andrew Dravnieks, ITT Research Institute; (3) "Odor Measurement Techniques in the Lipid Industry," Gregory Leonardos and Frederick Sullivan, Arthur D. Little, Inc.; (4) "Systems for Odor Abatement for Edible and Inedible Fat and Oil Plants and Their Economics," Michael R. Beltran, Beltran Association; (5) "Recovery and Reuse of Liquid Wastes Streams," Robert Casparian, Carver Greenfield; (6) "Phosphate Free Detergents," Warner M. Linfield, USDA; and (7) "The AOCS Committee on Environmental Control," Clifford Haysley, Glidden-Durkee.




Above left: Wendell R. Inhotter, Chief Engineer, Panoic Valley Water Commission, delivers luncheon address; right: J. Kirby Holcombe discusses plant pollution control; right: Andrew Dravnieks, whose presentation concerned odor control and measurement. Right: Clifford Haysley informs participants about the AOCS Committee on Environmental Control. Below right: Robert Casparian discusses liquid waste streams; center: G. Leonardos presents his paper, "Odor Measurement Techniques in the Lipid Industry"; and left: Theodore A. Schwartz, former Deputy Attorney General of the State of New Jersey, delivers the second luncheon address.



Harry Salomon named library trustee

Harry G. Salomon, past president of the Northeast Section, was recently elected to a 5 year term as trustee of the Port Washington Public Library, Port Washington, Long Island, N.Y.

Left to right: Frank Naughton of Baker Castor Oil Co., Don Fritz of Woburn Chem. Corp., Joyce Kern of the Fatty Acids Producers Council, and August Rossetto of L.A. Salomon & Bro., Inc.

Don Bolley retires

Don Bolley, technical director of the Baker Castor Oil Co. and a past president of the Northeast Section, retired as of July 1, 1972. He will remain affiliated with the Baker Castor Oil Co. in a consulting capacity.

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meeting of the Intergovernmental Group on Oilseeds, Oils and Fats and was much impressed by the importance attached to trade liberalization by developing countries and the hopes expressed that the multilateral tariff negotiations planned to be held under the auspices of GATT in 1973 would be beneficial. EEC oil tariffs are already among the lowest in the world while oilseeds and meals enter duty-free. Last year the EEC reduced its tariff on palm oil from 9% to 6% and our host country has introduced further liberalization measures in recent months.

At the same time there are areas in which the producing countries themselves can take action often with the support of the industrialized countries. There is considerable scope for increasing agricultural efficiencies and thereby increasing their competitiveness on world markets. An inadequate production level of copra in recent years must, for example, have been a contributory factor in the permanent loss of markets to synthetics. The setting up of crushing plants in developing countries also adds to the value of the domestic oilseed crops, but it is important that such enterprises should be economically viable with adequate transport, storage and marketing facilities. What should not happen anywhere is that uneconomic plants become supported by overt or hidden subsidies. I believe our industry thrives in a freely competitive environment, but it must also be fair competition.

Finally, we should note that developing countries which import oils and fats are of growing importance in this market. Over the past 10 years, these countries have doubled their imports from about one million tons to two million tons although much of this has been the result of US aid shipments. However recent FAO projections up to 1980 point to the very large potential for further growth in these markets in contrast to very slow growth expected in industrialized countries. In these circumstances the fostering of trade in oils and fats between developing countries may ultimately provide the only realistic solution for developing countries seeking wider outlets for their oils and for those developing countries seeking to raise fat consumption levels. I am aware of the sizeable difficulties involved in the development of such trade, but efforts devoted by individual countries and by international organizations to overcoming such difficulties could well

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bring far greater benefits to the developing world in the long run than similar efforts applied to working out ingenious schemes for managing world markets. The general question of government involvement in markets will form the theme of the paper which Mr. Geddes of the United Kingdom will be presenting later in the week—I am sure we shall find it a most thought-provoking paper.

Of general and more immediate concern to both developed and developing countries has been the changing market situation over the past 12 months, and I would now like to highlight some of the major features.

The market situation of the past year

It would, I think, be right to describe the past year as one of growing challenge for many sectors of the seed crushing industry. Excellent crushing margins were achieved in 1970 and 1971, as crushing to meet demands for oil and meal tended to be constrained not by any shortage of seed but by a relative shortage of crushing capacity. These margins, however, have increasingly come under pressure in the past twelve months. In the first place, the earlier excellent margins induced a considerable expansion in crushing capacities. Indeed the situation would appear to be very much as indicated by Mr. Hogan in his talk last year, in which the industry over-reacted to capacity shortages and where some restraint at this time might well have served the best interests of the industry. But, secondly, as these higher capacities have come into operation the supplies of seed—particularly soybeans—have become more limited. In brief, the earlier situation has been reversed—we now have more than ample capacity but a relative shortage of seed. Inevitably, margins and operating ratios suffer—in the USA, crushers are now working at no more than 80% of capacity compared with 92% two years ago. In Europe—which I define as the soon to be enlarged Common Market—there was no increase in the crush of soya beans in 1971 after the rise of 1.6 million tons of +40% in the previous year.

Crushers relying on imported soybeans had also to face a particularly difficult time as a result of the U.S. dock strike. It was not only the strike itself which was disruptive to normal trade but also the rather protracted period of uncertainty during which there was no clear guidance on whether or not the Taft-Hartley Act would be invoked. This was a costly few months for overseas crushers in which capital had to be tied up in abnormal stocks as a safeguard against a number of possible developments. In addition, it was a period in which any reasonable planning of purchases and sales of products became extremely difficult.

We cannot be sure that we have seen the last of disruptive strikes, but we can be sure that whatever the challenges posed by ample capacity in the short term, there will be the need for this higher capacity in the longer term.

However one factor in avoiding depressed crushing margins is an adequate supply of U.S. soybeans. The fortunes of a large part of our industry are presently linked to the continued expansion in the U.S. soybean crop. This has now been inadequate for 3 years in relation to world requirements. In 1969-1970, the utilization of U.S. soybeans exceeded the crop to an extent which required stocks to be reduced by nearly 2.75 million tons. In the following season, stocks were reduced by 3.50 million tons. In the current season, despite a reduction in stocks to minimum levels, the crush and export of U.S. soybeans must fall by some 1.5 million tons because of inadequate supply. This is undoubtedly one of the features of significance in our markets over the past 12 months—the last time the combined crush and exports of U.S. soybeans declined from one year to the next was 8 years ago, and the time before that was 20 years ago.

It is this situation which has contributed to the contrasting behavior of the oil markets and protein markets over the past 12 months. In the oil market there has been a situation of developing surplus but one of developing shortage in the market for oilcakes. The greatest increases in oil production have taken place in those commodities—palm and laurics—which contribute nothing or very little to protein supplies.

At the time of our Congress last year, the overall level of oils and fats prices was moving down from peak levels associated with what I then described as a period of critical shortage on world markets. This decline continued through much of the past year. It must be noted, however, that this decline was from unprecedented high levels, and the combined price level for all oils and fats still remains higher than in 1967 and 1968 and about on par with levels ruling in 1965 and 1966. Underlying this price trend this year has been an increase in the world's production of edible oils of more than a million tons—an increase which is in excess of the amount required to meet the growth in world consumption.

However to look at the market in total terms masks the dramatic changes in oil relationships which have been taking place and which have been a particular feature of this market over the past year.

At one extreme are the lauric oils where a very marked increase in supplies occurred. Philippine exports of copra and oil, in terms of oil, rose by +42% in 1971 or by +257,000 tons as production responded to favorable weather conditions, to freedom from serious typhoon damage and as past new planting reached the fruit bearing stage. With U.S. markets limited by the West Coast dock strike, virtually the whole of this increase in supply was absorbed by Western Europe where copra crushing and oil imports more than doubled in 1971 compared with 1970.

To keep this increase in supply in perspective, however, it should be remembered that it was from an historically low level, and Philippine exports still fell short, if only marginally, of the peak shipments of 1966. Nevertheless the consequence was a sharp fall in prices, and earlier this year the lowest copra price for 20 years was reached. What may be of particular significance is that this price was well below the low point of 1966, although world lauric oil supplies fell short of the 1966 level. The U.S. West Coast dock strike must have been a contributory factor, but such low price levels may possibly indicate some long term loss of markets to synthetic substitutes to which past periods of low supplies and high prices have contributed. This effect of high prices, whether the result of low supplies or artificially maintained prices through international arrangements, is an important one to recognize.

Almost matching the lauric oil situation has been the sizeable increase in palm oil supplies, and world exports this year will undoubtedly top the million ton mark. Five years ago world exports were half-a-million tons and to judge from reports from Malaysia alone, the near future will see world exports at 1.5 million tons. This year too will see record supplies of fish oil as a result of high oil yields obtained by Peru in the early months of its season.

At the other extreme has been the market situation for that group of liquid oils comprising peanut, sunflower and cotton oil. In total, these have remained in short supply. West African peanut crops have not shown the recovery