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# Salad Oil Scandal

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## What is the Salad Oil Scandal

The Salad Oil Scandal of the early 1960's was one of the worst corporate scandals of its time. It occurred when executives at New Jersey-based Allied Crude Vegetable Oil Company discovered that banks would make loans secured by the company's soybean oil, or salad-oil inventory. When inspectors would test Allied's holding tanks to confirm they were full, the company consistently passed the test. However, management didn't remind anyone that oil floats on water. The containers, filled with water,  had just a few feet of oil on top, fooling everyone. In 1963, the scam came to light, and over $175 million-worth of salad oil was missing, causing several notable market reverberations.

## BREAKING DOWN Salad Oil Scandal

The Salad Oil Scandal's mastermind was Anthony De Angelis, a commodities trader, and Allied founder. He eventually served seven years in prison for fraud and conspiracy.

In the early days, Allied profited mainly by exporting U.S. soybean oil, shortening and other related products. Seeking to increase Allied's profits, De Angelis devised a plan in the early '60s to collateralize the company's substantial soybean-products inventory and use the loan proceeds to purchase oil futures. He hoped to virtually corner the soybean-oil market, driving up the price, thus raising the value for both his futures and underlying commodity positions. At the time, American Express was among the largest providers of such loans to Allied.