

# REVIEW OF OILS AND FATS SITUATION\*

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## World Production, 1952

OUR starting point in this exercise is to see what world production was like last year. But first I must revise the estimate of world production I gave you for the previous year—1951. The original figure was too conservative, and according to the latest information the total was 23,640,000 tons or some 230,000 tons larger than the estimate I gave at Copenhagen.

In 1952 world production is currently estimated at 24,550,000 tons, which is 220,000 tons larger than my last year's forecast and 900,000 tons more than the previous year. This means that output was equal to an average supply of 22 lb. per head of world population. In other words, total supplies in 1952 were to all intents and purposes back to their pre-war level after allowing for the increase in world population that has taken place. And this recovery has been achieved without taking into account the fact that roughly half-a-million tons of oils and fats are now being replaced by synthetic detergents.

## World Exports, 1952

Despite this significant increase in output last year, world exports fell by 10 per cent. You will appreciate that at this stage the figures cannot be exact, but the total is currently estimated at 5,159,000 tons, or 582,000 tons less than in 1951. Looking back on 1952 at this stage it is highly improbable that larger shipments of soya oil or soya beans could have been made by either Manchuria or the United States even though the additional supplies were there; in Manchuria the political situation limited shipments, while in the United States the large purchase of cottonseed oil by the Commodity Credit Corporation forced American consumers to buy soya oil. The smaller exports of copra (they declined by over 100,000 tons compared with my estimate of available supplies) were due to smaller production both in the Philippines and in Indonesia. The reduction in the Philippines was partly caused by typhoon damage. In Indonesia domestic consumption increased sharply.

## Summary, 1952

Let me summarise quite briefly the statistical position as it appeared at the end of 1952. World production was in excess of world demand so that stocks of oils and fats in producing countries increased by 450,000 tons. In addition a further 650,000 tons were held by the C.C.C. and at least 500,000 tons in strategic reserves. These stocks represent in a greater or less degree a potential

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increase to world supplies. Further, Europe produced or imported some 500,000 tons more than it consumed so that stocks on this side of the Atlantic also increased. But it should be borne in mind that the greater proportion of this stock consisted of olive oil.

### World Production, 1953

Having reviewed the past, let us look at the present and into the future. This year world production of oils and fats looks like totalling 23,660,000 tons, which is about 890,000 tons smaller than last year and roughly equal to the 1951 output. This means an available supply of 20.9 lbs. per head of population or about 1 lb. per head lower than in 1951.

There is no cause for alarm at this reduction because as we have already seen from last year's figures, when *per capita* supplies are equal to their pre-war level, stocks begin to accumulate in many parts of the world.

Further, this reduction of 890,000 tons in world output is due almost entirely to the smaller olive oil crop which alone accounts for a decline of 867,000 tons. Although the decline in olive oil production dominates the world picture, it does not mean that the output of all other crops will be maintained. I expect a smaller output of groundnuts, sunflower seed, copra, whale oil, sperm oil and lard. But this will be offset by increased production of palm oil, palm kernel oil, linseed oil, butter and one or two other items.

Supplies of copra have been disappointing this year. I had hoped that after the sharp decline in shipments last year, 1953 would show some improvement. Unfortunately, production has been low and shipments in the first half of this year have again been smaller than in the same period of 1952. I estimate total shipments of copra and coconut oil (all in terms of oil) at 1,052,000 tons, or 69,000 tons less than in 1952. From Table 5 you will see that I expect a reduction in copra exports of 82,000 tons from the Philippines and of 56,000 tons from Indonesia. There are, however, signs that the situation in Indonesia is improving. The strong demand for domestic consumption in Java, which had reduced the flow of exports, appears to have been temporarily satisfied. As a result, exports during May and June are expected to show considerable improvement over the previous months.

In the Philippines, on the other hand, I think that the damage caused by the two typhoons last year was probably under-estimated, and further, I am informed that the nuts this year are below normal size and weight, thus reducing the amount of copra. But in the Philippines too, there are some signs of improvement, and I think that during the second half of this year we may look with confidence to larger exports.

### Conclusion

Let me now draw together the various threads of this analysis, so that we can get a synoptic view of the oils and fats market. The first point, I think, is that world consumption last year was smaller than the total quantity of oils and fats produced. Secondly, that even this year, despite the prospective decline in world production, the total output may not be much, if at all, below the actual level of consumption.

Since the war, very large stocks of oils and fats have accumulated. Of the grand total of 1,600,000 tons which I showed earlier, I believe that just over 1 million tons have gone into stock

during the past two years. This fact alone suggests that the price level in recent years was determined by the demand, not just for oils and fats to be consumed, but also for stocking up and filling the pipelines. Hence, if at any time this demand for addition to stocks ceases, there would be a contraction in purchases. The contraction would be all the more severe if a general attempt were made to dispose of accumulated stocks. What the consequences of these actions would be to price levels, I will leave to your imagination.

If the figures I have given you are correct, then clearly current supplies, even excluding frozen stocks, are fully adequate to meet current effective demand. Last year I suggested that a reasonable price level for oils and fats would be between three and four times their pre-war level—assuming that there was no longer any scarcity. I see no reason for revising my ideas. It is true that during the past year prices of certain oils, particularly the liquid edible oils and coconut oils, have been well above this range. But this was due to the decline in output in these particular oils and also to the fact that the market had anticipated the prospects of a sharp decline in world production in 1952. Coming events always cast their shadows before them, and this anticipation of a prospective shortage was probably one of the reasons for the building up of stocks last year.

Before closing this address may I add a word of warning. As I pointed out once before, there are many factors other than estimates of supply that have to be taken into account when assessing current and future trends in a market. And the figures I have given you to-day might give a false impression of security. It is true that there appear to be sufficient supplies of oils and fats in sight for the present year. *But let us not overlook the ever-growing world population. The present rate of world production will be quite inadequate to meet demand in two or three years' time. There is no room for complacency, and there must be no slacking off in production for the world's future needs.*

TABLE I

WORLD OIL AND FAT SITUATION AND PROSPECTS : SUMMARY OF SALIENT STATISTICS

(In Terms of Oil or Fat)

	Pre-war	1951	1952 Preliminary	1953 Forecast
<i>World Supply</i>				
World Production—M. Tons (000s) ... ..	21,590	23,640	24,550	23,660
„ Population (millions) ... ..	2,130	2,430	2,460	2,490
„ <i>per capita</i> —lbs. ... ..	22.3	21.4	22.0	20.9
„ <i>per capita</i> deficit on pre-war—lbs. ... ..	—	0.9	0.3	1.4
Amount required to restore pre-war <i>per capita</i> — M. Tons (000s) ... ..	—	990	380	1,580

**TABLE II**  
**ESTIMATED WORLD PRODUCTION OF OILS AND FATS**  
**Metric Tons (000)s**

(In Terms of Oil or Fat)

Country	Pre-war	1951	1952 Preliminary	1953 Forecast
U.S.A. ... ..	3,543	5,445	5,471	5,307
Argentine and Brazil ... ..	995	1,212	994	1,059
Other America ... ..	562	860	968	970
Total America ... ..	<b>5,100</b>	<b>7,517</b>	<b>7,433</b>	<b>7,336</b>
Western Europe (16 countries) ... ..	2,914	2,776	3,712	2,875
Western Europe (16 countries) (Whale oil) ... ..	423	361	333	275
Other Europe ... ..	1,231	967	990	1,006
Total Europe ... ..	<b>4,568</b>	<b>4,104</b>	<b>5,035</b>	<b>4,156</b>
West Africa ... ..	1,132	1,402	1,541	1,592
Other Africa ... ..	370	561	601	610
Total Africa ... ..	<b>1,502</b>	<b>1,963</b>	<b>2,142</b>	<b>2,202</b>
India and Pakistan ... ..	2,274	2,104	2,106	2,031
Ceylon and Burma ... ..	216	226	245	256
Indonesia and Malaya ... ..	931	894	781	779
Philippines ... ..	452	639	576	518
China and Manchuria ... ..	3,341	3,101	2,926	2,995
Australasia and Oceania ... ..	575	583	614	645
Other Asia (excluding U.S.S.R.) ... ..	628	573	636	687
Total Asia and Oceania ... ..	<b>8,417</b>	<b>8,120</b>	<b>7,884</b>	<b>7,911</b>
Total World (excluding U.S.S.R.) ... ..	<b>19,587</b>	<b>21,704</b>	<b>22,494</b>	<b>21,605</b>
Total World (including U.S.S.R.) ... ..	<b>21,587</b>	<b>23,641</b>	<b>24,546</b>	<b>23,656</b>

TABLE III

## ESTIMATED WORLD PRODUCTION OF OILS AND FATS

Metric Tons (000)s (In Terms of Oil or Fat)

Commodity	Pre-war	1951	1952 Preliminary	1953 Forecast
<i>"Edible" Type Oils :</i>				
Cottonseed ... ..	1,453	1,470	1,715	1,724
Groundnut ... ..	1,755	1,629	1,694	1,558
Soya Bean ... ..	1,263	2,069	2,042	2,087
Sunflower ... ..	435	978	893	863
Olive ... ..	950	613	1,625	758
Sesame ... ..	563	575	563	563
Maize ... ..	70	105	105	105
Teaseed ... ..	25	10	10	5
Total ...	6,514	7,449	8,647	7,663
<i>"Palm" Oils :</i>				
Coconut ... ..	1,633	1,915	1,728	1,670
Palm Kernel ... ..	355	372	373	393
Palm Oil ... ..	644	876	911	946
Babassu Kernel ... ..	27	47	25	25
Total ..	2,659	3,210	3,037	3,034
<i>Industrial Type Oils :</i>				
Linseed ... ..	1,040	1,105	929	1,018
Castor Bean ... ..	178	169	185	194
Rapeseed ... ..	1,273	1,607	1,531	1,596
Oiticica ... ..	9	9	5	5
Tung ... ..	121	95	103	106
All Other Vegetable Oils*	211	275	280	267
Total ...	2,832	3,260	3,033	3,186
<i>Animal Fats :</i>				
Butter (Fat content)** ... ..	4,160	3,686	3,668	3,764
Lard ... ..	2,913	3,066	3,171	3,089
Tallow ... ..	1,679	2,179	2,231	2,237
Total ...	8,752	8,931	9,070	9,090
<i>Marine Oils :</i>				
Whale (including Sperm Oil) ... ..	507	503	493	426
Fish ... ..	323	288	266	257
Total ...	830	791	759	683
Estimated World Total ... ..	21,587	23,641	24,546	23,656

\* Includes mowrah, niger, hempseed, perilla seed and other minor oils.

\*\* Includes ghee.

TABLE IV

## WORLD EXPORTS OF PRIMARY OILS AND FATS

Metric Tons (000)s (In Terms of Oil or Fat)

Commodity	Pre-war (Average 1934-38)	1951	1952 Partly Estimated	1953 Forecast
Copra and Coconut Oil ... ..	1,057	1,314	1,121	1,052
Palm Kernels ... ..	320	348	353	372
Palm Oil ... ..	447	468	522	562
Groundnuts ... ..	826	464	470	498
Soya Beans ... ..	432	434	251	248
Cottonseed ... ..	189	111	113	134
Linseed ... ..	572	433	193	270
All other Vegetable Oils ... ..	523	508	429	422
Butter (fat content) ... ..	500	357	342	384
Lard ... ..	173	368	339	285
Tallow, etc. ... ..	162	307	427	442
Whale Oil (including Sperm) ... ..	507	503	493	426
Fish Oils (including Liver)... ..	121	126	106	115
<b>TOTAL ABOVE</b> ... ..	<b>5,829</b>	<b>5,741</b>	<b>5,159</b>	<b>5,210</b>
U. S. retained imports above commodities ... ..	960	490	387	390
<b>Quantity available to Europe and rest of world</b> ... ..	<b>4,869</b>	<b>5,251</b>	<b>4,772</b>	<b>4,820</b>

**TABLE V**  
**WORLD EXPORTS OF COPRA AND COCONUT OIL**

Metric Tons (000)s

Country	Actual				Partly Estimated		Forecast	
	1934-38		1951		1952		1953	
	Copra	Oil	Copra	Oil	Copra	Oil	Copra	Oil
Mozambique ... ..	35	—	37	2	38	3	40	2
Seychelles ... ..	5	—	6	—	7	—	7	—
Zanzibar ... ..	13	—	—	5	3	5	5	6
Ceylon ... ..	71	61	20	112	41	108	50	110
Indonesia ... ..	493	8	558	—	366	—	310	—
Malaya ... ..	87	40	—11	69	—28	66	—20	65
Philippines ... ..	292	160	772	78	662	81	580	75
Sarawak and British North Borneo	11	—	30	—	21	—	25	—
Fiji Isles ... ..	30	—	15	11	10	12	10	15
Papua and New Guinea ... ..	79	—	74	—	80	—	80	—
W. Samoa ... ..	12	—	15	—	20	—	20	—
Tonga Isles ... ..	12	—	20	—	16	—	20	—
O. British Oceania ... ..	37	—	48	—	54	—	55	—
French Oceania ... ..	24	—	28	—	23	—	25	—
Other Countries ... ..	50	—	30	3	30	—	30	—
TOTAL ...	1,251	269	1,642	280	1,343	275	1,237	273