# Record Fats and Oils Supply in '78

Fats and oils prices should be lower and steadier in 1978 than they were last year according to reports during the fats and oils session of the U.S. Department of Agriculture's outlook conference for 1978.

USDA oilseed specialist Alan Holz reviewed world supply and demand, USDA ag economist George Kromer commented on prices, and A.E. Staley's commodities director Ike Idleman provided an industry viewpoint. The meeting attracted more than 200 persons.

Holz forecast 1978 world fats and oils output at a record 53.4 million metric tons. The anticipated jump of 5½ million metric tons over 1977 is "the largest increase ever," Holz said.

Kromer estimated that soybean oil prices for the 1977/78 marketing year will average about 18 cents a pound, compared to 24 cents a pound during 1976/77.

Idleman predicted a 6 percent increase in use of meal, fats, and oils, with domestic soybean crush running 870 to 890 million bushels and soybean exports of 620 to 640 million bushels. Idleman said he was more certain of the export figure. Idleman's crush and export figures are above USDA estimates of 845 million bushels crush and 610 million bushels exports, but within the upper limits of USDA's "probable variability" for 1977/78.

Kromer said the large 1978 supply means that prices for almost all fats and oils should be steadier than they were last year, and most prices also will be lower. Soybean oil prices, he said, may average about 18 cents a pound during the year; during 1977 palm oil averaged 24 cents a pound and was being quoted in November at about 20 cents a pound; cottonseed prices should be "substantially lower" than last year's 25 cents (crude, Valley) per pound; and peanut oil should average about 21 cents a pound.

Holz, asked for his price outlook, noted that in the 1973-74 marketing year a bumper soybean crop was available following a short crop for the 1972-73 marketing year. Between September 1973 and July 1974, soybean prices varied by as much as 17 percent before soaring to a season of $7.75 a bushel in August 1974, about one-third higher than the average price for the marketing year. Holz, however, said he would not want to predict that prices would follow the same general pattern.

Idleman said farmer prices in November may have been top for the marketing year. He said he expects competition to heat up during the next month or so.

All forecasts were tempered with observations that oilseed crops in India, Argentina, Brazil, and similar countries have been planted under generally favorable conditions, but weather conditions could cut expectations—or improve them. Unexpected changes in imports by the USSR or People's Republic of China could upset forecasts also.

Major factor in the world outlook is the already harvested U.S. record soybean crop of approximately 1.68 billion bushels (45.8 million metric tons), up a third from 1977's 1.26 billion bushel harvest.

Holz forecast world fats and oils trade at 17.4 million tons, 1.2 million tons above 1977. "The surprising feature has been the sustained sharply above trend movements that began in 1975 and have continued at a sharply above trend pace," Holz said. U.S. soybean oil exports are expected to be down somewhat in 1977, primarily because India is not expected to import as much U.S. oil as it did last year, and because supplies of other vegetable oils around the world are increasing. As other nations improve their vegetable oil production, the United States' share of overseas markets shrinks.

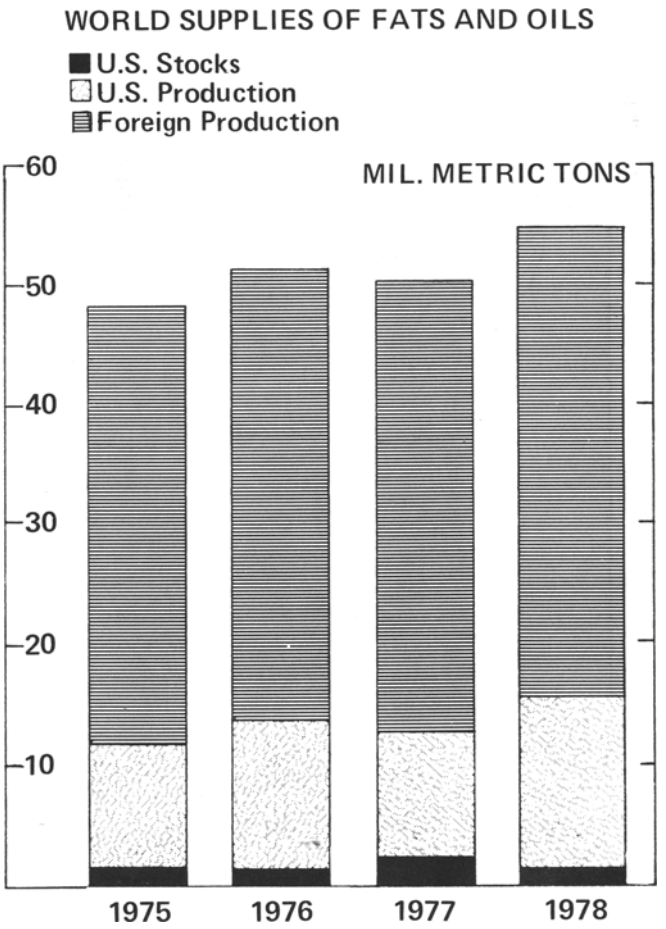
Idleman said that India may import 800,000 tons of vegetable oil. David Bartholomew of Merrill Lynch Pierce Fenner and Smith says that figure could run as high as a million tons (See Fats and Oils Outlook, p. 95A). Charles Clendenen, U.S. embassy agricultural officer in Bombay, estimated in a semi-annual fats and oils report that India imports during the 1977-78 marketing year would at least equal 1976-77's 831,000 metric tons. India is expected to import more raw palm oil this year than previously, Clendenen's report said.

The U.S. soybean crop is likely to produce 34.2 million metric tons of meal, up 8.5 million tons from 1977, and 7.9 million metric tons of oil, up 1.9 million tons.

The outlook in other major soybean producing nations:

Brazil: Acreage increased 7 percent with plantings ahead of normal; production expected to be about 12.8 million metric tons. Increased export of soybean expected and perhaps lower export of meal because of a rise in the meal export tax; soybean exports should be 3 million metric tons or higher.

Argentina: Continued expansion of soybeans acreage with USDA estimated harvest of 1.7 million metric tons, private forecasts estimate up to 2 million metric tons, compared to 1.4 million metric tons in 1976-77. Almost all the new production is expected to be exported. Argentina




**Stocks supply includes oil equivalent of U.S. soybean stocks on Sept. 1 of previous year, plus fat equivalent of 11 major food fats, plus fat equivalent of reported finished product inventories on Oct. 1 of previous year. Production figures include vegetable, animal, and marine oils and fats, including oil equivalent of seed production. Figures for 1977 estimated; for 1978, forecast.**

officials talk about production of 3.5 million metric tons to 4.5 million metric tons within four years, one press report said.

USSR: 1977 harvest was estimated at 6 million metric tons, but about 5.2 million tons actually was harvested; USDA's 1978 estimate is 6.5 million metric tons, while others estimate a smaller crop. Idleman and Holz both suggested that the Soviet Union will need to buy soybeans or meal to sustain livestock numbers, with Holz noting a good sunflower crop may mean the Soviets will opt for meal rather than beans for crushing; Idleman also said that the Soviets' need is for meal, not oil.

Other major edible crops:

Sunflowerseed: USSR 1977 production about 6.5 million tons, up 25 percent over 1976 and sufficient to produce 2.5 million tons of oil; Argentina sunflowerseed crop forecast at 1.4 million tons at harvest this spring, producing 450,000 tons of oil.

Peanut: India's 1977 crop is now estimated at 6.0 million metric tons, up about 14 percent from 1976's relatively small harvest.

Palm oil: Malaysian forecasts for calendar 1978 show output of 1.73 million tons, up 14 percent because of improved rainfall and more trees reaching productivity.

On the demand side, increasing numbers of livestock on feed in the United States and elsewhere should create an improved demand for meal. Crushing margins should improve, Holz said. Lower prices triggered by increased production should increase consumption of fats and oils. U.S. oilseed products may be cheaper in such markets as Japan and West Germany than last year because the U.S. dollar has weakened relative to the other nations' currencies.

"Prospects for growth in U.S. exports of fats and oils as such have been dulled by accelerated growth in foreign fats and oils exports, chiefly palm oil," Holz said in a report distributed at the meeting.

Peruvian fishing remains uncertain for the first half of 1978, which could mean fishmeal won't be a competitor of soybeans and meal this year and that Peru might need to import vegetable oil during 1978.

The People's Republic of China now appears to be a net importer of oils and fats as well as soybeans. Brazil has been the major supplier in recent years, but recent purchases from United States may indicate a shift. Bartholomew estimates that China could purchase up to 500,000 tons of soybean oil. China could be in the market for U.S. soybeans if prices fall substantially from last year's levels, a *Wall Street Journal* report from Tokyo said. Importing inexpensive U.S. soybeans would permit China to export its more expensive home-grown soybeans, the report said, noting that latest estimates say the Chinese crop was smaller than anticipated. Japan may import more U.S. soybeans for food if they are unable to buy as many as needed from the No. 1 supplier, China.

The European Community has lowered maximum erucic acid content in rapeseed oil to 10 percent, but despite use of low-erucic content varieties, French rapeseed oil consumption has lagged, Holz noted in his report. Idleman noted that EEC grain prices have been about 9 cents a pound, while oil provides 2½ times the energy per pound, making oil competitive with grain for feed purposes.

Unresolved questions at the time of the November outlook session was how long would U.S. farmers hold soybeans in storage, and weather, and possible imports by the USSR and People's Republic of China.

Looking ahead to next year, Idleman noted that many farmers in Central Illinois were holding off puting in fall fertilizer that would commit them to planting corn next spring.

The conference was held on Nov. 15, but before the USDA announced later that day a 10 percent acreage setaside proposal for corn, sorghum, barley. If conditions other-

wise stay normal, the net effect would be to encourage farmers to plant more acreage to soybeans, said Dr. Kyung W. Lee of the American Soybean Association staff. If large supplies of corn and soybean push prices down toward the USDA support levels of $2 a bushel for corn and $3.50 for soybeans, the farmers would then want to plant more corn, Dr. Lee noted.

The decisions of acreage will be made during March and April when farmers will be, as always, watching the price spread between corn and soybeans. And by then the world oilseeds community will have a better idea of just how good the Indian, Brazilian, and Argentine crops are. •

# Commodity Outlook

A brief look at fats and oils commodity outlook from the USDA's Fats and Oils Situation issue of October 1977, the final edition for 1977.

Palm oil: U.S. imports may rise to about 800 million pounds from last season's 675 million pounds. Malaysian production in 1978 may be a record 1.7 million metric tons.

Coconut oil: U.S. imports for 1977/78 may be around 1 billion pounds, below the previous year's 1.1 billion pounds; usage may decline because of large availability of domestic fats and oils. Philippine copra output is estimated at 2.2 million metric tons in 1978, down 100,000 metric tons from 1977. Lower production should mean prices will "remain firm relatively to other prices for oils and fats," the report said.

Cottonseed oil: Supplies for this season at 1.7 billion pounds will be about a third higher than the previous season, with domestic use expected to be about 0.7 billion pounds, up about 200 million pounds. Exports may rise about 6% despite competition resulting from the general worldwide rise in fats and oils production. Worldwide production is estimated at 3.3 million metric tons. Prices are expected to be below 1976/77's 25 cents per pound for crude, Valley oil.

Lard: Production is expected to be up slightly to about 1.2 billion pounds because of increased hog slaughter. Domestic use may be slightly above last season's 0.8 billion pounds; exports may rise slightly above last season's 0.2 billion pounds. Prices are expected to be lower than last year because of larger production and pressure from larger supplies of other fats and oils.

Peanuts: The U.S. 1977 peanut crop is estimated at 3.4 billion pounds, 10% below a year ago because of poor weather and pest problems. Production is still above consumption, and farmers' prices thus will be about the same as in previous years, keyed to government support prices. Exports will be down because of improved crops overseas, particularly in India. Worldwide production (as meal) for 1978 forecast at 2 million metric tons compared to 1977's 1.9 million ton estimate.

Flaxseed: 1977's 16 million bushels crop more than doubles the 1976 crop; crushings may be 12 to 13 million bushels, up about a tenth. Linseed oil supplies may total about 325 million pounds, up a fourth with the larger supply and lower prices stimulating domestic use likely to rise above last year's 164 million pounds. Linseed oil prices are likely to be in the 23 cents per pound area during most of the marketing year.

Inedible tallow: Production for 1977/78 should be close to 1976/77's 6 billion pounds. Domestic use may rise after last year's domestic use dropped because of less use in production of soap, fatty acids, animals feeds, and lubricants. Tallow exports may decline because of the larger international supplies of fats and oils.

Forecasts for other crops from the USDA's outlook meeting:

Sunflowerseed: 1978 world production (as meal) forecast at 4.5 million metric tons compared to the 1977 estimate of 3.6 million metric tons; world exports expected to be about 1.02 million metric tons (as meal). USSR seed production estimated at 6.5 million tons, meal at 2.2 million tons; Argentina, 1.4 million tons seed, 580,000 tons meal; U.S., 1.2 million tons seed, 469,000 tons meal.

Rapeseed: 1978 world production (as meal) forecast at 4.5 million metric tons compared to 1977 estimate of 3.6 million metric tons; seed and meal production figures forecasts in metric tons by country:

| | 1978 | | 1977 | |
|---|---|---|---|---|
| | Seed | Meal | Seed | Meal |
| Canada | 1,542,000 | 791,000 | 837,000 | 429,000 |
| France | 690,000 | 354,000 | 440,000 | 226,000 |
| Poland | 1,050,000 | 539,000 | 650,000 | 333,000 |
| Sweden | 350,000 | 180,000 | 256,000 | 131,000 |

Sesameseed: 1978 world production (as meal) forecast at 719,000 metric tons compared to 1977 estimated of 648,000 tons. Seed production in India expected to rise to 500,000 tons from 440,000 tons, and meal to 195,000 from 157,000 tons; Mexican seed production expected to rise to 130,000 tons from 95,000 tons, and meal production to 60,000 from 44,000 tons; Sudan and Ethiopia production estimated at same level as 1977.

Palm kernels: 1978 world production (as meal) forecast at 653,000 metric tons compared to 1977 estimate of 623,000 tons; increase triggered mainly by West Malaysia increase to 350,000 tons kernels compared to 305,000 tons in 1977, and meal increase to 178,000 tons from 156,000 tons. •

## Brazil castorbean crop improves

Brazilian castorbean production for 1978 is expected to range from 300,000 to 400,000 metric tons, an increase from 1977's 230,000 metric ton production and 1976's 170,000 tons, according to a report from Edmond Missiaen, agricultural officer at the U.S. embassy in Sao Paulo.

Brazil forbids exports of the beans, so all export is in the form of castor oil. The United States is the largest buyer of castor oil from Brazil, buying about 30% of each year's export volume. Export volume in 1978 is forecast at 104,000 metric tons. All 1978 forecasts, Missiaen noted, are "only a rough indication."

The increase is attributed to higher prices to farmers for their beans. •

## Fats and Oils census forms due Feb. 15

U.S. processors of fats and oils are reminded that the deadline for returning 1977 Census of Manufacture forms is Feb. 15, 1978. Processors should have received form MC-20T late in 1977.

Processors are asked to provide information on quantity and cost of materials used as well as about finished products. The census is taken at five-year intervals during years with a last digit of 2 or 7. •

## Title I vegetable oil allocations set

The initial U.S. allocation of vegetable oil for overseas shipment under Title I of Public Law 480 totals 187,000 metric tons.

The allocation was announced in late October by the U.S. Department of Agriculture. Major beneficiaries will be Pakistan (80,000 tons), India (60,000 tons), and Bangladesh (30,000 tons). Other nations to receive 5,000 tons or fewer each will be Guinea, Haiti, Zambia, and Syria. •