



OILSEEDS, OILS & MEALS MONTHLY PRICE AND POLICY UPDATE *

No. 110, September 2018

- short version -

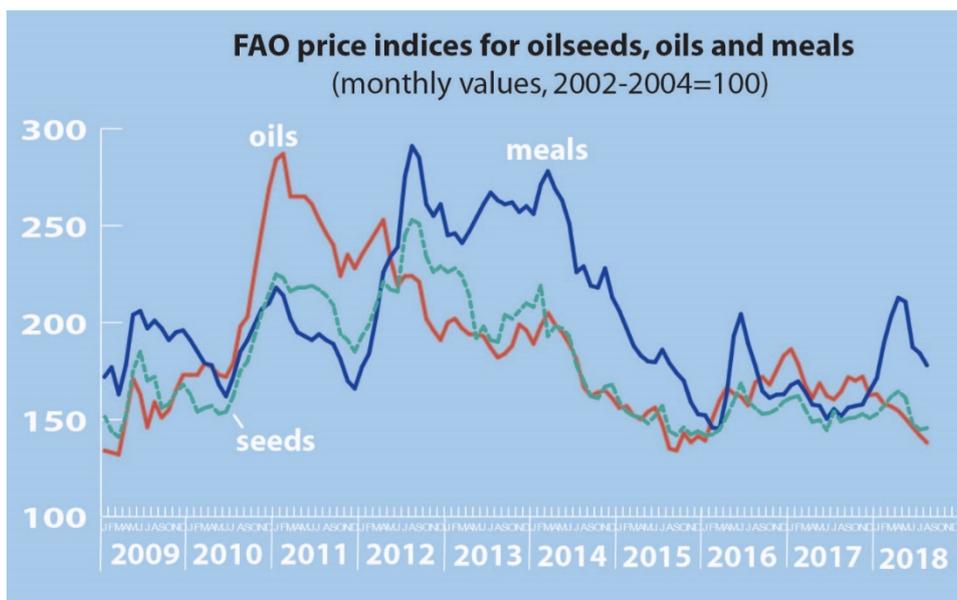
Global price review

In August, the FAO price index for oilseeds registered a timid recovery of 0.8 points (or 0.6 percent) to 145.6 points. While the index still remained below the level observed in August 2017, the month-on-month increase marked the first rebound, albeit a small one, since May. Meanwhile, the price indices for vegetable oils and oilmeals continued to decline, shedding 3.7 and 6.2 points (or 2.6 and 3.4 percent) respectively. The meals index dropped for the fourth consecutive month, posting a 7-month low, while the oils index fell for the seventh month in succession, nearing a 3-year low.

After reaching a 13-month low in July, the price index for oilseeds saw a slight improvement in August, mostly reflecting developments in the global soybean market and continued strength

in rapeseed values. While international soybean prices remained relatively firm until mid-August, they came under renewed downward pressure during the second half of the month, eventually posting multi-year lows. The following elements contributed to the initial (relative) strength in soybean prices: i) the continuing rapid pace of US exports and crushings; ii) reports of less favourable weather conditions in some US growing regions; and iii) concerns that Brazil's approaching soybean plantings could be restrained by rising production costs. The pending resumption of trade talks between China and the United States – and, with it, hopes that China would return to the US market – also lent support to prices. Eventually, however, a number of price-depressing factors prevailed. First, the positive 2018/19 soybean production outlook, which rests

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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 **August 2018**. Previous issues can be downloaded from the FAO website at the following URL:

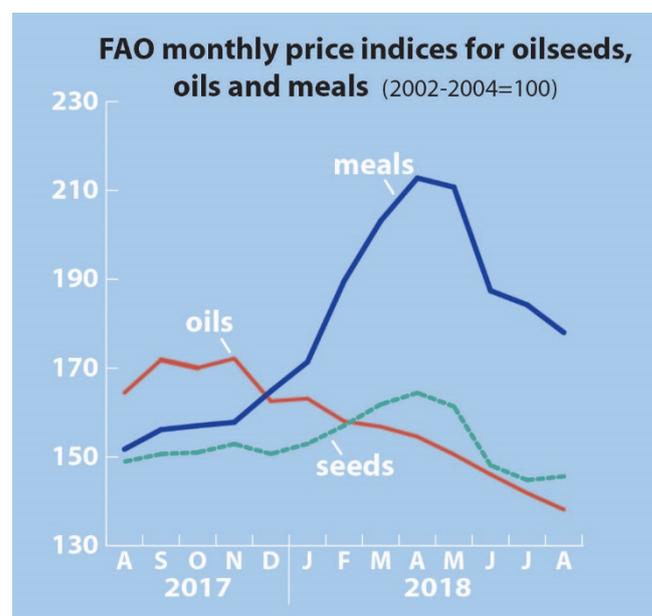
Global price review – cont'd

on forecasts of record-breaking crops in both the United States and Brazil. Second, indications that China could search for soymeal substitutes and switch to low-protein animal feed formulas to trim the country's dependence on soybean imports, combined with fears that soymeal demand in China could also slow as a result of the recent outbreaks of African swine fever. News that the latest China-US trade talks did not yield the hoped-for results also raised concerns, while the further depreciation of the Brazilian *real* continued to weigh on US dollar denominated export prices. As for rapeseed, international quotations continued to strengthen, reaching 9-month highs, mostly reflecting deteriorating crop prospects in the EU, Canada and Australia due to adverse weather conditions. Global sunflowerseed prices, by contrast, slipped for the fourth successive month, falling to the lowest level since November 2009, underpinned by bright production prospects in the Black Sea region.

Diverging from the oilseeds index, FAO's price index for oilmeals continued to weaken in August, marking the fourth consecutive drop. The African swine fever outbreaks in China, the largest pork producer in the world, casted a shadow over protein meal demand. Moreover, larger than expected soybean crush volumes in the U.S. exerted pressure on international soymeal prices.

As to vegetable oils, the drop in FAO's price index mostly mirrored falling palm, soy and sunflower oil values. International palm oil quotations declined markedly for the fourth consecutive month on persistently subdued global import demand and the ensuing accumulation of inventories in major producing countries. Countries reporting lower-than-customary imports included India, the world's leading buyer of palm oil, where import orders have been affected by both the implementation of higher import duties in March and the weak performance of the *rupee*,

which depreciated by around 10 percent since the beginning of 2018. In fact, domestic currency weakness also contributed to demand setbacks in a number of emerging importing countries, notably Turkey and the Islamic Republic of Iran. Additionally, buyers in China, the second largest palm oil importer, were reported to have deferred their buying activities, as they waited for Malaysia's announced zero-export tax on palm oil in September. Interestingly, in recent weeks, palm oil production in Malaysia has fallen short of expectations, suggesting that the lagged El-Niño impact on yields is lasting longer than anticipated. Notwithstanding, due to sluggish export demand, Malaysia's inventory levels remain high. In Indonesia, the impact of weak export demand is felt less, as the country's palm oil industry is benefitting from rising uptake by local biodiesel producers. With regard to soy oil, ample global supplies – tied primarily to strong crushing activities in the U.S. and Brazil – continued to weigh on international prices. As to the fresh fall in sunflower oil prices, the positive global production outlook, together with currency depreciations in Ukraine and the Russian Federation (the world's top two exporters), contributed to the cooling of prices.



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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
2018 - July	145	142	184
2018 - August	146	138	178

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

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