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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

THE OUTLOOK FOR FATS, OILS, OILSEEDS AND PEANUTS IN 1955

Statement presented by S. Gershben at the 32nd
Annual Agricultural Outlook Conference,
Washington, D. C., October 26, 1954

Peak supplies of food fats are likely in 1954-55 since beginning stocks were about the same as a year earlier and production will be slightly larger. More lard will be produced, and about the same quantity of other fats. Production of food fats is expected to be moderately in excess of domestic use and commercial exports, but export sales of cottonseed oil by CCC may prevent an increase in stocks. Prices of most food fats during a large part of this crop year are likely to average near present levels but somewhat lower than in the past year.

Exports have become an increasingly important market for food fats and oils.

During the last two decades, U. S. production of food fats has increased much more than has consumption. Consequently, increasing quantities have become available for export. In calendar years 1951-53, output was greater than total disappearance despite a high level of exports. The same would have been true in 1954 if the Government hadn't sold large quantities of cottonseed oil for export at prices well below those in the domestic market.

Inedible tallow and greases are the major domestic soap fats. The postwar decline of consumption of these fats appears to have been arrested by greater nonsoap use such as fatty acids and animal feeds. Exports in the past crop year were at a record level. Prices rose as total disappearance was great enough to require a reduction in stocks. Prices in 1954-55 to a large extent will depend upon exports, as little change in supply and domestic use is expected.

Fortunately, the outlook for exports of all fats, oils and oilseeds is good.

Total U. S. exports of fats, oils and oilseeds in 1954-55 are expected to be near the record volume shipped in 1953-54. Favorable factors in the export outlook are: production in other areas of the world will not differ much from last year; the dollar position of several major importing countries has improved from a year ago; CCC is selling its oils and oilseeds at competitive world prices; and certain surplus fats and oils can be sold for foreign currencies under Public Laws 480 and 665.

Production of soybeans in 1954 is estimated at a record 331 million bushels. Adverse weather cut yields below average but the acreage harvested for beans was at a peak, primarily reflecting a shift from corn, cotton and wheat which were under allotments and favorable prices for soybeans.

The export market has become an increasingly important outlet for U. S. soybeans. Prior to World War II, Manchuria was the major source of supply going into world trade, shipping an average of 69 million bushels in 1935-39. Since then, exports from this area have been comparatively small and the United States now is the major exporter. Shipments from China-Manchuria in calendar 1953 totaled about 24 million bushels. In Europe, as well as in Japan, beans are desired in preference to the products in order to utilize the available crushing capacity and provide employment. Also, in the Orient, a substantial percentage of the soybeans is used in food. Hence, many importing nations are willing to pay a premium for beans. Exports in the crop year which ended on September 30, 1954 reached a record of about 40 million bushels. Prospective exports in 1954-55 are estimated at about 50 million bushels.

If exports total about 50 million bushels, then about 250 million would be available for crushing. Although this would be much larger than the comparatively small quantity crushed a year ago, it would not differ much from the quantities crushed in the 1950 and 1951 crop years.

Last year, prices to farmers for soybeans trended upward from \$2.41 per bushel in October to a peak of \$3.55 in May, reflecting the short crop and record exports. During the first half of October, farmers received about \$2.50 per bushel for their beans. With the crop now moving in volume, prices have weakened somewhat. However, some increase over \$2.50 per bushel is probable later in the crop year (primarily because of an expected increase in meal prices), but the rise is not likely to be nearly as great as last year's upward movement.

If the acreage harvested for soybeans in 1955 is about the same as this year (restrictions on corn, cotton and wheat will continue in 1955) and growing conditions are average, the crop would total a record 360 million bushels.

With a crop of this size, exports at 50 million bushels, and a small increase in ending stocks, crushings would total about 280 million bushels, 28 million more than the previous record. The oil produced from these crushings probably would be in excess of domestic use and exports.

The quantity of meal produced from 280 million bushels of soybeans would be up about 10 percent from 1954-55. However, because of reduced output of cottonseed meal, total oilseed meal production would be only slightly greater than this year. Little change is expected in supplies of high protein feeds per grain-consuming animal unit because some increase in hog numbers is likely. Hence, prices of oilseed meals in 1955-56 could be well maintained. The favorable outlook for meal prices is particularly important as soybean meal comprises over half the value of the products obtained from a bushel of beans.

As stated above, most importing countries want oilseeds, preferably soybeans. Consequently, exports could rise considerably above 50 million bushels, if prices are attractive to importing nations. Increased exports would bolster prices. A high level of exports of U. S. beans is contingent upon no sharp increase in exportable supplies from China.

Support for soybeans and cottonseed is discretionary. The 1954 soybean crop is being supported at 80 percent of parity (\$2.22, national average farm price). As yet, no support for the 1955 crop has been announced. A support program on cottonseed might have a strengthening effect on soybean prices through its possible influence on oil prices.

Reports as of October 1 indicate that output of cottonseed in 1954 may total 5,133 thousand tons, 24 percent less than a year ago and the smallest since 1950. The decline primarily reflects acreage allotments on cotton, which are in effect this year for the first time since 1950.

Prices received by farmers so far this crop year have been around \$60 per ton. This is more than support and well above last year's level. Prices probably will average near this value. Present meal prices are about a third higher than a year ago and likely will remain higher. Oil prices now are slightly lower and linters are about the same price as a year ago.

In most years, the value of the oil has comprised at least half of the total value of the cottonseed products, while meal accounted for about one-third, linters about 10 percent and hulls the remaining 3 or 4 percent. This year, the oil value is lower but meal values are greater.

As of October 13, tenders to CCC of 1954 crop cottonseed oil totaled 10 million pounds. A year earlier, tenders of 1953 crop oil totaled 117 million pounds. Total tenders of 1953 crop oil amounted to 384 million pounds, crude basis.

The U. S. Department of Agriculture has announced a marketing quota of 10 million bales of cotton for the 1955 crop. Compared with this year, a cotton crop of this size would be reflected in around a 300 million pound drop in oil output and a 450,000 ton decline in cottonseed meal production.

Output of flaxseed was in excess of domestic use in 1947-49 and a large stock of oil was accumulated. The 1953 crop also was well above domestic use but stocks declined because of large sales for export from Government stocks at prices well below those prevailing in the domestic market. A further decline in stocks during this crop year is likely because of additional CCC sales for export. Producers delivered about 30 percent of the 1953 crop to CCC under the support program and probably about 25 percent of the 1954 crop also will be taken over by the Government. The take-over of 1954 crop flaxseed by CCC would be larger if poor growing conditions hadn't reduced output. Prices for the 1954 crop will average around the support level of \$3.14 per bushel, 70 percent of parity.

Farmers increased their plantings of flaxseed by 26 percent in 1954 mainly on land taken out of wheat because of allotments. Practically all of the increase was in North and South Dakota and Montana. Minnesota actually cut its acreage. If plantings in 1955 are about the same as this year (allotments on wheat in 1955 will be 11 percent less than a year ago) and growing conditions are normal, the flaxseed crop would total about 50 million bushels. A crop of this size would be about 30-40 percent above probable commercial use at 1954 crop prices.

Price quotations for linseed oil in Europe (latest quotations are 7.5 cents per pound, c.i.f., Europe compared with 14 cents Minneapolis) suggest that world prices for flaxseed are substantially below the U. S. support for the 1954 crop. A flaxseed surplus of the magnitude indicated for the 1955 crop would exert downward pressure on U. S. prices. As yet, no support has been announced for the 1955 crop.

Production of peanuts generally has been greater than food and farm uses. This would have been true for the 1954 crop year also if growing conditions had been normal. Although there was little change in the acreage picked and threshed, adverse weather reduced the crop about a third below last year's level. With imports limited to 1.7 million pounds, shelled basis, stocks will be reduced to an absolute minimum. The import duty on these peanuts is 7.0 cents per pound of shelled peanuts. About the only peanuts likely to be crushed will be those which do not meet the standards for other uses. Usually, farm prices fluctuate around the support level. However, with a crop as small as the present one, prices probably will rise above support.

The 1955 national allotment for peanuts is 1,610,000 acres, the minimum set by law and the same as a year earlier. If growing conditions are normal, production will be somewhat in excess of food and farm uses. Present estimates indicate that supplies will be at a level which will necessitate support at about 90 percent of old parity in 1955.

Under the present minimum allotment, production of peanuts is likely to continue to exceed food and farm uses for some time ahead. For example, under the Agricultural Act of 1954, the support price for peanuts produced in 1959 probably will be at least 20 percent lower than the present level, assuming no change in the parity index. (This is so because by that time we will have made the full transition from old to new parity.) Since the demand for peanuts is relatively inelastic, a 20 percent drop in price normally would be associated with an increase in consumption of around 10 percent. Consequently, in 1959-60 consumption probably will be larger than the present level of 6.4 pounds per civilian farmers' stock basis. Sufficient peanuts to meet a 10 percent increase in use could just be obtained with the present legal minimum allotment (provided the entire allotted acreage was picked and threshed) and the 1949-53 average yield of 901 pounds.

However, not all the allotted acreage will be harvested. Increasing yields probably will more than offset the deficiency resulting from failure to utilize the entire allotment. Yields have been trending sharply upward, and further increases are likely. For example, if yields in 1959 equal the 1953 peak of 1,031 pounds per acre, 1,488 thousand acres (the legal minimum of 1,610 thousand less the estimated 7.6 percent that may not be harvested) would produce 1,535 million pounds of peanuts, roughly 100 million more than needed to meet estimated food and farm uses in that crop year.