SOYBEAN MARKET LOOKS SOUTH

Fats & Oils Outlook

David M. Bartholomew, Manager, Oilseeds Dept., Commodity Division, Merrill Lynch Pierce Fenner & Smith Inc., Chicago

The market is intensely watching development in Brazil and Argentina. Consumption rate of U.S. origin has been setting new records due to demand increases stimulated by currency considerations which began many months ago and culminated at the end of last October. This probably will not continue into the April-September 1979 period, but it has made the market nervous about the outlook for supply from the Southern Hemisphere. If there should be a major crop problem there, it would seem to make U.S. supply inadequate for the demand.

But now it has developed that the crop of soybeans in those countries is making excellent progress. Brazil is expected to produce over 14 million metric tons, while Argentina will probably realize 4 million. Last season, Brazil produced only about 9.8 million due to drought, but Argentina had good conditions which resulted in 2.5 million tons. Acreage is up 4 to 5 percent in Brazil and 25 to 30 percent in Argentina.

Some local areas had too much rain early in the season, delaying planting in some places and washing out seedlings in others; but these conditions were overcome in time, so no significant yield reduction is likely. Well distributed, beneficial moisture has continued so far, so it appears that the drought pattern has been broken. The past two seasons the rains ended in late December through January. They still might end in January or February, which would affect the late maturing areas, but already it can be said that any yield reduction will not be as severe as last season.

Harvest will begin in a few Brazilian fields in late January. It will spread rapidly in February. In north-central Parana, 80 percent of the acreage was planted to early maturing varieties. This should result in soybeans and soybean meal being available in export position in early March.

Farmers of Brazil are selling actively in some areas for delivery at harvest time with payment to be deferred to July 31. This means that buyers will move those beans into consumption as rapidly as possible so as to earn the very attractive interest rates available in the short term money market before having to pay producers.

Farmers of Argentina also sell early rather than storing, becasue of the rapid rate of inflation. They prefer to convert their crop to cash as quickly as possible so as to invest the proceeds in the short term money market where value appreciation is assured. To store in hope of a price advance of the commodity is much too speculative for most. This is one reason why there is such slow expansion of the crushing industry in Argentina. It is difficult to obtain seed supply to crush during the last half of the season. Therefore, it is expected that from the new crop of soybeans, all but 700,000 tons will be exported as beans. Shipping from Argentine ports should be less complicated this season as river water levels are restored to normal. Last season, they were very low. It is hoped that this will cause less congestion and not such high freight charges to be assessed.

Where did the added soybean acreage come from in Argentina? This is a frequent question, since just one year ago there was not so much interest in this crop. Farmers are getting excited about soybeans following last season's success economically. In addition, this crop fits neatly when weather interferes with planting of alternatives. Some acreage has come out of corn, milo, and linseed for that reason. Some came out of edible beans because of less profit opportunity. Some also came out of pasture grasses since the beef market is not so attractive. In addition, 200,000 hectares (500,000 acres) of forest has been cleared in the province of Tucuman to plant soybeans for the first time this season.

Brazil will probably crush at least 10 million tons of soybeans, and some estimates run as high as 11 million. The past season's crush will be about 8 million tons. Capacity has increased about 3.3 million tons and is projected to increase an additional 900,000 tons in 1979. Domestic consumption is growing steadily. Vegetable oil use per capita has advanced from 8 kilos in 1971 to 13 kilos presently. Use of soybean meal is increasing more slowly but steadily at about 10 percent per year. Cattle are fed almost entirely on grass pasture with no protein supplement. Hog production was increasing, but now African Swine Fever is retarding that development. Poultry, especially broilers, is the growth industry for both domestic and export consumption. This year this enterprise is especially attractive since beef prices are up sharply.

Soybean production in the northern states of Brazil is increasing very slowly. Matto Grosso may produce 800,000 tons. Goias and Minas Gerais could reach 500,000. More research needs to be done to find suitable varieties for those tropical climates. Some growers have experimented with the idea of two soybean crops per year in these states, but the results are not promising. Rainfall is the major problem. There are seven months that are wet – often too wet – and five months that are dry. Then there is the problem of educating farmers in the culture of soybeans. Most would rather not switch from traditional crops. Gradually, however, there is an infusion of farmers from the south, who, with their production skills, may succeed in transforming the area into new concepts such as soybean culture.

It is reasonable to expect a steady expansion rate in the soybean crops of Latin America. All countries are attempting to develop their potential to its realistic maximum. This season Paraguay can probably produce 800,000 metric tons, and Uraguay possibly 250,000. All the other countries combined might achieve one million metric tons. By 1985, it is expected that Brazil will turn out 20 million tons and Argentina 10 million. All other Latin America countries could reach 4 million. Demand for vegetable oil and protein is practically infinite so consumption should keep pace with production unless some artificial and unrealistic pricing program develops to insulate supply from demand.

It should be noted, however, that soybean area may not expand so much after all. The expansion may be

(continued on page 142A)

clature Comm.; Awards Administrative Comm.; *Journal* Comm; Award in Lipid Chemistry Canvassing Committee. ●

ERL LOWERY (1968): Section Head, Procter & Gamble Co. Product-Process Development, Industrial Chemicals Division, Fatty Acids and Derivatives. Bachelor's degree in chemical engineering, Cornell University, 1957. P&G Case & Industrial Foods Division, Edible Fats & Oils, 1957-1976. Holder of four patents relating to fats and oils, author of three articles on edible oil hydrogenation. AOCS: Flavor Nomenclature Committeem 1971-; Education Coommittee, 1972-; National Program Planning Committee, 1971-, chairman, 1976-Foundation, 1971-75; Technical Program Chairman, Fall 1975 Meeting; session chairman at national meetings. Member, American Chemical Society, AAAS, American Institute of Chemcal Engineers, Food Pharmaceutical and Bioengineering Division, I.I.F.E. Liaison Committee,. Member, local school board advisory committee 1960-65; Boy Scouts, 1960-70; Engineering Society of Cincinnati Math Tournament Committee, 1963-; local civil service commission, 1975-. ●

L.D. McCLUNG (1953): Quality Control Manager, Best Foods Division of CPC International, San Francisco, CA. B.A. University of California, Berkeley, 1950. AOCS: Technical Program Chairman for National Meeting. 1969, 1979; Chairman, National Program and Planning Committee, 1975; Awards Committee, 1972; NORCAL Section Secretary, 1961, 1966; Chairman, 1967, 1974; Treasurer, 1973. ●

R.L. ORY (1971): Research Leader, Biochemistry Research, Oilseed and Food Laboratory, Southern Regional Research Center, New Orleans, LA. B.S., Chemistry, Loyola (New Orleans) University, 1948; M.S., Organic Chemistry, University of Detroit, 1950; Ph.D., Biochemistry and Nutrition, Texas A&M University, 1954; Certificate and license to use radioisotopes in research, Oak Ridge Institute of Nuclear Studies, 1956. Chemist, SRRC, 1950-58; Senior Biochemist, USDA Seed Protein Pioneering Research Lab, 1958-68; Fulbright Research Scholar, Department of Biochemistry, Polytechnic Institute of Denmark, 1968-69; AOCS: National Program Planning Committee, 1972-; National Program Chairman, Spring Meeting 1973, Spring Meeting 1976; Registered Agent for AOCS in Louisiana. Other: Associate Editor, Peanut Science Journal; adjunct professor of food science,Virginia Polytechnic and State University; member, National Research Council Committee on Food Stability of the Advisory Board on Military Supplies; 1964 president, New Orleans Biochemists' Society; 1968 chairman of Louisiana Section, American Chemical Society; American Chemical Society, Division of Biological Chemical and Division of Agricultural and Food Chemistry (vice-chairman 1978, chairman-elect, 1979); AAAS; Institute of Food Technology Gulf Coast Section; RESA; American Society of Plant Physiologists; American Peanut Research and Education Association; American Association of Cereal Chemists. Author of "Enzymes in Food and Beverage Processing," published by American Chemical Society; also five chapters in other books and more than 75 scientific papers published in national and international journals.

W.H. (Bill) TALLENT (1965): Director, Northern Regional Research Center, SEA/AR, USDA, Peoria, IL. B.S., 1949, M.S., organic chemistry, University of Tennessee 1950, Ph.D., biochemistry, University of Illinois, 1953. Previous employment: National Institutes of Health, 1953-7; G.D. Searle and Co., 1957-64; various positions at NRRC (formerly NURDD) since 1964, including Chief, Industrial Crops Laboratory, 1969-74, and Assistant Center Director, 1974-5. Principal research interests: biological and organic chemistry of lipids, including chromatographic and spectroscopic methods of analysis, use of soy proteins in food products. Author or coauthor of some 50 scientific publications. Organized AOCS national meeting symposia on Novel Uses of Agricultural Oils (spring 1973) and Oilseed Plant Breeding (fall 1974). Associate Editor, JAOCS 1970-; Member, Dibasic Acids Committee 1971-75, Monograph Committee, 1975-; Awards in Lipid Chemistry Committee, 1972-4; Steering and Program Committee, Session Chairman, of World Conference on Vegetable Food Proteins, 1978; Alternate U.S. Delegate to WHO/FAO Codex Alimentarius Fats and Oils Committee. ●

Fats & Oils Outlook . . .
(Continued from page 130A)

instead into sugar cane and manioc. These crops are more indigenous to the area and can be readily converted into alcohol to blend with gasoline as a fuel extender. This would reduce the need to import so much petroleum, thereby reducing the foreign trade deficit. Moreover, this alcohol could be shipped to the U.S. in a bilateral exchange for wheat and corn, of which the U.S. has a nearly perennial surplus and which Brazil and other countries must import. Such an exchange would be much more practical than if the U.S. should decide to convert wheat and corn to fuel alcohol. This would seem to be an intolerable waste of nutritious food and feed grains.

Thus, in both the near term and the long term, attention of the market is keenly focused on developments in the Southern Hemisphere. The outcome can have a very large price influence for the next weeks and months.

January 9, 1979

V.K. Babayan, an AOCS member since 1948, has been named vice-president of science and technology for Stokely-Van Camp Inc. in Indianpolis. Babayan will handle special assignments relating to food products and processing and continue to be responsible for the research division of Capital City Products Co., a division of Stokely-Van Camp Inc. ●