

## FEATURE

hope that reason and technical correctness prevail.

The next "C" is communication. There needs to be open, factual communication between the two groups. Communication permits the effective exchange of information and promotes better understanding. It allows the exchange of ideas, perspectives, needs and concerns. It builds trust and credibility. It helps achieve the objectives faster, and with less effort.

The last and perhaps the most important "C" is collaboration. It is our conviction that collaboration in setting and adhering to the stan-

dards should be done jointly with the regulatory agencies. We both have a job to do and have a common commitment to make things better where warranted. More progress can be made more rapidly without having an adversarial relationship. More and better information can flow between the two groups. One group can educate the other, and vice versa. A synergetic phenomenon occurs whereby more progress is made collaboratively than separately for the same individual effort or involvement.

Another positive aspect of collaboration is education. Both the

trade association members and the regulating agencies can learn about each other's problems, processes and procedures. This is healthy, with each realizing the other has a job to do and acting accordingly.

Complexity, commitment, communication and collaboration are the four "C's" of effective trade association and regulatory agency relations. A climate of mutual respect, factual information exchanges and joint understanding will result from this relationship. We believe NSPA has demonstrated the truth and value of this approach, and we plan to continue this behavioral pattern.

## FATS &amp; OILS NEWS

## Oilseeds: U.S. share still declining

A major question asked at the U.S. Department of Agriculture's (USDA) Agricultural Outlook Conference in November was "Can the U.S. recover lost shares in world markets?"

U.S. share in world oilseed trade is steadily declining, according to USDA figures. The U.S. share of world trade in soybeans and products dropped from 73% to 56% between 1979/80 and 1987/88 and may fall to 40% this year, USDA's Philip Mackie said. USDA estimated 15.4 million metric tons (MT) of soybeans, 4 million MT of soybean meal and 600,000 MT of soy oil will be exported by the U.S. in 1988/89.

These declines have made the U.S. a residual supplier, Mackie said. Although U.S. exports of soybeans and products will be down about 30% from 1987/88, the drop will be nearly offset by increases from South America so that overall world trade in soybeans and products will be down only 4% from last year, he said.

Mackie posed these rhetorical questions: How soon and how fast will the U.S. be able to recover from the sharp fall in world market share

which it expects this year? How will the U.S. do it?

The only way to reverse the downward trend in U.S. soybean production and exports is to change U.S. farm policies, according to industry leaders who spoke at the conference. "Each year that passes without a policy change allowing U.S. soybean farmers to respond freely to market signals is likely to cause further deterioration in the industry's relative position," Alan Tennesen, Cargill's vice president of international trading, said.

Tennesen blamed the soybean loan policy and the impact of other commodity programs for the erosion of the domestic soybean industry and the decline in the U.S. world market share. "A sharply higher soybean price floor gave aid and comfort to Southern Hemisphere soybean production. And escalating target prices for corn and other crops overwhelmed market forces to bid land away from soybeans and sunflowers in this country," Tennesen said.

Although U.S. production and acreage have declined steadily since 1979, there has been vigorous

growth in world soybean output, particularly in South America, Tennesen pointed out. Earlier U.S. programs have aided that growth, and the Disaster Assistance Act of 1988 may do the same, he said.

Even though the act gives growers greater flexibility in shifting acreage from target-price crops to soybeans and sunflowers, its 115% price protection provision probably is viewed even more favorably by South American farmers than by U.S. farmers, he said. "Producers in Brazil and Argentina perceive the U.S. government as being committed to keeping soybean prices above \$5.50 in 1989-90," Tennesen said. "The U.S. guarantee enables South American farmers to make their expansion plans with greater confidence and aggressiveness."

Meanwhile, the American Soybean Association's (ASA) Stanley Pendulum called the rapid decline in U.S. share in world export trade "alarming." The accelerated share loss has been magnified by the fact that world export volumes have

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been growing at a compounded rate of 3-4% per year, Pendlum said.

He added that even with the Disaster Assistance Act of 1988, soybeans will have a difficult time competing with the U.S. Feed Grain Program in 1989. He did not anticipate a major substitution of soybeans for grains and forecast soybean plantings in 1989 at 61 million acres.

A future winding down of large subsidies now affecting world grain prices could clearly benefit the soybean sector, Pendlum added. "Subsidies offered in world grain trade have depressed corn and wheat

prices to the extent that Southern Hemisphere producers are pushed to produce oilseeds, as this is the commodity that is least subsidized in world trade."

Policies rather than markets are likewise dominating the sunflowerseed industry, according to Larry Kleingartner, executive director of the National Sunflower Association. The sunflowerseed industry followed basically the same pattern established by the U.S. soybean crop during the 1980s, except sunflower declined at an accelerated pace, Kleingartner said. Farmers responded to good prices in the 1970s,

then to government signals in the 1980s, and there simply was no room for a non-program crop in the "race for the base" established in the 1981 and 1985 farm bills, Kleingartner said.

According to Kleingartner, the future of the U.S. sunflower industry is in the hands of policy makers. Without major restructuring, U.S. oilseed production will continue to decline with yet more acreage shifting to competitors. "The National Sunflower Association believes policy makers should treat oilseeds as a neglected opportunity," he added.

## World oilseed production to decrease

The U.S. Department of Agriculture (USDA) has forecast world oilseed production in 1988/89 at 200.28 million metric tons (MT), down 3% from last year. Most of the world's production decline has been attributed to a U.S. soybean crop that is 21% below the previous year.

Declines in world production of rapeseed and flaxseed also are anticipated. However, total world output (excluding the U.S.) is expected to top 151 million MT, up 4% from 1987/88, due in part to increases in cottonseed, peanut, sunflowerseed, copra and palm kernel production.

USDA's projections for oilseed and oilseed products, published in late November 1988, include the following:

### Soybeans

World soybean production is forecast at 94 million MT, the lowest level since 1984/85. Despite the drought, the U.S. will remain the largest producer, with an estimated output of 41.15 million MT. Brazil, Argentina and Paraguay combined will produce 32.2 million MT, up from 28.7 million MT the previous season.

Approximately 82.7 million MT of beans will be crushed, down from 83.94 million MT in 1987/88. Ending stocks, projected at 13.88 million MT, will be at the lowest level since

1984/85. Soybean exports are forecast at 25.96 million MT, a decline of 3.64 million MT from last year. However, world soybean meal exports, forecast at 25.47 million MT, will exceed last year's levels, and soy oil exports will remain nearly level at 3.67 million MT. Brazil and Argentina will dominate in world sales of soybean products. Soy oil consumption, forecast at 14.93 million MT, could exceed production, which is estimated at 14.88 million MT.

### Cottonseed

World cottonseed production may reach 32.22 million MT this year due to projected production increases in the U.S., the Soviet Union, India and Brazil. Export and import levels are projected to increase to 320,000 MT and 310,000 MT, respectively. Crush may near 25 million MT, with cottonseed meal production set at 11.68 million MT and cottonseed oil at 3.29 million MT. Ending stocks are forecast at 540,000 MT, up 90,000 MT from last year.

### Peanuts

Projected large increases in India and the U.S. will boost world peanut production to 21.55 million MT this year, compared to 19.76 million MT last year. Indian production could rise to 6.8 million MT; U.S. output

is set at 1.87 million MT. China, the world's second largest producer, suffered drought in major peanut-growing areas and may harvest only 5.8 million MT of peanuts, the smallest harvest since 1984. About 11.5 million MT of peanuts will be crushed to produce 4.68 million MT of meal and 3.29 million MT of oil. In 1988/89, peanut exports and imports may increase to 1.29 million MT and 1.33 million MT, respectively. Ending stocks, projected at 540,000 MT, are about level with last year's stocks.

### Rapeseed

Rapeseed production may decline to 21.74 million MT from last year's record 22.95 million MT due to reduced crops in China and the European Economic Community (EEC). Rapeseed exports and imports, likewise, are projected to decline. Exports may be down to 4.45 million MT, 150,000 MT lower than last year; imports are projected at 4.27 million MT, down 70,000 MT.

Crush is forecast at 19.73 million MT, with meal output set at 11.9 million MT and oil at 7.28 million MT. Ending stocks, forecast at 1.19 million MT, are expected to be down slightly from last year.

### Flaxseed

Flaxseed output is forecast to fall to

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1.84 million MT, down 440,000 MT from 1987/88. Exports could decline to 570,000 MT, and imports may drop to 600,000 MT. Approximately 1.64 million MT of flaxseed will be crushed. Ending stocks for 1988/89, projected at 270,000 MT, will be little more than half of last year's level.

### Copra

Copra production, set for 4.73 million MT, could increase by 340,000 MT over last year. Exports and imports are forecast at 340,000 MT and 320,000 MT, respectively. Crush could rise to 4.53 million MT, and ending stocks may total 110,000 MT, more than double the 1987/88 ending stock levels.

### Palm kernel

Although palm kernel production could increase to 2.9 million MT, world export and import figures are expected to remain constant at 130,000 MT and 110,000 MT, respectively. Palm kernel crush has steadily increased since 1984/85 and may reach 2.77 million MT this year, up 180,000 MT from 1987/88. Ending stocks, however, are projected to remain at 120,000 MT, the same as last year.

## Oil production up

Despite a decline in world oilseed production, world vegetable and marine oil production will increase this year. Combined output of soybean, palm, sunflowerseed, rapeseed, cottonseed, peanut, coconut, olive, fish, palm kernel and linseed oils may total nearly 53.55 million metric tons (MT) in 1988/89, according to the U.S. Department of Agriculture (USDA). That's an increase of 1.1 million MT over last year.

Palm oil production, set at 9.32 million MT, could increase by 740,000 MT over 1987/88. Other production estimates include (in million MT): 14.88 soybean oil, 7.58 sunflowerseed oil, 7.28 rapeseed oil, 3.61 cottonseed oil, 3.29 peanut oil, 2.8 coconut oil, 1.54 olive oil, 1.45 fish oil, 1.24 palm kernel oil and 0.57 linseed oil. Soybean, rapeseed, olive and linseed oils are predicted to

register production declines this year.

World oil exports could rise to 17.61 million MT, an increase of 360,000 MT compared with last year. Imports, meanwhile, are forecast at 17.03 million MT, 50,000 MT less than in 1987/88. Soybean oil exports may fall slightly to 3.67 million MT in 1988/89; sharper declines will be prevented because exports from South America will increase.

World oil consumption continues to rise; this year it may reach 53.6 million MT. Ending stocks may decline to 5.94 million MT. This will be the first time stocks will dip below 6 million MT since 1985/86.

## Soyfood update

Soymilk sales in the U.S. in 1988 were expected to reach 4.8 million gallons valued at \$36.1 million, compared with 3.3 million gallons of sales valued at \$25.6 million the previous year, according to Soya Newsletter.

The newsletter noted that U.S. soymilk consumption has been bolstered by increased domestic production, lower prices and larger package sizes. Soymilks gaining in popularity are processed with high-technological systems that produce a nonbeany flavored product and are packaged in either retort pouches or aseptic Tetra-Paks.

Meanwhile, 62 million pounds of soybeans were used in 1988 in the U.S. to make domestically produced soyfoods. In addition to soymilk, soyfoods produced included tofu, tempeh, soy sauce, miso and soynuts.

## Policy group forms

The Oilseed Policy Working Group, a coalition of groups representing the U.S. oilseed industry, was expected to circulate a Farm Policy Option Paper among its members in late January or early February. The option paper will outline several policy directions the U.S. may follow in the oilseed sector, according to Larry Kleingartner, executive direc-

tor of the National Sunflower Association (NSA) and an organizer of the working group.

Members of the working group, which includes representatives from the American Soybean Association, the National Soybean Processors Association, the National Cottonseed Products Association and other organizations, then will try to agree on an agricultural policy to suggest to the government.

"All of the group's work is directed toward the 1990 Farm Bill. The group's objective is to have all the oilseed people pulling in the same direction. We want to develop policy options we can all agree on," Kleingartner said. It is likely the group will suggest that farmers be allowed to make planting decisions based on market factors rather than on base or target price considerations, he added.

## New facilities

A margarine factory and palm kernel oil mill have been put into operation in Perbaungan, North Sumatra, Indonesia, according to *The Cocomunity* newsletter. The margarine factory is rated to produce 7,000 tons a year and uses technology from the Brinkers Group of The Netherlands.

The palm oil factory initially will be capable of producing 6,000 tons of palm kernel oil a month and 8,000 tons of palm kernel meal a year. Production initially is set for domestic consumption, but the company is eyeing the export market as well.

Meanwhile, a coconut oil mill is being built in Pagadian City, Mindanao, The Philippines. The plant will have the capacity to produce 40 tons of coconut oil a day.

Also, the Indian firm of Cimco Ltd. has announced it will build a coconut processing factory in Cuba. The plant is expected to go onstream in June 1990. The facility will produce edible oil as well as fiber to make carpets, curtains and mattresses.

Meanwhile, Anglia Oils is building a \$2.1 million alkali refining facility at its Hull refinery. The new facility, located near the company's

recently completed palm fractionation plant, will process mainly soybean and rapeseed oils.

## International

### Canada

The Canadian government has turned down the Canola Council of Canada's request for \$60 million (Canadian) in aid. According to a report from the U.S. Department of Agriculture (USDA), the council made the request to help the canola industry counter international oilseed subsidization.

Meanwhile, "U.S. and European subsidy wars" have been blamed for the shutdown of two canola crushing plants in western Canada. Alberta Terminals Canola Crushers Ltd. in Sexsmith, Alberta, and United Oilseeds Products in Lloydminster, Saskatchewan, closed in November because it was unprofitable for them to operate for the export market.

### China

Shortages in oilseed production will force the Chinese government to tighten its meal exports and domestic edible oil sales and to import record amounts of oil, according to *Oil World*. Official statements from the China National Cereals, Oils and Foodstuff Import and Export Corp. indicate China will cut back on soybean meal exports this year. *Oil World* estimated that China will reduce soy meal exports to 1.25 million metric tons (MT) for January to September 1989, down 660,000 MT from the same period in 1988. Overall meal exports could decline to 2.75 million MT for 1988/1989, a drop of 939,000 MT.

Meanwhile, the Commerce Ministry has ordered all areas except Beijing, Shanghai and Tianjin to reduce edible oil sales on the free market by 5-10% from last year. Even with this cutback, China will be forced to import a record 1.4 million MT of oil between October 1988 and September 1989, *Oil World* said. Last year, approximately 797,000 MT of oil were imported. Drought and flood lowered 1988/1989 oilseed production to 30.7

million MT, compared with 33.37 million MT last year.

### India

The Indian government in December discontinued the practice of granting concessional prices for imported oil to the vanaspati industry, according to reports from USDA. The policy change is meant to encourage domestic oilseed production and reduce India's dependence on imported soybean oil.

Previously, the vanaspati industry obtained 40% of its oil requirement from imported oil at the commercial rate of 19,000 rupees per MT. Another 40% was obtained at the concessional rate of 15,000 rupees per MT. Now, the vanaspati industry will have to pay the higher price for imported oil. As a result, USDA predicted vanaspati producers will try to cover most of their needs with domestic oils, which cost between 17,000 and 18,000 rupees. India still will need to import roughly one million MT of edible oil to meet demand, USDA said. However, soybean oil is expected to lose share relative to palm oil and rapeseed oil.

### Japan

Japan's Ministry of Health and Welfare plans to establish a new designation system for natural food additives in the 1989 fiscal year. To prepare the list, the ministry has begun to study the production and the import of natural food additives. Meanwhile, the ministry also plans to set up new health food ingredient guidelines for products such as EPA, fructo-oligosaccharides and polydextrose. The guidelines will be based on research to be conducted by Health and Welfare and Japan's university hospitals. The three-year study, scheduled to begin in 1989, will focus on how certain natural food ingredients are absorbed, changed and excreted by the human body.

Boso Oil and Fat Co., Japan's largest manufacturer of rice bran oil, recently began developing a cosmetic business. The firm will sell products such as hand cream and cosmetic liquor made from squalene

and gamma-oryzanol. The products will be sold through farmer cooperatives and drug stores.

In addition, Nihon Nosan Kogyo Co. will begin constructing a new feed factory in the Okayama prefecture this summer. The plant has a projected capacity of 25,000 MT and will cost about 3 billion yen. The new facility is to be completed by October 1990. The company has announced it will close the Kobe and Sakaide factories.

Nippon Oil and Fats Co. has announced it will begin producing "By-Pass Oil" next spring at its Amagasaki factory. Nippon recently developed the technology to produce the oil for dairy cattle feed. The oil contains calcium salt of fatty acids. An estimated 30,000 MT will be produced yearly.

### Malaysia

Malaysia's Palm Oil Registration and Licensing Authority (PORLA) has established a checkoff fee that may produce up to \$3.7 million annually to promote palm oil in international markets. Malaysia's primary promotion efforts now are in the Middle East and Pacific Rim nations, but the fund is expected to help finance campaigns in the U.S. to counter anti-tropical fats and oils promotion efforts by U.S. oilseed groups. The new funding is separate from research work financed by the Palm Oil Research Institute of Malaysia.

### Mexico

Industria CONASUPO, the manufacturing division of Mexico's Compania Nacional de Subsistencias (CONASUPO), recently built a new oil mill in Matamoros, Mexico. It has a crushing capacity of 1,000 MT per day and can process soybeans, sunflowerseed or cottonseed and refine the oil. According to a report from the National Cottonseed Products Association, oilseeds will be imported under the "maquilla" system which allows a company to export products for a year without paying Mexican duties. South Texas and the Caribbean Rim are considered potential customers.

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### Portugal

The American Soybean Association (ASA) has asked the U.S. Trade Representative and USDA to protest against new Portuguese labeling regulations for oils. Portugal now requires all oils with more than 2% linolenic acid to be labeled "oil for dressing," while oils with less than 2% linolenic acid can be labeled "oil for dressing and frying." Because soybean oil contains more than 2% linolenic acid, ASA sees the decree as an attempt to exclude soybean oil from the cooking oil market to the benefit of Portuguese sunflowerseed producers.

Meanwhile, USDA said a report in the Portuguese press recommended certain restrictions on human consumption of soybean oil. The article in *Expresso* said soybean oil should not be used for frying purposes because soybean oil overheats when frying and forms toxic products.

### South Korea

South Korea has lowered its import duty on coconut oil to 3%, from 10%, for 1989. It also reduced duty rates on palm oil to 10%, from 20%, for 1989, and announced plans to further reduce the palm oil duty to 9% in 1991, 7% in 1992 and 5% in 1993.

## Fish meal and oil

Fish meal production by the world's main exporting countries increased by 11% during the first nine months of 1988, compared with the same period a year ago, according to a report given at the 28th annual conference of the International Association of Fish Meal Manufacturers held in Lima, Peru. The report showed 2.3 million metric tons (MT) were produced during January through September 1988, compared with 2.07 million MT in the same period in 1987. Exports remained about the same in 1988, at 1.86 million MT, compared with 2.01 million MT. South American production—at 1.67 million MT—was up 10% and Scandinavian production—at 565,000 MT—was up 20%.

During the conference which was attended by 300 delegates from 28 countries, it was noted that future demand for fish meal imports in the growing Far East market might reach one million tons during 1989 or 1990. The meal is used in that area to feed poultry, pigs and farmed fish.

At a special workshop session, delegates learned of the extensive re-equipping of the industry with computer-controlled cookers/dryers to process fish and produce special product meals designed for specific species.

Fish oil exports for 1988, meanwhile, were estimated to be 11% higher than the previous year, to reach 659,000 MT, compared with 593,000 MT. It was noted that expenditures on exploring the health effects of dietary fish oils have totaled an estimated \$100 million worldwide, with U.S. expenditures expected to be \$10 million during each of the next two to three years.

At the meeting, Dick Rypkema, marketing vice president of Zapata Haynie, was elected vice president of the International Association of Fish Meal Manufacturers. He also serves as chairman of the association's fish oil action committee. Anthony Bimbo, technical director of Zapata Haynie, was named chairman of the association's scientific committee.

## News briefs

Central Soya Co. Inc. has announced plans to acquire the Animal Health Division of Agrimont, a producer and supplier of fertilizers, medicated premixes and veterinary products.

Traders Oil Mill, Fort Worth, Texas, has been renamed The Procter & Gamble Oilseed Products Co., Fort Worth Plant, and the Levelland Vegetable Oil Mill, Levelland, Texas, is now The Procter & Gamble Oilseed Products Co., Levelland Plant. In addition, the Buckeye Oilseeds Plant in Memphis, Tennessee, has been changed to The Procter & Gamble Oilseeds Prod-

ucts Co., Memphis. These facilities formerly were a division of the Buckeye Cellulose Co., owned by P&G.

The U.S. Department of Agriculture has issued its latest cookbook for schools entitled "Quantity Recipes for School Food Service, 2nd Edition." The emphasis in the new book is to reduce salt, sugar and fats from the 24 million lunches served in 90,000 U.S. schools.

The American Soybean Association has announced that Hardee's fast-food chain has switched to a vegetable oil low-saturated fat blend of soybean and peanut oils for cooking all of its fried products.

Medical researchers have discovered that a genetically engineered drug—granulocyte-macrophage colony-stimulating factor (GM-CSF)—used experimentally to treat severe anemia produced a sharp drop in the blood cholesterol levels of patients being treated. The finding was made in tests at the medical school of the University of California in Los Angeles, California. The drug used was a version produced by Genetics Institute, a Boston, Massachusetts, biotechnology company.

Kadambar S. Holla has been named general manager for R&D for The Tata Oil Mills Co. Ltd., Bombay, India. He formerly served as manager at the company's Gaziabad and Madras, India, facilities.

Archer Daniels Midland Co. has named G. Allen Andreas chief financial officer for European operations, Martin L. Andreas senior vice president and executive assistant to the chief executive and Terrance S. Wilson senior vice president and general operations manager of ADM Corn Sweeteners.

Geoffrey Bastin, former editor of Landell Mills Commodities' bulletin on oils and oilseeds, has joined Material Intelligence. He will be working on software for commodity traders and also will prepare a handbook for oilseed traders. The hand-

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book's development is funded by the United Nations International Trade Centre.

**Stolt Tankers and Terminals (Holdings) S.A.** has purchased M/T Stolt Kingfisher, a 3000-metric-ton deadweight tanker, for use by its European Small Tanker Service. This service, managed from Stolt Nielsen B.V. in Rotterdam, provides transshipments for vegetable oil and chemical parcel cargoes within the North Sea, Baltic and Mediterranean areas.

**Wayne Whittaker**, vice president of marketing for Valley Proteins, has been elected chairman of the board of the **National Renderers Association**. He succeeds **Ed Wieland** of Central Bi-Products who, as im-

mediate past chairman, will serve on the executive committee for the next two years. **Thomas Weihe** of Darling-Delaware Co. was elected NRA's first vice chairman.

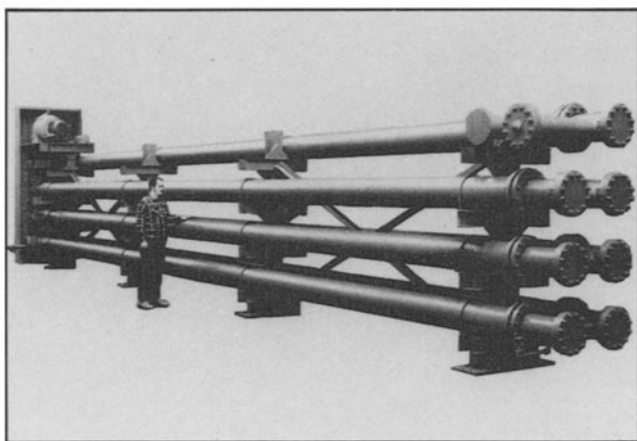
**Hewin International Inc.**, Amsterdam, The Netherlands, has published a report on "The Impact of Biotechnology on the Oils and Fats Industry," surveying existing markets and identifying business opportunities. The report discusses world fats and oils production, looks at new developments in the production of oils and fats in plants and by microorganisms, and covers the use of enzymes in processes and in the structural modification of fatty acids.

The **Corn Refiners Association** has

elected **Ernest S. Micek**, president of Cargill Inc.'s Domestic Corn Milling Division, as its 1989 chairman. **Paul E. Grunder**, president of the Corn Refining Division of CPC International Inc., will serve as vice chairman. The Corn Refiners Association has moved its headquarters to 1100 Connecticut Ave. NW, Washington, DC 20036. The telephone number is 202-331-1634.

**Karlshamns USA** became a subsidiary of **Capital City Products Co.** as of Jan. 1, 1989. Karlshamns USA will be based in Capital City's headquarters in Columbus, Ohio, and will be responsible for marketing Karlshamns AB products in Canada, Central America and South America.

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