

Fats & Oils Outlook



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The harvest is nearly over in the United States. A record crop has been gathered — 1,683 million bushels (45.8 million metric tons) according to the next-to-final crop estimate. That's more than projected demand, so traders were aggressively bearish while harvest was in progress. Processors, therefore, adopted a wait-and-buy-cheaper attitude as a result. But finally they could wait no longer. Inventories had run down to critically low levels. The initial prospect of an unusually early harvest turned into a later-than-normal harvest due to rains beginning in early August. There were shipping delays due to labor disputes at some U.S. ports. Brazilian shipments were also delayed due to handling complications. Moreover, animal numbers are increasing sharply, and there were feed commitments made months ago that had to be filled.

Longer term, the demand looks extremely good for meal and oil. It appears to be about balanced with no significant inventory accumulation of either. For meal, there is the escalation of animal numbers in every major country. Feeding profits are improved in the U.S., especially for hogs. Corn marketed via hogs pays the farmer \$3 per bushel instead of \$1.75 to \$2 at the local elevator. That strongly implies more hogs will be fed, which means more meal as well as grains. Meanwhile, major foreign countries are benefitting from the weakness of the U.S. dollar. In fact, they can buy soybean meal at levels well below those of the pre-1973 price advance when expressed in the local currency. So these factors assure a high meal demand for at least the next nine months and probably 12 to 18 months.

Oil demand is expected to be very large, especially in India, with projections of imports of 900,000 tons and maybe one million tons. This will be mostly soybean oil, palm oil, and rapeseed oil. China is presently receiving soybean oil from the U.S. and elsewhere against past purchases and is in the market for more. The total need is impossible to predict but could approach 500,000 tons.

South American crop

Now the market attention is turning toward the 1978 soybean crop in Brazil, Argentina, and Paraguay. It has begun under mostly favorable climatic conditions. The problem spot was the western half of the Brazilian state of Parana which had been experiencing moisture well below normal from January to late October. But in early November better rainfall patterns appeared which have helped in seed germination and early growth. Some of the area had to be replanted two or three times which exhausted good quality seed supplies. This means that some very inferior seeds have been used, so for that portion of the crop the results are questionable.

On the other hand, some areas have had excessive rainfall, especially in the leading Brazilian producing state of Rio Grande do Sul. That has caused planting delays for a portion of the crop, about 20 percent. No doubt it will still be planted, but yield could be reduced. In parts of both Rio Grande do Sul and Parana heavy rains were received right after planting. As the soil dried, it formed a thick crust which the new seedlings could not penetrate.

Other problems have arisen. Many producers failed to sell at those times during the past two seasons when prices were extremely favorable. They hoped for still higher profits, then finally had to sell when prices were low. This

means that in some cases producers lack enough money to purchase good seed or adequate chemicals for control of weeds, insects, and diseases; and credit opportunities are restricted this season. In other cases there is disappointment regarding the extent that other crops are being planted instead of soybeans. In northern Parana this is especially true with acreage increases noted in the more traditional crops such as coffee and cotton. Another production problem is improper application of fertilizer. One source estimates that perhaps 50 percent of the planting equipment sold places seeds and fertilizer together in the furrow, instead of separating them. This causes burning of the young plant which can stunt growth or even kill it.

On the subject of acreage expansion, we have noted some interesting observations. Much has been reported about grandiose plans for vast areas to be converted from nonagricultural use to soybean plantings in Brazil, Argentina, and Paraguay. Extensive investigation reveals that those are very long range plans, and are not to be realized in the 1978 season. There just is not enough money available for more than modest expansion, and inflation rates are so steep in the first two countries as to discourage such long-term investment. In some areas there just is no additional unused land available.

In Argentina we have learned that farmers in developed areas are especially sensitive to alternative profit opportunities from the various crops adapted to that climate. As a consequence, there was a last minute switch in planting plans from soybean to sunflower and corn. Not only did these look more profitable at that time, but farmers feel more confident of their production skills with the more



traditional crops since soybeans are a recent innovation for most. Moreover, we learned that the same land will produce 2½ to 3 times more corn than soybeans. No fertilizer is applied to either crop, but soybeans require more insecticide than does corn.

Probably the soybean crop of South America will increase only about one million tons (37 million bushels), which is much less than some recent popular estimates that ran two to three million tons larger than in 1977. This more modest increase can be readily absorbed in the world market, and in fact can be a cause for strengthening prices in the months ahead. The world has become dependent upon good sized increases from that region. If weather deteriorates before harvest in March to May and there is little or no increase in production, the price response could be very powerful. On the other hand, if weather is very good and the crop increases two million tons or more, that would depress prices because the U.S. position is one of having a moderate surplus. Thus the question: "What Next for Soybeans?" will largely depend on Latin America in the months ahead.

November 30, 1977

November 1977

Tall Oil Fatty Acids & Statistics

	2% & OVER ROSIN CONTENT		LESS THAN 2% ROSIN CONTENT	
	NOV	Percent change from OCT 1977	NOV	Percent change from OCT 1977
Stock on Hand				
November 1, 1977	13,733	+ 105.0	7,384	- 21.9
Production	11,732	- 38.5	15,200	+ 33.8
Purchases & Receipts	0		0	
Disposition				
Domestic	11,767	+ 16.6	13,508	+ 30.6
Export	4,861	+ 137.7	1,928	- 37.7
Total Disposition	16,427	+ 36.3	15,437	+ 14.9
Net Disposition*	16,427	+ 36.3	15,437	+ 14.9
Total Stock				
November 30, 1977	9,038	- 34.2	7,147	- 3.2

* Net - Less purchases & receipts.

Definition: Fatty acids fractionated from crude tall oil having a minimum of 90% fatty acids, not including rosin acids. Primary fractions containing less than 90% fatty acids are classified as distilled tall oils.

DGF established protein committee

The German Society of Fat Science (Deutsche Gesellschaft für Fettwissenschaft) has established a scientific committee for "protein from fat sources."

The committee is intended to stimulate discussion and publication on vegetable proteins, their technology and physiological treatment. The panel was created in anticipation of increasing use of vegetable protein for human nutrition, particularly the use of soy protein in European food products.


Committee chairmen are Prof. F.-K. Jekat, Bochum, and Th. Wieske, Hamburg, Germany. Mr. Wieske has been an AOCS member since 1960.

NSPA Trading Rules book available

Copies of the National Soybean Processors Association 1977-1978 Year Book and Trading Rules are now available from the NSPA.

The book includes a list of NSPA members, NSPA committees, as well as the association's full trading rules. Cost of the 102-page publication is \$4.50 for NSPA members and \$8 for nonmembers. Orders should be mailed to the NSPA, 1800 M St., NW, Washington, DC 20036.

NSPA members process and market more than 95 percent of all soybeans crushed within the continental United States.



Acids in thousand pounds

Month Issued	NUMBER OF MANUFACTURERS REPORTING 1B	FINISHED GOODS INVENTORIES (F) ON 10/31	PRODUCTION (A)	RECEIPTS (B)	DISPOSITION:			TOTAL DISPOSITION	FINISHED GOODS INVENTORIES (F) ON 11/30
					Crack Consumption (C)	Domestic Shipments (D)	Shipment for Export (E)		
November 1977									
January 3, 1978									

Saturated

SP - Single Pressed; DP - Double Pressed; TP - Triple Pressed

HYDROGENATED VEGETABLE ACIDS	Description	NOV		OCT 1977		NOV		OCT 1977	
		NOV	Percent change from OCT 1977	NOV	Percent change from OCT 1977	NOV	Percent change from OCT 1977	NOV	Percent change from OCT 1977
STEARIC ACID (40-50% Stearic Content) (1)		7,823		10,494		1,134		3,548	
60 C maximum titer & minimum I.V. 5 (2a)		7,180		6,872		6		7,648	
57 C minimum titer & maximum I.V. under 5 (2b)		5,803		11,354		2,065		4,988	
Minimum Stearic Content of 70% (2c)		2,730		2,089		77		396	
HIGH PALMITIC (Over 60% palmitic I.V. maximum 12) (3)		1,003		869		68		487	
HYDROGENATED FISH & MARINE MAMMAL fatty acids (4)		619		1,032		2		115	
LAURIC-TYPE ACIDS (I.V. minimum 5-9 upon val. minimum 245 - including coconut, palm kernel, babassu) (5)		5,356		6,834		234		1,979	
C16 or lower, including capric (6a)		748		1,440		---		118	
Lauric and/or myristic content of 55% or more (6b)		2,613		1,277		151		565	
TOTAL SATURATED FATTY ACIDS		33,875		42,171		3,737		12,176	

Unsaturated

ND - Not distilled; SD - Single distilled; MD - Multiple distilled

ANIMAL FATTY ACIDS	Description	NOV		OCT 1977		NOV		OCT 1977	
		NOV	Percent change from OCT 1977	NOV	Percent change from OCT 1977	NOV	Percent change from OCT 1977	NOV	Percent change from OCT 1977
OLEIC ACID (red oil) (7)		10,191		12,662		226		5,524	
ANIMAL FATTY ACIDS other than oleic (I.V. 36 to 80) (8)		6,723		11,929		1,842		4,319	
VEGETABLE OR MARINE FATTY ACIDS (I.V. maximum 115) (9)		204		249		---		27	
UNSATURATED FATTY ACIDS (I.V. 118 to 130) (10)		5,648		3,547		41		167	
UNSATURATED FATTY ACIDS (I.V. over 130) (11)		2,846		1,258		---		57	
TOTAL UNSATURATED FATTY ACIDS		25,712		29,646		2,109		10,067	
TOTAL ALL FATTY ACIDS SATURATED & UNSATURATED		59,587		71,817		5,846		22,243	

AOAC regional conference May 1-3

The Association of Official Analytical Chemists will hold its third annual regional Spring Training Conference and Exhibition May 1-3, 1978, at the Marriott Hotel in Atlanta, GA. Registration fee is \$15, \$5 for students. More information is available from cochairmen Sol Cohen, FDA, 60 Eighth St., NE, Atlanta, GA 30309, or Harry S. Johnson Jr., Laboratory Division, State Department of Agriculture, Agriculture Building, Capitol Square, Atlanta, GA 30334.

ASA Europe has new newsletter

The American Soybean Association offices in Brussels, Belgium, has begun production of a European edition of the bimonthly newsletter, *Soybean Update*.

Free copies are available from the ASA office, Centre International Rogier, Room 2501 - Boite 521, 1000 Brussels, Belgium. English and French versions are available. The newsletter is prepared by Dr. Roger Leysen, ASA market manager for fats and oils, and edited by Harold I. Richard, Western European Director for ASA. The newsletter is especially designed for soybean processors, feed manufacturers, vegetable oil refiners, government agencies, trade associations, engineering companies and agricultural policy makers.