Food and Agriculture Organization of the United Nations

OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

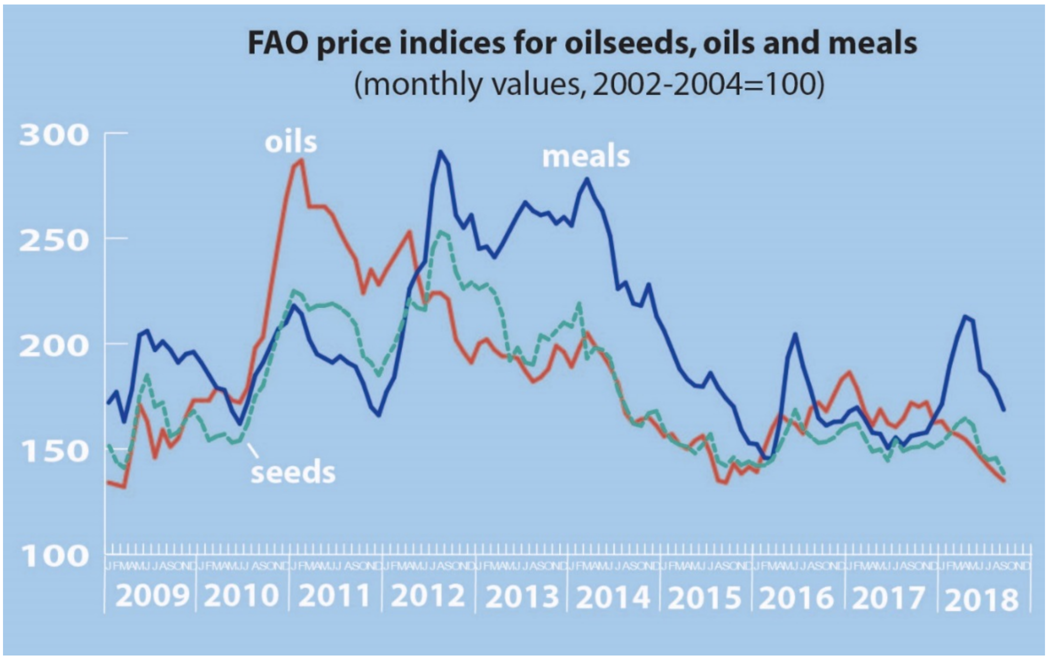
No. 111, October 2018

a) Global price review

The month of September saw international prices decline across the oilcrop complex. The FAO price indices for oilseeds and oilmeals fell sharply, shedding, respectively, 7.1 and 9.4 points (or 4.9 and 5.3 percent) month on month. The oilseed index dropped to a near 10-year low, whereas the oilmeal index remained above the level of the corresponding month of last year. In the case of vegetable oils, the FAO's price index registered its eighth consecutive fall, shedding 3.2 points (or 2.3 percent) month on month and marking a three-year low.

Following a short-lived rebound in August, in September, the price index for oilseeds resumed its downward trajectory, driven by the latest developments in the global soy market and, to a lesser extent, weaker quotations for rape and sunflower seed. International soybean prices dropped sharply (almost 6 percent), marking the lowest level since June 2007. Notwithstanding some localised harvest delays in the United States due to unfavourable weather, the prospect of a record 2018/19 global crop and carry-out stock continued to weigh on prices, with the escalating trade dispute between the U.S. and China (see below) also contributing to downward pressure. USDA's report of higher than anticipated U.S. opening stocks (as of 1 September 2018) exerted additional pressure on prices. As for the fresh drop in rapeseed prices, apart from spill-over effects from weakening soybean and vegetable oil values, the market also reacted to better than expected official crop forecasts in Canada. Nevertheless, sustained by continued supply tightness in the EU, international rapeseed prices remained close to the level recorded in the corresponding period of last year. In the case of

– *cont'd on next page* –



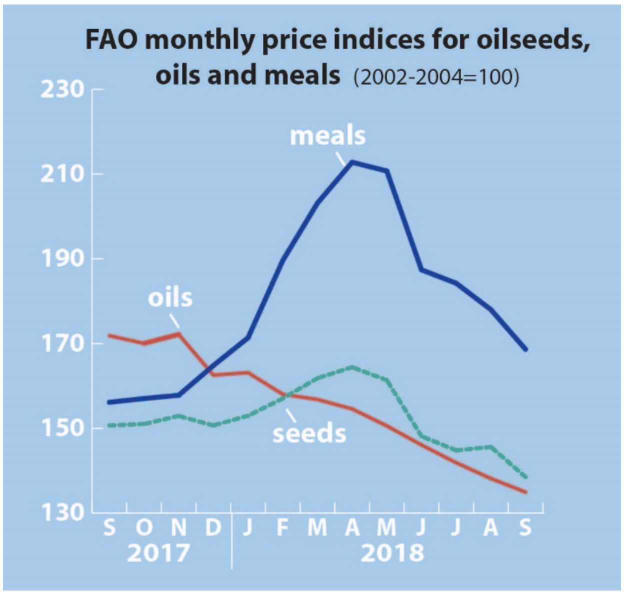
* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market events selected from a variety of official and unofficial sources. Section b) of the present issue covers developments observed during **August** and **September 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*

sunflowerseed, the arrival of ample new-crop supplies in the Black Sea region continued to weigh on global prices.

Consistent with the development of the oilseed index, FAO's price index for oilmeals dropped for the fifth consecutive month. Fresh outbreaks of African swine fever in China continued to weigh on international prices of soybean meal, the leading component of the index, as did higher than earlier anticipated soybean crushing levels in several countries, due to attractive crush margins.

The slide in FAO's vegetable oil index reflected weakening prices across the sector, with palm oil leading the decline. International palm oil quotations eased for the sixth consecutive month and fared about 25 percent below the level recorded in September of last year. Amid enduring sluggish import demand from major buyers, burdensome inventories held in major exporting countries continued to weigh on prices. This is despite efforts made by the authorities in Indonesia, the world's largest palm oil producer, to boost domestic palm oil uptake by expanding compulsory biodiesel usage to all users starting in September (see below). As for soy oil, international prices dropped for the seventh consecutive month, now marking a 32-month low. The above-mentioned higher than expected crushing volumes, together with lacklustre import demand led to downward pressure on prices. The modest price recovery observed towards the end of the month was triggered by the European Commission's decision to postpone the planned introduction of provisional anti-subsidy duties on biodiesel imports from Argentina (see below). International rapeseed oil quotations also weakened in September (after rising four months in succession), underpinned by the general trend of sluggish global import demand.



b) Selected policy developments and industry news

ARGENTINA – export policy: In mid-August, as part of a wider fiscal tightening programme, the Argentinian Government suspended for six month its policy of gradually reducing export taxes for soymeal and soyoil. Subsequently, on 3 September, the Government reduced the tax applied to shipments of all three, soybeans, soymeal and soyoil, to 18 percent – from the prevailing levels of, respectively, 25.5 percent, 23 percent and 23 percent. Simultaneously, a new export levy of 12 percent was introduced, with a maximum limit of 4 ARS (11 US cent) for each US dollar in export value. Applied to all primary product exports and driven primarily by treasury needs, the latter levy comes in addition to the 18 percent export tax in place for soybeans and derived products. Based on the export prices and exchange rate levels prevailing at the beginning of September, soybeans and derived products have seen an effective tax hike of roughly 3 percentage points. It is important to note that, with the introduction of a uniform tax throughout the soybean complex, the country's crushing industry no longer avails of the protection previously enjoyed in form of tax differentials. Conversely, the relative export competitiveness of soybeans has improved. The attractiveness of soybeans exports has also improved relative to grains, which could lead to larger than originally expected soybean plantings in the imminent 2018/19 season. As for the other oilseeds, the new 4 ARS export levy also applies to sunflowerseed and groundnut, whereas only 3 ARS (8 US cent) are assessed on the respective oils and meals. The lower rate also applies to biodiesel exports. The new tax rates and levies are expected to stay in place until 31 December 2020.

ARGENTINA – biodiesel price: During the August–September period, the government-set price that oil companies are required to pay for biodiesel has been raised thrice, reaching ARS 26 509 (USD 725) per tonne as of 10 September 2018. Reportedly, the adjustments were triggered by the recent changes in the Argentina's export tax for soybean oil, the country's main biodiesel feedstock.

AUSTRALIA – agricultural relief measures: In Australia, a number of federal and state-level relief packages to assist farmers hit by this year's widespread drought have been announced.

BRAZIL – transportation policy: In accordance with recently passed legislation authorizing the Brazilian Government to set minimum truck freight rates *(see MPPU Aug.'18)*, on 5 September, the country's National Transport Agency (ANTT) raised nationwide minimum freight prices by 5 percent on average – in response to a 13 percent rise in the price of diesel. Reportedly, after the move, loading of grains and oilseeds at ports has slowed further, given the increase in costs faced by farmers and exporters. Trade sources estimate that the increase in rates has brought average freight costs per tonne of grain from BR 225 (USD 60.57) to BR 236 (USD 63.53). According to the media, confronted with higher road transportation costs, a group of farmers in Mato Grosso state is considering to help fund the construction of the proposed Grain Railroad (Ferrogrão) that would link Mato Grosso with trans-shipment ports in the Amazon basin.

BRAZIL – biofuel policy: Striving to expand domestic biodiesel consumption, the Brazilian Government has raised the allowed voluntary percentage of biodiesel mixture in regular diesel for certain groups of users. Large consumers served by their own point of supply (such as carriers and transport companies) are now allowed to use admixture rates of up to 20 percent, whereas new rates of 30 percent have been set for agricultural, industrial and rail uses, and 100 percent for experimental and other special applications. The nation-wide mandatory blending rate for regular transport diesel remains unchanged at 10 percent.

CHINA – agricultural policy: China's State Council envisages a further expansion in domestic soybean plantings over the next five years, hand-in-hand with a reduction in maize sowings, a state-owned news agency reported.

CHINA – government auctions: By end-September, this year's cumulative sales of soybeans from state-hold inventories stood at 1.64 million tonnes, which compares to a total offer of 5.26 million tonnes. The average sales prices realized was CNY 3 017 (USD 435) per tonne. For soybean oil and rapeseed oil, the total volumes offered amounted to, respectively, 0.62 and 0.48 million tonnes, of which, respectively, 21 percent and 17 percent found a buyer. The average per-tonne prices achieved were CNY 5 000 (USD 720) for soybean oil and CNY 6 029 (USD 869) for rapeseed oil.

EUROPEAN UNION – biodiesel import restrictions: The European Commission decided to postpone the introduction of provisional countervailing duties on imports of allegedly subsidized biodiesel from Argentina *(see also MPPU May & Aug.'18).* Despite the preliminary finding that Argentinian exports are favoured by subsidies and therefore potentially threaten the EU's biodiesel industry, the Commission informed that it intends to collect additional information and in order to proceed with its investigations. Market participants had expected that the Commission would collect duties from

October. Accordingly, Argentina's biodiesel shipments to the EU are reported to have dropped in recent weeks.

FRANCE – climate policy:
The French Agricultural Ministry launched a public consultation on its draft National Strategy to Combat Imported Deforestation (SNDI). As part of the Government's 2017 Plan Climat (developed following the UNFCC Paris Agreement), the proposed strategy is aimed at ending the importation of forestry and, in particular, agricultural products that contribute to deforestation. Initially, the strategy would focus on the following agricultural commodities: soybeans, palm oil, bovine meat, cocoa and rubber.

INDIA – agricultural procurement:
In line with earlier announcements *(see MPPU May'18),* India's Central Government has reformed its procurement policy with a focus on crops where domestic demand exceeds local supplies, notably oilseeds, copra and pulses. To cover gaps in the existing public procurement and compensation mechanisms and help raise farmers' incomes, three types of procurement will be implemented. First, the Centre's Price Support Scheme (PSS) will be extended to oilseeds, copra and pulses, with nodal procurement agencies undertaking physical procurement and farmers receiving the official minimum support prices (MSP) for their crops *(see MPPU Aug.'18 for the latest Kharif crop MSP rates).* Importantly, PSS purchases will only be effected up to 25 percent of a state's oilseeds production. Second, the Centre will implement a Price Deficiency Payment Scheme (PDPS) earmarked specifically for oilseeds. Under the scheme, farmers will be paid the difference between the relevant MSP and actual selling prices (recorded within notified periods in specified markets), with payments being made directly into farmers' bank accounts. Third, again oilseed-specific but this time at state-level and on a pilot basis only, a Private Procurement and Stockist Scheme (PPSS) will be rolled out in select districts. Under this scheme, when market prices drop below MSP level, a private player can procure crops (in notified markets and periods) at the existing MSP rates. Subsequently, such buyers will be compensated through a service charge equivalent to up to 15 percent of the MSP. Regarding PPSS, market experts pointed out that past experience of engaging private players in procurement operations for wheat and rice has been mixed so far, with commercial viability, delays in state payments and storage space shortages identified as main challenges.

INDIA – biofuel policy: India's recently released National Policy on Biofuels envisages indicative targets of 20 percent gasoline blends for ethanol and 5 percent diesel blends for biodiesel by 2030, which compares to current penetration rates of around 3 percent and less than 0.2 percent for ethanol and biodiesel respectively. Road and rail transport is estimated to account for about half of total biodiesel consumption, with off-road farm transport and various stationary and portable applications accounting for the remainder. Today's low biodiesel penetration rate is attributed to multiple constraints, notably the lack of a dedicated, integrated supply chain, limited feedstock availability, and restrictions on imports. India's six biodiesel plants hold a combined installed capacity of 574 000 tonnes per year, whereas actual output in 2018 is estimated at merely 165 000 tonnes. Currently, the main feedstock used are palm stearin, used cooking oil (UCO) and animal fats. Also the Government's new biofuel policy focuses on fuels produced from domestic raw materials. In the case of biodiesel, the recommended feedstock comprise non-edible oilseeds, UCO, animal tallow, acid oils and algae. The policy includes strict rules to prevent UCO from re-entering the food chain and envisages the establishment of appropriate collection mechanisms to increase the supply of UCO for biodiesel production *(see also MPPU Aug.'18).* Moreover, it recommends the use of wastelands and inter-cropping for feedstock generation, with a focus on non-edible oil bearing trees/crops as well as other biomass, for which suitable supply chain mechanisms and fair price mechanisms are to be put in place. With regard to non-edible oilcrops, past trials with *jatropha curcas*, an oilplant promoted under India's

National Biodiesel Mission, raised multiple questions about the crop's agronomic and economic viability *(see also MPPU June'13).*

INDONESIA – environmental policy: Under consideration since more than two years *(see MPPU June, Aug.'16 & Mar.'18),* a three-year nationwide moratorium on new oil palm plantation licenses has finally been signed by Indonesia's President in September. The initiative is part of wider efforts to protect the country's environment and complements a ban on primary forest and peatland clearing that is in place since 2011 *(see MPPU Aug.'11, June'13, May'15 & June'17).* The new moratorium is aimed at improving the governance of sustainable production, guaranteeing environmental preservation and providing legal clarity, as well as at incentivizing farmers to raise yields on land currently under cultivation. Importantly, the moratorium does not only applies to new requests for licenses but also to permits that are currently under review. Accordingly, governors, mayors and district chiefs have been instructed to re-evaluate long-standing permits that have been issued but not yet implemented, in particular licenses that involve forest areas. Civil society groups, which had called for a permanent ban, asked for the data gathered under the permit review to be made publicly available. They also spotted perceived weaknesses in the moratorium's law-enforcement and requested that police forces, the Attorney General Office and the country's anti-graft agency be involved in the investigations.

INDONESIA – biofuel policy: In support of recent measures to foster domestic production and consumption of palm oil-based biodiesel *(see MPPU Aug.'18),* the Government decided to widen the ability of the country's Oil Palm Estate Fund to subsidize the price gap between conventional diesel and biodiesel (NB: the fund was set up in 2015 to collect a levy on each tonne of crude palm oil exported). While previously only sales involving state-owned companies (so-called PSO sales – *see MPPU Mar.'18*) could benefit from subsidies, now incentives will reach all biodiesel manufacturers, thereby ensuring uniform pricing in the PSO and non-PSO sectors. In the meantime, official sources reported that, as of mid-September, the implementation of the nation-wide B20 mandate (i.e. sales of diesel including 20 percent of biodiesel) had reached 80 percent of the Government's target. Reportedly, *Pertamina* – the country's dominant, state-owned diesel distributor – managed to distribute B20 biodiesel to 95 percent of its petrol stations. Reaching the target fully would require overcoming a number of outstanding logistical issues, especially in the eastern part of the country, market experts said. According to official estimates, Indonesia's biodiesel production could climb to 7 million metric tonnes next year – 40 percent higher than the 5 million tonnes estimate provided for the current year.

INDONESIA – export rules: As part of policies to address on-going currency and current account problems, the country's trade ministry has laid out new rules that require commodity exporters to guarantee funding for shipments exclusively through local banks. The new regulation has taken effect on 7 October.

MALAYSIA – labour policy: The Malaysian Government announced that a new minimum wage of MYR 1 050 (USD 253) per month will take effect nationwide on 1 January 2019, adding that, over the next four years, pays are set to reach MYR 1 500 (USD 361). Currently, the minimum wage stands at MYR 1 000 in Peninsular Malaysia and MYR 920 in Sabah and Sarawak. According to industry sources, the new wage policy eased the concerns of employers in the labour-intensive plantation industry, as wages paid in the sector tend to exceed the newly stipulated level.

TURKEY – import policy: As part of measures to sustain the value of the country's currency vis-à-vis the US dollar, the Government of Turkey decided to leave import duties on sunflower seed, oil and meal at their current reduced level of, respectively, 13 percent, 23 percent and zero. Originally, the temporary tariff reduction was meant to end on 1 August 2018 *(see MPPU Aug.'18).*

UNITED STATES – agricultural support: The US Government provided details about its support programme for farmers impacted by China's introduction of retaliatory tariffs *(see also MPPU Aug.'18).* To help farmers meet the costs of disrupted markets, three measures will be implemented. First, under the Market Facilitation Program (MFP), producers will be granted USD 4.7 billion of direct payments. Roughly USD 3.6 million have been earmarked for soybean producers, with the remainder going to the sorghum, maize, wheat, cotton, dairy and meat sectors. Programme enrolment under MFP opened on 4 September and will close in January 2019. Based on the severity of trade disruption and the period of adjustment to new trade patterns, the initial payment rate for soybeans – the most affected commodity – has been set at USD 60.62 per tonne, to be paid on half of each producer's actual 2018 production. Additional payments could be announced in the coming months, if warranted. MFP payments per farmer are capped at a combined USD 125 000 for soybeans, maize, cotton, sorghum and wheat. Second, a USD 1.2 billion Food Purchase and Distribution Program will procure various impacted agricultural products – excluding soybeans – for distribution to recipients through existing nutrition and child assistance schemes. Third, the Agricultural Trade Promotion Program (USD 200 million) will enable eligible stakeholders to identify and develop new export markets for all affected commodities on a cost-sharing basis. Activities envisaged comprise consumer advertising, public relations, point-of-sale demonstrations, trade fairs and exhibitions, market research, and technical assistance.
The United States' aid package provoked strong interest among trade partners. At the WTO, member states asked for details on the methodology of the programme, its duration, and its consistency with WTO rules. The United States stressed that its relief programme was a one-time measure, limited to the September 2018–January 2019 period, adding that it would not entail export subsidies nor involve public stockholding operations.

UNITED STATES / CHINA – trade dispute: After both sides imposed special tariffs on each other's exports worth USD 50 billion in the July–August period *(see MPPU Aug.'18)*, on 24 September, following fresh failures in bilateral talks, the two countries introduced additional tariffs. In the new round of trade measures, the United States introduced import tariffs of 10 percent on Chinese products worth USD 200 billion, adding that the rate could be raised to 25 percent on 1 January 2019. Affected commodities include a number of oilcrops and oilmeals, imports of which, however, have been negligible in recent years. At the same time, China introduced new tariffs on U.S. products worth USD 60 billion. Regarding the oilcrops complex, China's additional tariffs amount to 10 percent for certain oilseeds (excluding soybeans, which had been targeted in the earlier round), selected vegetable oils/meals and fishoil/meal, and 5 percent for a number of a number of other oilseeds, vegetable oils, and meals of animal origin. Again, in the recent past, China only imported small quantities of the earmarked oilseed products from the United States.

VIET NAM – import policy: The U.S. Government reported that it received non-compliance notifications from Viet Nam's Ministry of Agriculture regarding wheat and soybean consignments contaminated with seeds of perennial weed *cirsium arvense.* Reportedly, Viet Nam's authorities informed that, starting 1 November 2018, the country would enact strict plant quarantine measures, including the rejection of contaminated shipments.

Trade Agreement – United States / Mexico / Canada: The three countries agreed to replace NAFTA, the free trade agreement signed in 1994, with the United States-Mexico-Canada Agreement (USMCA). Under the new trade accord, market access for oilcrops would not be affected as the existing, relevant trade facilitation provisions are expected to remain in place without modification. The new agreement is poised to expire after 16 years.

Variable palm oil export tax – Malaysia, Indonesia: After fresh drops in the reference market price for palm oil, Malaysia suspended its export tax on the commodity for the months of September and October. Since the beginning of this year, palm oil export taxes have only been in force during the May–August period.
In Indonesia, the export tax on crude palm oil remains at zero, as benchmark prices continued to range below the threshold that triggers taxation. The month of October marks the eighteenth month in succession with no export tax in Indonesia.

Sector development measures

- Canada – rapeseed industry:

Canada's Federal Government announced up to CAD 12.1 million (USD 9.24 million) in funding – over five years – to the country's Canola Council under its Canadian Agricultural Partnership programme. The research investment, which will be complemented with CAD 8.1 million (USD 6.19 million) from the industry, is aimed at advancing the sector's growth and profitability by creating new and improved products. The focus will be on: adapting food processing techniques; exploring uses for rapeseed meal in livestock production; yield optimization; crop protection from pest; and dissemination activities. The scheme is expected to contribute to the industry's strategic plan of lifting Canada's annual rapeseed output to 26 million tonnes by the year 2025. For comparison, this year's production is estimated at a record 21.3 million tonnes.

- India – oilseed production: With a view to help reduce the country's dependence on edible oil imports, the Agricultural Ministry has proposed new strategies to raise domestic oilcrop production over the next four years. Measures envisaged include, in a large scale: i) the promotion of oilseed cultivation in non-traditional areas, cropping seasons and states; and ii) the introduction of oilseed production in rice fallow areas during the rabi season. The Ministry proposed to provide direct assistance worth INR 3 000 to 5 000 (USD 41 to 68) per hectare – in the form of agriculture inputs like seed, fertilizer and pesticides – to farmers who take up oilcrop production as an intercropping model. The Government also decided to merge, from the current crop year, the National Mission on Oilseeds and Oil Palm with its National Food Security Mission, whose former coverage was limited to rice, wheat and pulses.

- Philippines – coconut sector (public):

A congressional bicameral committee has approved a bill creating a PHP 100 billion (USD 1.86 billion) trust fund to be used over 25 years to the benefit of the country's 3.5 million coconut farmers. The funds originate primarily from a levy collected from coconut farmers during the 1970s to support the development and rehabilitation of the country's coconut industry *(see also MPPU Jan.'15 & July'16).* Managed by the Philippine Coconut Authority, the funds will be earmarked for the following activities: scholarship programmes; shared facilities; empowerment of coconut farmer organizations and cooperatives; health schemes; infrastructure; planting, replanting and establishment of nurseries; intercropping; research & development; credit schemes; marketing and creation of new products; and fertilizer distribution.

- Philippines – coconut sector (private):

Global oils/fats manufacturer *AAK* intends to collaborate closely with Filipino coconut farmers to guarantee quality and supply for a new processing facility located in Luzon. Reportedly, the company strives to improve the sustainability of coconut production in the country. Under similar initiatives in Africa, farmers have been encouraged to form cooperatives and received assistance in setting up bank accounts. The company plans to produce for both the domestic and export market.

- Sri Lanka – oil palm sector:

With a view to promote common interests and advocate sustainable growth through responsible production, stakeholders in the country's oil palm value chain have set up the Palm Oil Industry Association. The new body will focus on measures to protect the image of palm oil and intends to work closely with the Government and industry experts to address concerns raised by the country's Central Environment Authority regarding the adoption of good agricultural practices. In particular, measures to prevent ground water depletion and soil erosion as well as limit agro-chemical use will be promoted. In Sri Lanka, where a limit of 20 000 hectares has been imposed on oil palm cultivation, clearing of existing natural forests remains strictly forbidden. As a result, oil palm cultivation is confined to converted, unproductive rubber and tea plantation land.

- Malaysia – coconut sector: The Malaysian Government plans to set up a special body to manage and regulate the country's coconut industry and, in this context, sought advice from other coconut producing countries in Asia. While the industry is believed to have good growth potential thanks to increased demand for coconut-based products globally, producers face multiple challenges, notably low productivity and competition for land with other crops.
- Tanzania – oilcrop production:
Reportedly, the East African nation is pursuing plans to modernize – with assistance from Malaysia – domestic production of oil palm, sunflowerseed, groundnut, sesame, coconut palm and coconut, with a view to reduce the country's dependence on edible oil imports and improve the livelihood of smallholder farmers.

Pest control and pesticide regulations

- United States – dicamba:
The U.S. Environmental Protection Agency (EPA) is expected to soon release its decision on whether to renew its license for dicamba, a weed killer increasingly used in GM soybean and cotton fields *(see also MPPU Oct.'17, Dec.'17 & Jan.'18).* Reportedly, some industry representatives urged EPA to limit the herbicide's use to the spring months, i.e. before crops are planted. On a related note, a U.S. Appeals Court is looking into claims that EPA failed to analyse the risks dicamba applications posed to nearby crops when it renewed the herbicides' license two years ago.
- Brazil – glyphosate: In August, a Brazilian judge suspended the use of products containing glyphosate, a herbicide extensively employed for soybeans and other crops in Brazil and world-wide. Under the injunction, existing and new registrations of products containing the chemical were to be suspended as of September 2018, until the country's health authority ANVISA issued the findings from its re-evaluation of the herbicide's safety. Eventually, after Brazil's Solicitor General filed an appeal backed by the Agriculture Ministry, arguing that the suspension would harm farmers and potentially result in a loss of around USD 25 billion in export earnings, the injunction was overruled. The Appeals Court maintained that the injunction would harm the country's economy.
- United States – glyphosate:
In July, a federal judge ruled that lawsuits linking glyphosate use to cancer could proceed to trial. Separately, in August, a federal court awarded USD 289 million to a man who claimed that his cancer was caused by prolonged contact with glyphosate. According to the ruling, the herbicide's producer failed to warn users about the cancer risks posed by the product.
- East Africa – aflatoxin: Members of the East African Community plan to develop a policy framework to address the human and animal health threats posed by aflatoxin contamination. Reportedly, aflatoxins from fungi are widespread in the region and cause contamination of staple foods, especially groundnuts. Under the initiative, policy makers and other stakeholders will be sensitized on the need and possible measures to i) prevent aflatoxins from developing and ii) mitigate the impact of contamination.
If successfully implemented, prevention and control measures have the potential to enable intra-regional trade and overseas exports of agricultural products.
- Canada – neonicotinoids: In Canada, a final decision on the phase-out and virtual ban of outdoor agricultural uses of three pesticides belonging to the neonicotinoids group are expected next year *(see also MPPU Dec.'16).* Widely used to protect rapeseed, soybeans and other crops from insect attack, the chemicals have been linked to pollinator damage and harm to aquatic environments. Elsewhere, temporary bans on neonicotinoids are in place in the EU, while no comparable steps have been taken in the United States *(see also MPPU June'17).*

- Italy – *Xylella fastidiosa*: After three years of field trials, a group of Italian researchers presented an organic treatment for the containment of the bacterial disease affecting olive trees. The treatment rests on the bactericidal properties of a patented compound containing zinc, copper and citric-acid hydracids. Reportedly, best results are obtained when the treatment is combined with the removal of affected parts of the trees, regular pruning and routine soil harrowing.

R&D and seed information

- Oil palm waste: Researchers from Nottingham University's Malaysia branch presented two new processes to produce building materials and bioenergy from oil palm processing waste. The first method consists of a zero-waste management system for palm oil mills that converts all solid biomass waste and palm oil mill effluent (or POME) into building material and bioenergy, whereas the second one focuses on the recycling of POME, which can be highly polluting when discharged into the environment.
- Defatted sunflowerseed: A U.S. food ingredients company has developed food-grade sunflowerseed meal, by upgrading the product that is left after oil is extracted from seeds. Traditionally used exclusively as animal feed, sunflowerseed meal – in its re-purposed form – can provide consumers with a cheap, sustainable source of plant-based protein, according to the company.
- Drought-tolerant soybean: An Argentinian seed company announced the release of a new soybean variety that it claims to be more drought-tolerant than conventional varieties. The new variety has obtained regulatory approval in Argentina and the company plans to conduct trials on farmers' fields in the forthcoming 2018/19 growing season.
- Omega3-rich rapeseed: In the United States, omega3-rich oil derived from a recently developed GM rapeseed variety *(see MPPU Jan.'& Mar.'18)* has been deregulated by the country's Animal and Plant Health Inspection Service, which determined that the product is unlikely to pose plant pest risks. Approval by the country's Food and Drug Administration is anticipated to follow prior to the start of the 2019 growing season. The oil, which can help reduce the aquaculture industry's reliance on fish oil-based feed, already gained regulatory approved in Australia, while official reviews are still underway in Canada and China.
- Sunflowerseed/soybean hybrids: Hybrid sunflowerseed and soybean varieties developed through conventional breeding methods are ready for countrywide testing in Kazakhstan, local media reported. Reportedly, breeding activities focused on the following traits: early maturation, high yield potential, high oil content and herbicide resistance.

Gene editing – industry news and regulatory issues

- United States: A U.S. biotech company has developed, using innovative mutagenesis-based gene editing (GE) techniques, a high-oleic soybean variety alleged to offer improved nutritional and functional properties than conventional soybeans. In general, compared with traditional genetic modification methods, the development of GE crops requires considerably less time and carries much lower costs. Furthermore, in the United States, gene-editing of crops is not subject to cumbersome regulatory procedures *(see MPPU Aug.'18)*. The concerned company expects to start marketing high-oleic soybean oil in late 2018 or early 2019.
Being among the first GE products to reach the U.S. market, the launch will allow testing consumer acceptance of such type of food.
- Germany / European Union: The media reported that Germany's global biotech firms *BAYER* and *BASF* both shelved plans to develop and market gene-edited plant varieties in Europe following the EU's surprise decision to regulate such crops as genetically modified organisms *(see MPPU Aug.'18)*. Reportedly, the EU's regulatory approach to GE plants resulted in prohibitively high market access costs. Other news reported that German's Bioeconomy Council (a panel of scientists that advises the German Government) and a number of research institutions in the United Kingdom invited the European

Commission to relax the regulations for GE crops. They warned that if strict rules on these crops continued to apply, industry funding could recede and GE research could shift to countries where such restrictions were not in place.

Futures markets – China: On 13 August, the *Dalian Commodity Exchange* cut margin requirements for a number of contract, including soyoil and palm oil, and narrowed its trading limits on all contracts. Furthermore, on 22 August, the exchange halved its intra-day transaction fees for a number of contracts, including futures for soyoil, palm oil and soymeal as well as for soymeal options. On 30 August, the exchange also reduced the number of delivery dates for soybean futures from nine to six and limited the forward curve to 12 months, instead of 18.

Storage infrastructure – Brazil: According to media reports, two Brazilian banks have launched new credit lines specifically earmarked for the construction, expansion or renovation of on-farm grain storage facilities.

Oil palm sector – governmental initiatives

- Indonesia: Complementing efforts to raise domestic demand for palm oil (notably for biodiesel production), the Indonesian Government is supporting initiatives to establish palm oil processing facilities overseas. According to the media, joint ventures to set up refineries – that would source crude palm oil primarily from Indonesia – in Pakistan (for food-grade oil production) and in the United States and Europe (for aviation fuel production) have been promoted.
- Malaysia: According to local media, Malaysia's Primary Industry Ministry sought the assistance of the government of Sabah state to ensure that local smallholders obtain Malaysian Sustainable Palm Oil (MSPO) certification, which is due to become mandatory across the country on 1 January 2020. Last year, Sabah's authorities announced plans to proceed with a separate certification scheme *(see MPPU Dec.'17).* Based on official data, country-wide, merely 5.2 percent of the 2.27 million hectares of smallholder's plantations had achieved MSPO certification as of July 2018.
- Malaysia / Switzerland: Official sources reported that Malaysia and Switzerland agreed to cooperate on issue relating to palm oil. The two countries decided to set up an expert committee to explore opportunities towards sustainable production, bilateral trade, exchange of information about relevant technologies, and possible collaboration in downstream palm oil industry applications. Contributing to address the issue of increasingly negative consumer perception, the bilateral initiative is aimed at securing Malaysia's palm oil exports to Switzerland – without harming Switzerland's rapeseed producers. Switzerland will maintain its target of covering about one third of domestic vegetable oil consumption through locally produced rapeseed.

Oil palm sector – industry initiatives

- Responsible sourcing: Global beverage company *PepsiCo* has suspended its palm oil purchases from an Indonesian palm oil producer over allegations that the latter breached labour and human rights, including child labour, insufficient pay, and safety breaches. Reportedly, *PepsiCo* has taken steps to ensure that none of its direct suppliers source palm oil from the concerned producer, who, in turn, stated that he complied fully with the RSPO complaints panel process and that his estates and mills operate in conformity with all relevant Indonesian laws and RSPO (Roundtable on Sustainable Palm Oil) criteria. On the same subject, global foods and drinks company *Nestlé* informed that it would accelerate its 'no deforestation' commitment by implementing 100% satellite monitoring coverage of its oil supply chain worldwide. Reportedly, the company would rely on a service developed by *Airbus* and *The Forest Trust* as a global verification system evidencing, in almost real-time, where deforestation is taking place. By end of the year, all of the land supplying *Nestlé* with palm oil is expected to be covered by the system. On the same subject, a large Malaysian palm oil producer and oleochemicals firm that is also active in Indonesia and Liberia committed to strengthen its policies on supply traceability, zero-deforestation, peatland protection, workers' rights and safety and health at the workplace, adding that it would release an action plan to ensure compliance by the end of the year.

- National producer alliance:

Earlier this year, international NGO *Solidaridad Network* reported that, in Colombia, palm oil producers signed a national zero-deforestation agreement. Companies pledged to adapt their individual plans to the national commitment to eliminate deforestation from the palm oil supply chain with a view to help establish the country's reputation as sustainable tropical agricultural commodities provider. Monitoring of the declaration has been entrusted to a government agency, the Colombian Institute of Hydrology, Meteorology and Environmental Studies, which will be responsible for comparing forest data with production and supply information provided by producers.

- Joint venture:

China's state-owned trading and food processing group *COFCO* has signed a joint venture agreement with a large Malaysian plantation company to set up plants in Malaysia for the production of palm oil-based products for the Chinese market.

- Certification assistance:

In Malaysia, a large palm oil company has developed an on-line reporting tool to help suppliers meet the MSPO national certification criteria. Reportedly, the tool will allow suppliers to assess their performance based on both MSPO requirements and the company's own 'no deforestation–no peat–no exploitation' policies. The tool has been developed in collaboration with the Malaysian Palm Oil Certification Council.

- Palm oil-free certification:

POFCAP, the voluntary International Palm Oil Free Certification Accreditation Programme, informed that it gained regulatory approval in 9 countries (Australia, Austria, France, Finland, Italy, Spain, Sweden, United Kingdom, United States), with applications pending in 5 others. Companies opting to display the Programme's certification trademark are assessed and certified palm oil and palm oil derivatives free.

Oil palm sector – RSPO news

- Standards revision and investors pressure:

The palm oil sector's history of environmental and social impacts has come under unprecedented public scrutiny in recent years and is attracting the attention of international media and policy makers. Consequently, RSPO, the globally recognized, voluntary palm oil certification programme decided to strengthen its standards on sustainable palm oil production. The body is currently engaged in a review of its principles and criteria and remains committed to release revised standards for 2019-2023 before the end of the year. RSPO's public consultations have so far resulted in more than 10 000 comments. RSPO is characterized by a diverse membership comprising producers (both large plantation companies and smallholders), mills, traders, consumers, advocacy groups, banks and investors – i.e. groups with differing and often difficult to reconcile interests. As a result, the body needs to find a balance between making sustainable production mandatory and minimizing negative effects on rural development and poverty alleviation, as pointed out by a civil society group. Market experts cautioned that if the body does not succeed in imposing stricter production standards, buyers could be forced to look for alternative ways of monitoring their supply chains to meet their 'no deforestation–no peatland–no exploitation' pledges, which would be costly and time-consuming, in addition to raising credibility issues. On the same subject, a group of institutional investors has called on RSPO to strengthen its standards, including by banning all forms of deforestation and adopting stricter rules regarding carbon-rich peatland, pesticide use and workers' rights. Regarding the right to 'free, prior and informed consent' of local communities, investors called for additional direction on protections for human rights defenders. Moreover, RSPO was invited to require companies to disclose concession maps in digital format and to submit management plans for the conservation of forests within their concessions. The investors also underlined the importance of a robust accountability system and an expedient and credible complaints and sanctions mechanism.

Coordinated by social society group *Ceres*, the investors' initiative was meant as an input to the on-going review of the RSPO's principles and criteria.

- Smallholder certification: Global consumer goods company *Unilever* pledged to foster support work in Sabah state, Malaysia by aiding in the restoration of wildlife habitats and helping 60 000 hectares of smallholder oil palm plantations achieve RSPO certification.

The initiative supports the state's jurisdictional approach to certification *(see also above and MPPU Dec.17).*

- Certification bodies: RSPO held a workshop for accredited certification bodies (CBs) with a view to align its partners' interpretation and understanding of RSPO standards and procedures. Participating CBs originated from Malaysia, Indonesia, Thailand and Africa.
- Market penetration: A Chinese and an Ecuadorian food company pioneered the marketing of RSPO-certified palm oil in their respective countries. Allegedly, the companies, which committed to sourcing 100% RSPO-certified palm oil and using the RSPO trademark on their product packaging, reported positive results. According to RSPO, this indicates that sustainability is becoming a factor in consumer purchases in those markets.
- GHG emission savings:

A RSPO-commissioned study focusing on plantations established according to the body's recommended planting methods (or New Plantation Procedures, NPP) claims that the avoidance of land clearance and peatland conversion, together with carbon dioxide sequestration from set-aside conservation areas, can lead to a drastic reduction of GHG emission levels in plantations.

- Protection of human rights defenders:

RSPO has adopted a Policy on Human Rights Defenders, Whistle-blowers. Complainants and Community Spokespersons. Under the new policy, the listed groups of persons can lodge confidential complaints with the body's complaints panel concerning activities undertaken by RSPO members that may undermine the safety or security of the said individuals.

Oil palm sector – third party assessments

- CIFOR: The Indonesia-based Center for International Forestry Research (CIFOR), published a study that analyses how three possible scenarios for future oil palm development would affect Indonesia's Borneo island. The scenarios considered foresee i) business as usual, ii) strict conservation plans, or iii) expansion guided by sustainable area intensification. The latter scenario envisions that plantations are only expanded on suitable areas, while yields are lifted to about 5 tonnes of crude palm oil per hectare through improved cultivars and intensive management methods. The study looks at how carbon storage, habitat quality, water yield and palm oil/timber production are affected under each scenario. One of the study's main conclusions is that – by protecting remaining forests, converting only degraded and non-forested land, and implementing crop-enhancements – Indonesia could preserve the economic value of its land while still meeting future demands for palm oil. Moreover, more detailed studies at the village and household level are recommended to better understand the effects of oil palm expansion on local communities and the environment.
- Greenpeace: In a new report, the civil group claims that deforestation-linked palm oil continued finding its way into global consumer brands. Allegedly, leading consumer good firms, commodity traders and palm oil companies are fulfilling their own zero-deforestation and human rights protection pledges only in part and risk not meeting their self-imposed 2020 deadlines. *Greenpeace* called on consumer brands to stop buying palm oil from traders and producers associated with deforestation until these manage to effectively monitor their complex supply chains. The organization also reiterated the importance of public transparency, stakeholder engagement and independent compliance verification. Moreover, *Greenpeace* identifies the circumstance that, in addition to relying on their own plantations, large traders tend to buy from many other suppliers – whose plantations fall outside their direct control – as one of the main challenges faced the industry.

Oil palm sector – peatland fires: Media reported that, after two relatively fire-free dry seasons, fires on peatland (and the resulting haze problems) have returned on Indonesia's Borneo and Sumatra islands – despite wide-ranging programmes enacted by the Government to restore peatland following the heavy fires of 2015 *(see MPPU Feb.'16 & Mar.'18)*. Reportedly, the new fires developed both on smallholder farms and in concessions of large companies and in some instances include areas that had been prioritized for peat protection and peat restoration activities.

For comments or queries
please use the following Email contact:
Peter.Thoenes@fao.org

	International Prices (US$ per tonne) [1]					FAO Indices (2002-2004=100) [7]		
	Soybeans[2]	Soybean oil[3]	Palm Oil[4]	Soybean Cake[5]	Rapeseed Meal[6]	Oilseeds	Vegetable oils	Oilcakes/ Meals
Annual (Oct/Sep)								
2004/05	275	545	419	212	130	104	103	101
2005/06	259	572	451	202	130	100	107	96
2006/07	335	772	684	264	184	129	150	128
2008/09	437	849	682	409	206	157	146	179
2009/10	429	924	806	388	220	162	177	183
2010/11	549	1308	1147	418	279	214	259	200
2011/12	562	1235	1051	461	295	214	232	219
2012/13	563	1099	835	539	345	213	193	255
2013/14	521	949	867	534	324	194	189	253
2014/15	407	777	658	406	270	155	153	194
2015/16	396	773	655	351	232	151	155	168
2016/17	404	806	729	336	225	154	160	171
Monthly								
2017 - January	425	879	806	355	216	161	186	168
2017 - February	428	838	779	357	241	162	179	170
2017 - March	408	809	735	346	238	155	168	164
2017 - April	389	788	693	331	240	149	161	158
2017 - May	392	827	732	329	239	150	169	157
2017 - June	379	821	681	313	238	144	162	150
2017 - July	409	836	665	326	220	154	160	155
2017 - August	391	854	678	318	216	149	164	152
2017 - September	395	879	729	329	209	151	172	156
2017 - October	397	869	721	331	207	151	170	157
2017 - November	401	885	719	333	204	153	172	158
2017 - December	397	863	666	348	219	151	163	165
2018 - January	404	865	679	361	239	153	163	171
2018 - February	416	848	660	400	265	157	158	190
2018 - March	432	830	684	427	294	162	157	203
2018 - April	441	824	663	447	304	164	155	213
2018 - May	432	787	659	443	282	161	151	211
2018 - June	389	783	631	391	264	148	146	187
2018 - July	378	774	591	382	267	145	142	184
2018 - August	379	763	561	365	282	146	138	178
2018 - September	357	755	545	347	277	139	135	169

[1] Spot prices for nearest forward shipment

[2] Soybeans (US, No.2 yellow, c.i.f. Rotterdam)

[3] Soybean oil (Dutch, f.o.b. ex-mill)

[4] Palm oil (Crude, c.i.f. Rotterdam)

[5] Soybean meal (44/45%,Hamburg f.o.b. ex-mill)

[6] Rapeseed meal (34%,Hamburg f.o.b. ex-mill)

[7] The FAO 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.

Sources: FAO and Oil World