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Author's Note

An article by Mr. Blake (see footnote) in the September 1954 *Soybean Digest* made the case for bringing the soybean price and acreage into line with those for other crops—cotton and cottonseed in particular. The soybean crop then was approaching 300 million bushels compared to 2,000 million in 1994. It is interesting to reflect in the 1990s how much discussion of agricultural commodity price and use was in the context of government programs during the 1950s and 1960s. We have traveled a long and rocky road.

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A Comment on Mr. Blake's Paper

In his paper delivered at Memphis,[1] Mr. Blake said, "If there are those who still persist in kidding themselves into thinking that soybeans are not in surplus now, I don't believe even they would contend that soybeans will not become surplus if their exports are retarded." I do not think that soybeans are in surplus now nor do I think they become surplus so long as the soybean industry does not make the suicidal error that the cottonseed industry made when it got its primary product oil supported at too high a level. I do not think that oil and soybean exports will be retarded if we follow a realistic price and trade program.

The "intolerable situation" that Mr. Blake seeks to correct has arisen because soybeans have been supported at comparatively low levels. Parity for soybeans seriously undervalues them. Soybeans were wired into the parity system in the middle 1930s when their products had not yet found their markets. Soybean oil was inferior compared to cottonseed oil, and soybean meal had not gained farmer acceptance. With the disruption of international trade in fats and oils during World War II and technological improvements in the quality, the oil fraction of the soybeans rapidly improved its competitive position. With improved feeding practices, the rapid growth of the mixed feed industry, and consumer acceptance, soybean meal quickly increased its competitive value as a feed. As a result of this growth of markets, parity for soybeans is much too low when compared to parity prices for corn, wheat, cotton, etc.

Unfortunately, this happy situation is in the process of correction. The new system of calculating makes the parity price of a commodity depend upon its average free market price for the most recent ten years. We shall now proceed to watch a wartime scarcity of fats and oils with its accompanying high prices translated into parity for soybeans in a period of relative abundance of fats and oils.

The real irony of the situation that Mr. Blake so capably explains is that the cottonseed industry, favored by a high support price and a system of supporting the price that works, has been hurt; while the soybean industry, treated like an ugly stepchild with a low level of support, has prospered.

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1 William Rhea Blake, "Interdependence of the Cotton and Soybean Industries," *Soybean Digest*, September 1954.

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We can only conjecture about what would have happened to the soybean industry had there been support prices through the years as high in comparison to commercial value as those for corn, wheat, and cotton. To gain their markets, products have to make sacrifices. They have to move in and demonstrate their merit. Soybeans were fortunate in the timing of their expansion. They grew up when competition was not great. However, it is not unreasonable to think that the growth of the industry would have stopped with the 1948 or 1949 crops had we had a price policy that would have retarded consumption and developed a "surplus." Would we have been able to develop our markets had the parity price been realistically high? There is room for considerable doubt.

I think that soybeans are not now in surplus nor likely to become surplus in the foreseeable future because the markets for products—meal and oil—are adequate and increasing. The only thing that we need to do to avoid surpluses is to price soybeans realistically.

We are now using over one and one-half times as much high-protein concentrate per animal unit as we did in the late 1930s. The livestock industry has absorbed these huge increases without any price concessions. Soybean meal now sells higher in relation to the index of feed grain prices than it did in the late 1930s.

It is generally agreed that present levels of protein intake by livestock are inadequate. Estimates of the deficiency indicate that we need a 50 percent increase in total high protein. We would have to double our soybean meal production to attain this level.

Our population is increasing, and our dietary level is improving. A larger livestock population is indicated. It is clear that we have not saturated the market for high proteins.

When the soybean crop was in its infancy—the mid-1930s—we did not produce enough edible fats and oils for our domestic requirements. We were net importers. We now produce very much more edible fat that we have domestic need for. We either export or stockpile this domestic surplus. The amount of the change from net importer to net exporter from 1935 to 1951 was about the amount of oil produced by a 300-million-bushel soybean crop. Our domestic market for total fat will increase no more rapidly than our population.

I think that the world market will readily absorb our exportable surplus, that the world market has a basic need for more fats. I will cite three principal reasons.

First, the world population appears to be increasing at a more rapid rate than production of fats and oils. This is certainly true for ex-U.S. production. Because fat is a basic dietary need, requirements are a function of population.

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Second, the production of goods and services is increasing throughout the world. Out of this increased productivity will come the ability to pay for American fats and oils. The level of fat intake in much of the world is below levels that consumers want; that is, while the U.S. per-capita market will not grow as people are able to pay, the world market will expand.

Third, and I think most important, the populations of much of the world are strongly demanding a higher dietary level. Fat is one of the first things which they want to expand consumption. India has changed from a major exporter to an importer of fats and oils. China has not regained its prewar position as an exporter. There appear to be pressures for more fat in Russia and eastern Europe. As Africa develops, her domestic food requirements will increase rapidly. Again fats will have a high priority.

The immediate outlook for fats and oils exports is favorable. In 1951 and 1952, large stocks of fats and oils were built up in Europe as a war measure. Our exports were large. In 1953 and early 1954, these stocks were largely liquidated. It was during this period of European destocking that our exports fell off sharply. They are now back up. Our exports of principal fats, oils, and oil seeds, October 1953 through June 1954, were a record for that nine-month period. It appears to me that they will be very large in the year ahead.

Our stocks of soybean oil, cottonseed oil, and lard are now smaller than they were a year ago. A further decline will likely occur in the year ahead.

Our problem is not how to achieve a balance of burden among our various fats and oils but how best to service our export market. There are certain steps:

First, our price policy must be right. As Mr. Blake points out, the cottonseed support program has held an umbrella over soybean growers. It has also held an umbrella over the copra producers of Indonesia, the peanut growers of Africa, and the Antarctic whale ships, to mention only a few. We backed the world's inventory into the hands of CCC. We lost export volume.

Second, we must sell our customers the products they want. The support program has worked so that we are trying to sell refined cottonseed oil to people who want soybean oil, soybeans, lard, and crude cottonseed oil.

Third, we must trade. We must stand ready to take anything of value or any kind of money in exchange for our surplus products.

These things are not consistent with the existing cottonseed support program. Nor would the situation be helped by a higher parity price for soybeans.

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The best long-run interests of the soybean and cottonseed industries will be served by doing away with support programs that distort competitive prices. We need look no further than the current cottonseed and soybean situations to realize this.

The cottonseed growers have taken a severe competitive drubbing from soybeans. This is unfortunate. But it is a part of the ruthless competitive process that has led to such remarkable economic progress in the United States. I do not want to see the promotion of economic stagnation in the name of social justice.

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