



OILSEEDS, OILS & MEALS MONTHLY PRICE AND POLICY UPDATE *

No. 108, July 2018

- short version -

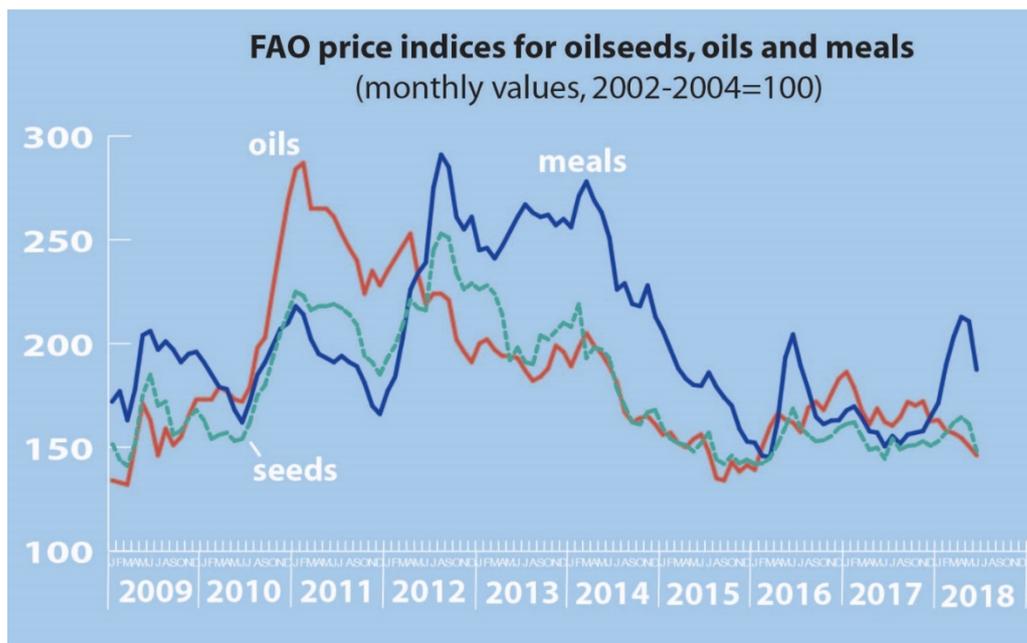
Global price review

June has seen a further decline in international prices across the oilcrops complex. Compared with the month of May, FAO's price indices for oilseeds and oilmeals dropped sharply, shedding, respectively, 13 and 23 points (or 8 and 11 percent) and posting 1-year and 5-month lows. The price index for vegetable oils continued to slide, losing 5 points (or 3 percent) month-on-month – a fifth consecutive fall and a 29-month low.

The decline in the price indices for oilseeds and oilmeals primarily reflects recent developments in the international soybean market, notably the escalation of the U.S.–China trade conflict. The Chinese government's announcement of an additional 25 percent import tariff on U.S.

soybeans, poised to be implemented on 6 July 2018 as a retaliatory measure, has weighed heavily on the soybean market, with strong spill-over effects on soymeal as well as on the oilseed complex as a whole. Moreover, favourable growing conditions across the United States' major producing regions and a record-high 1 June soybean stocks number published by the USDA contributed to the downward pressure on prices. In Brazil, the pronounced fall in Chicago futures prices, coupled with the *Real's* progressive depreciation, dragged down soybean export prices – despite robust domestic demand and a lingering freight rates dispute. As for rapeseed prices, besides spill-over effects from the soybean market, improving crop conditions in Canada and ample old-crop supplies in the EU resulted in a fourth consecutive decline in June – even though

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* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market events selected from a variety of sources. This particular issue only reviews price developments observed in **June 2018**. Previous issues can be downloaded from the FAO website at the following URL: <http://www.fao.org/economic/est/publications/oilcrops-publications/monthly-price-and-policy-update/en/>

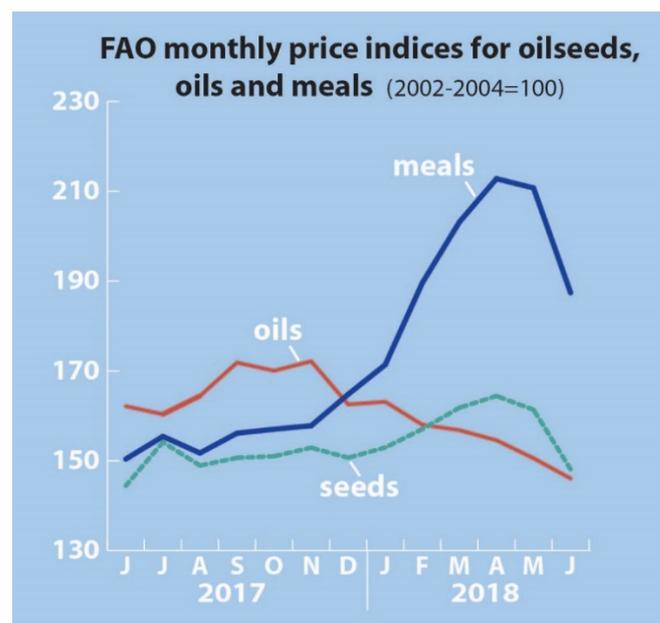
Global price review – cont'd

price losses were contained by deteriorating crop prospects in parts of the EU. Sunflowerseed prices, on the other hand, remained close to their recent highs, supported by tight global fundamentals.

As for soybean meal (the commodity carrying the highest weight in FAO's oilmeal price index), apart from following the downward trajectory of the soybean market, international prices responded to continuous strong crushing activities in the U.S. and Brazil as well as weaker demand, particularly in China.

With respect to vegetable oils, the drop in FAO's price index mainly reflects lower quotations for palm, soybean and sunflower oil. In June, international palm oil prices fell to a two-and-a-half year low, notwithstanding prospective production slowdowns in Southeast Asia, tied to intensive replanting of aged oil palms. Main drivers behind the continued price weakness include i) lacklustre global export demand, ii) ample stocks carried by major

producing countries, and iii) spill-over weakness from the soybean complex. As for soy oil, further stock accumulation at the global level kept international prices under downward pressure, whereas sunflower oil quotations dropped to multi-year lows on large old-crop supplies and improving (new-crop) production prospects in the EU and Ukraine.



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	FAO Indices (2002–2004=100) ¹		
	Oilseeds	Vegetable oils	Oilcakes/ meals
Annual (Oct/Sep)			
2004/05	104	103	101
2005/06	100	107	96
2006/07	129	150	128
2007/08	216	246	214
2008/09	157	146	179
2009/10	162	177	183
2010/11	214	259	200
2011/12	214	232	219
2012/13	213	193	255
2013/14	194	189	253
2014/15	155	153	194
2015/16	151	155	168
2016/17	154	160	171
Monthly			
2017 - January	161	186	168
2017 - February	162	179	170
2017 - March	155	168	164
2017 - April	149	161	158
2017 - May	150	169	157
2017 - June	144	162	150
2017 - July	154	160	155
2017 - August	149	164	152
2017 - September	151	172	156
2017 - October	151	170	157
2017 - November	153	172	158
2017 - December	151	163	165
2018 - January	153	163	171
2018 - February	157	158	190
2018 - March	162	157	203
2018 - April	164	155	213
2018 - May	161	151	211
2018 - June	148	146	187

¹ The FAO price indices are calculated using the Laspeyres formula; the weights used are the average export values of each commodity for the 2002-2004 period. The indices are based on the international prices of five selected seeds, ten selected vegetable oils and five selected cakes and meals.

Source: FAO, based on Oil World data