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Palm Oil! Palm Oil! Palm Oil!

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PALM OIL! PALM OIL! PALM OIL!

Whether it is a boon or a boondoggle depends upon whether or not this dramatic new oil competes with a product you market or whether it creates downward price pressure on products you buy. Irregardless of your attitude towards Palm Oil, it is a product that is apt to remain in world markets for some time.

There are some 23 fats and oils that are important economically in the world markets. These fats and oils are generally competitive with one another and a high degree of substitution is possible when price warrants it. Fats and oils can be generally classed in five major groups. The largest group is the oil from seeds of annual plants group, such as soybeans, flaxseed, sunflowers, cottonseed, rapeseed, peanuts and castor. This group comprised about 53 percent of total world production in 1974. A second group is the oil from perennial oil bearing trees, such as oil palm, coconut, olive and tung. This group comprised about 16 percent of the 1974 world output.

Animal fat is a third source; butter or milk fat is a fourth source of fats and oils. The fats and oils from animals comprise about 29 percent of world production. A fifth group of oils is marine oil (fish and whale oils) that comprise about 2 percent of the world's fats and oils.

Palm oil is an edible oil which can be used to make the same products for which soybean oil is used. The oil palm tree from which palm oil is derived is grown mostly in Malaysia and Indonesia, but is growing in popularity in African countries. It takes about five years from planting before the nut of the palm tree is ready for harvesting, but the tree then should produce for 25 years at a relatively very low cost of production. It must seem obvious that palm oil is apt to be a major competitor in the oil market for years to come. Production of palm oil has nearly doubled since 1970. Oil palms yield 4,000 pounds of oil per acre annually compared to about 300 pounds per acre of oil from soybeans.

Prior to 1975, about 90 percent of the palm oil used in the U.S. was used for shortening. Recently a new fractionating process has been devised that will give palm oil the characteristics to be used as cooking and salad oil.

On the more optimistic side for U.S. oilseed producers, palm oil is a saturated oil and this fact is going to be considered seriously by weight conscious Americans when they shop for salad and cooking oils.

The world demand for oils is steadily increasing and soybean oil production is still increasing faster than palm oil; 650 thousand tons per year increase for soybean oil and 200 thousand plus tons per year of palm oil. Current palm oil imports by the U.S. amount to the approximate equivalent of 70 million bushels of soybeans, which is about 4.6 percent of our production. Also on the optimistic side for the future of soybeans in its competition with other oils of the world is that this is an election year and every effort will be made to keep farm prices up. Most important of all, our agriculture exports are the only means we have at the present to have a favorable balance of trade. In 1974 our agriculture exports had a gain over agr. imports of $11.2

billion. While our non-agriculture exports had a net deficit of $8.6 billion leaving us a total gain in balance of payments of $2.6 billion. Increased agriculture exports alone have brought us from a disasterous deficit of 5 billion in 1972, and 3½ billion in 1973 to the positive figure in 1974. A continuous deficit in the balance of trade is quite certain to bring on rapid inflation such as in 1973, and most of our policy makers realize this now.

Total exports of soybean and soybean products for the 1974-75 crop year from the U.S. amounted to $3 1/3 billion or about 80 percent of our total oil seed export sales. This represents about 750 million bushels of soybeans.

It is easy for U.S.oilseed producers to agree with Richard E. Bell,Assistant Secretary of USDA, in testimony before the oilseeds committee of the House of Representatives where he cautioned them that extreme caution should be taken when we provide assistance to countries for porduction aimed at export. A substantial part of world palm oil expansion has been brought about by loans from the world bank and the Asian Development Bank. Both of these organizations are heavily supported by our own government.According to Congressman Tom Hagedorn (R, MN) "in 1975 international finance institutions largely underwritten by the U.S. contributed more than $11.3 billion to foreign palm oil producers." Most of the logic for their support seems to be the attitude of the state department of how important it is to improve the economies of Indonesia and Malaysia so they can play a substantial role in the defense of Southeast Asia.

Legislation to ban imports of palm oil into the United States probably would not help U.S. oilseed producers. We must find an overseas market for 50 percent of our soybeans and soybean products so it would make little difference whether the palm oil competed with us at home or in the world market. Continued expansion of world markets for fats and oils together with new uses for soybeans and soybean products still appears to offer prospects for profitable soybean production in the United States in years to come.

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