Food and Agriculture Organization of the United Nations

OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

No. 106, May 2018

a) Global price review

In April, continuing on the trend observed in recent months, FAO's price indices for oilseeds and oilmeals rose, while the index for vegetable oil fell further. The oilseed and oilmeal indices gained, respectively, 3 and 10 points (or 2 and 5 percent), rising well above the levels recorded in the corresponding month of last year. Conversely, the price index for vegetable oil decreased by a further 2 points (or 1 percent) to a 2 year-low.

The fresh gains in FAO's oilseed and oilmeal indices primarily reflect developments in the global soy market. Confirmation of severe crop losses in Argentina and the associated prospect of a drop in global soybean supplies in 2017/18, together with robust demand for Brazil's recently harvested crop lent support to international soybean values. Logistical problems along U.S. waterways and lower than anticipated forecasts for U.S. 2018/19 soy plantings also contributed to upward pressure. Yet, price gains were capped by concerns about the future trade relationship between the United States and China. As for the other oilseeds, rapeseed prices remained subdued amid sluggish global import demand, ample supplies in Europe, Canada and Australia and falling rapeseed oil quotations. By contrast, sunflowerseed prices appreciated further on expectations of tightening export availabilities. In the coming weeks, market participants are expected to increasingly focus on weather conditions and 2018/19 production prospects in the United States, Canada and CIS countries.

The conspicuous rise in the oilmeal price index mainly reflects fresh gains in international soymeal prices. Dwindling soybean production prospects in Argentina (the world's top supplier of soymeal), combined with limited export

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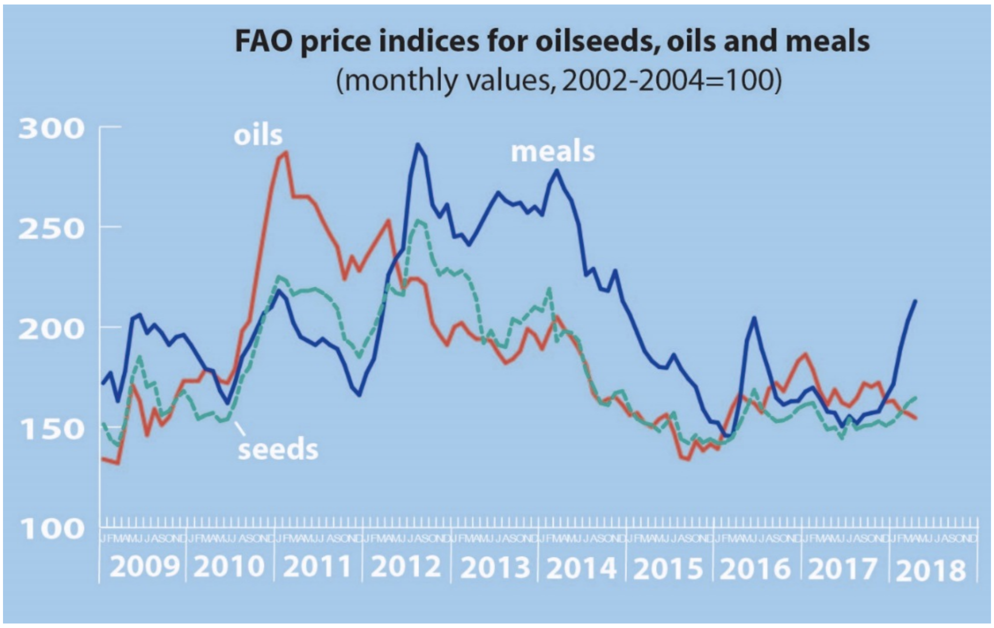
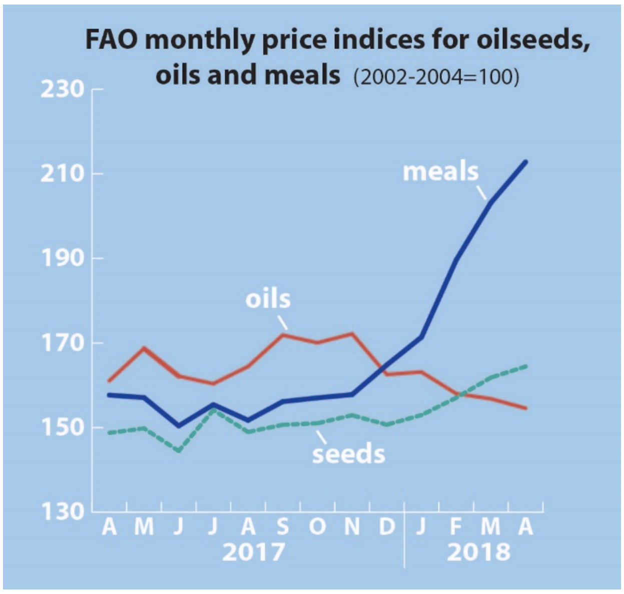


* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market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

availabilities in other countries are anticipated to curtail global soymeal shipments in 2017/18 – a situation that has already pushed international soymeal quotations to levels not observed for more than three years. Moreover, global supplies of meals other than soymeal are not expected to improve in 2018, as witnessed by rising prices for sunflower, rapeseed and other meals. Markets viewed speculations about the possible introduction of retaliatory import duties on U.S. soybeans by China also as supportive to the latest increases in meal prices, given that upswings in China's domestic soymeal values could result in lower exports – and possibly imports – of soymeal by China.

The drop in FAO's price index for vegetable oils stems mainly from developments in the world market for palm oil (the oil carrying the highest weight in the index). In April, international palm oil quotations weakened reflecting prospective seasonal production gains in the coming months across Southeast Asia and associated forecasts of global production exceeding global demand for a second year in succession. Signs of slowing import growth and indications of smaller than anticipated drawdowns in Malaysian and Indonesian inventories also weighed on prices. On the other hand, price losses were contained by Malaysia's decision to extend its palm oil export tax suspension until the end of April as well as reports of i) lower than expected production and export levels in Indonesia, and ii) rising uptake of palm oil by biodiesel producers, due to firmer mineral oil prices. Meanwhile, international quotations for soyoil weakened further, underpinned by persistently strong crushing levels among key producers. Rapeseed oil prices also remained subdued, reflecting adequate global supplies and sluggish demand in the EU's food and fuel sector. Only sunflower oil values firmed, fueled by tightening export supplies, in particular in the Black Sea region.



b) Selected policy developments and industry news

ARGENTINA – export tax collection:
From 6 April 2018, Argentina's export tax on soybean and soybean products is applied at the date of shipment as opposed to the day a purchase contract is signed. The change allows exporters to take advantage of the monthly tax cuts that are under implementation since January 2018 *(see MPPU Mar.'18)*, thus encouraging forward sales.

BRAZIL – agricultural support measures:
In March, the country's Agriculture and Livestock Ministry announced fresh funding for its Rural Insurance Premium Subsidization Programme, which is available to farmers growing soybeans and other oilcrops. Furthermore, the Ministry launched an on-line portal, 'Macrologística', designed to facilitate agribusiness through monitoring and dissemination of data on domestic production, storage and trade logistics. The portal also provides up-to-date information on

bottlenecks along commodity value chains, optimum transport routes and new investment opportunities.

CHINA – agricultural support policies: Government sources confirmed that agricultural support programmes providing farmers in the country's north-eastern soybean growing provinces (Jilin, Heilongjiang, Liaoning and Inner Mongolia) with higher subsidies for planting soybean than for growing maize will remain in place during 2018/19 *(see also MPPU June/July/Oct./Dec.'17 & Mar.'18).* The support programme, which will cover about 2 million hectares in total, is aimed at encouraging crop rotation (with acreage shifting from maize to other crops, especially soybeans) and land fallow – amid efforts to reduce the country's burdensome maize stockpile. According to observers, however, based on prevailing domestic prices, profits from growing maize could still be significantly higher than those from soybean – even allowing for increased soybean subsidies.

CHINA – food safety regulation: China invited comments on its draft Code of Practice for the Prevention and Reduction of Aflatoxin Contamination in Food. The proposed regulation applies, inter alia, to groundnuts and cottonseed.

CHINA – trade policy: On 4 April 2018, the Chinese Government published a provisional list of tariffs that, if implemented, would apply to selected agriculture and food imports from the United States –including soybeans. The duties would be introduced in retaliation of possible US import tariffs concerning a number of Chinese products. China – the world's largest soybean buyer – satisfies 90 percent of its soybean requirements through imports, with US beans accounting for more than one-third of its purchases. Considering the importance of soybean trade for both countries, China's announcement triggered temporary prices responses and shifts in buying patterns at the national and global level. The two countries are engaged in negotiations aimed at settling their trade dispute (which originated from a field unrelated to agricultural markets), in a bid to avert recourse to retaliatory tariff measures.

CHINA – tax policy: On 1 May 2018, China's value-added tax on sales and imports of agricultural products – including oilseeds, oilmeals and edible vegetable oils – has been lowered from 11 percent to 10 percent. The measure, which is part of a broader tax reduction package and follows a first, more substantial VAT cut in 2017 *(see MPPU June'17)*, is aimed at facilitating economic growth in the agricultural sector, especially in the processing industry.

COLOMBIA – biofuel policy: On 1 March 2018, Colombia's mandated blend limit for biofuel in petrol and diesel has been raised in a bid to curb CO_2 emissions in the country's cities and address oversupply problems that threaten to disrupt production of biofuels and their respective feedstock. The required mix of palm oil-based diesel in regular diesel has been raised to 10 percent and applies throughout the country. Previously, mandates ranged from 2 percent to 9 percent, depending on the region.

EUROPEAN UNION – biodiesel import restrictions: Abiding by a ruling of the European Court of Justice *(see MPPU Nov.'16)*, the European Commission has removed anti-dumping duties on biodiesel imports from 13 Argentine and Indonesian producers that were in place since 2013. The Commission had appealed against the ruling, but dropped the petition earlier this year. Also the WTO had ruled in favour of challenges filed by Argentina and Indonesia *(see MPPU Nov.'16 & Mar.'18).* Notwithstanding, last January, the Commission launched – upon request of the bloc's biodiesel producers – a new investigation on whether Argentine producers benefit from state subsidies *(see MPPU Mar.'18).* Industry experts pointed out that the recent resumption of low-cost biodiesel imports from Argentina and Indonesia would impact profitability for European producers – possibly leading to production cuts and hence reduced uptake of rapeseed oil, the EU's main biodiesel feedstock.

EUROPEAN UNION – olive oil labelling: The European Commission invited public comments on two proposed amendments to the bloc's labelling regulations for olive oil. One concerns information on certain physio-chemical parameters when acidity levels are mentioned on labels and the other determines under which conditions the harvest year should be shown on product labels.

EUROPEAN UNION – pesticide regulation: EU Member States' representative backed a proposal by the European Commission to further restrict the use of three substances known as nicotinoids, for which a scientific review by the European Food Safety Authority found that their outdoor use harms bees *(see also MPPU Feb. & June'18).* Nicotinoids have been widely employed in agriculture – in particular in rapeseed cultivation – over the past 20 years. The new restrictions go beyond the measures already in place since 2013, in that all outdoor uses of the chemicals will be banned. The regulation is expected to come into force by the end of the year. Individual Member States may grant emergency exceptions for restricted uses of the chemicals.

INDIA – public procurement policy: According to local press reports, the Government of India is considering to reform the country's public procurement scheme for agricultural crops. New procurement mechanisms under consideration would focus on all 23 crops for which minimum support prices (MSP) are set by the Government, including oilseeds – unlike the current practice where public procurement concentrates heavily on wheat and rice.
Under India's Price Support Scheme (PSS) also oilcrops, pulses and cotton are supposed to benefit from public procurement, but in practice public purchases of these commodities has been intermittent and hence insufficient to prevent farmers from making distress sales at harvest time *(see also MPPU July/Dec.'17 & Mar.'18).*

Recognizing that the enforcement of MSPs requires coordinated efforts and cost sharing arrangements between individual states and the Centre, the Central Government pledged to reform the country's PSS. Reportedly, in the future, local governments will be able to choose between three mechanisms:

- a Market Assurance Scheme involving decentralized, discretional procurement and disposal operations handled by state agencies, comprising direct payments to farmers;
- a Price Deficiency Payment Scheme (PDPS), under which farmers are provided with the difference between market prices and MSPs, whenever market rates fall below the benchmarks; and
- using private agencies to carry out routine acquisitions at MSP levels.

Policy makers are still discussing how to share the financial burden of the proposed schemes between the Centre and individual states and how to address remaining institutional and technical challenges inherent to each system. Currently, a PDPS covering selected oilcrops is under implementation on a trial basis in Madhya Pradesh, while other states, most recently Odisha, engaged in temporary procurement operations *(see MPPU Feb./Sep./Oct.'17).*

INDIA – export policy: Exportation of vegetable oils is set to be liberalized further in India. After lifting the ban on bulk exports of selected vegetable oils in March 2017 *(see MPPU Apr.'18),* the Government now decided to allow bulk exports of all edible oils with the exception of mustardseed oil. Being an item of mass consumption in the country, mustard oil may only be exported in consumer packs up to 5 kg and at a minimum price of USD 900 per tonne. The new policy is aimed at encouraging oilseed production by opening additional marketing avenues for edible oils. Moreover, the measures may contribute to better utilization of idle capacity in the country's edible oil industry. However, market experts do not expect sizeable increases in shipments in the near term, as domestic edible oil prices currently range significantly above world market levels.

INDIA – food standards: New labelling and display regulations for pre-packaged foods proposed by India's Food Standard and Safety Authority (FSSAI) envisage mandatory front-of-package declaration of nutritional data.
Labels will have to include information on the amount of total fat and trans fats as well as on per-serving percentage contributions to recommended dietary allowances, including special mention when specific thresholds are exceeded. FSSAI also opened for comment proposals to: i) revise the existing standards for mustard/rapeseed oil, palm oil and hydrogenated cooking oil; ii) include peroxide values in the standard of all vegetable oils; and iii) issue new standards for the various fractions of palm oil. The various proposals are aimed at improving consumer information and allowing to ascertain oil authenticity, in addition to addressing industry needs.

INDONESIA – palm oil related measures

- Land governance:

The Government of Indonesia announced that a unified database integrating various land-use maps – including a map on oil palm plantations – will be completed later this year *(see also MPPU Aug.'16).* The new tool could be crucial in the management of Indonesia's forests and natural resources. In particular, the integrated map could help identify overlapping land concessions and address the problem of illegal plantations inside forest areas.

- Replanting programme:

The Indonesian Government pledged to expand a country-wide oil palm replanting programme launched last year *(see MPPU Dec.'17)* to cover 185 000 hectares of smallholder plantations in 2018 – as opposed to the original target of 20 000 hectares. The ultimate goal is to replace palms on 5.61 million hectares across the country.
The scheme's objective is to foster output growth among smallholders by boosting their productivity level, thereby discouraging environmentally contentious expansion of planted area. Replacing palm trees older than 25 years with improved varieties could lift average smallholder yields from 2–3 tonnes of palm oil per ha to 4 tonnes.
The Government's replanting programme is entirely financed by Indonesia's Oil Palm Plantation Fund (BPDP-KS), an instrument set up in 2015 to manage a new levy collected on the country's palm oil exports. In fact, to date the bulk of BPDP-KS funds has been allocated to biodiesel subsidies – a policy that is being challenged by the country's main union of palm oil smallholders. Recently, also the country's anti-graft agency has called for a more balanced distribution of those funds among stakeholders. Reportedly, last year, BPDP-KS proceeds from levies collected on palm oil exports amounted to IDR 14.2 trillion (USD 1 billion).

- Mandatory certification:

In Indonesia, small oil palm farmers have been given time until end 2020 to achieve ISPO (Indonesian Sustainable Palm Oil) certification. However, based on a recent study by Indonesia's Bogor Institute of Agriculture, smallholders – who account for 40 percent of the country's oil palm plantation area – may not be ready to adopt the national standard. Reportedly, small growers are faced with a variety of challenges, in particular a lack of assistance in adopting agricultural best practices and unclear land ownership status (NB: in order to qualify for certification, farmers are required to prove legal ownership of their land). Especially in those instances where smallholders manage plantations inside forest areas, obtaining the required land titles may prove difficult. Another problem is that many farmers lack access to ISPO-compliant seedlings and fertilizer (the use of which has been made mandatory in a bid to boost productivity on small farms).

INDONESIA – biofuel policy:
Biodiesel production will continue to enjoy government support in Indonesia. In 2018, producers of palm oil-based diesel are set to continue receiving subsidies, tied to government efforts to stimulate domestic demand for palm oil so as to prevent oversupply of the commodity and stabilize its price on the global market. According to media reports, official estimates place domestic biodiesel consumption at 3.06 million tonnes in 2018, compared to 2.24 million tonnes last year. Furthermore, next July, mandatory biodiesel use is set to be expanded to include the mining sector

and a state-owned railway operator. Annual uptake by the mining and locomotive sector would amount to about 500 000 tonnes, while road transportation and power plants would absorb 2.55 million tonnes. Blending rates will range between 5 percent (locomotive), 10 percent (mining) and 20 percent (transport and energy sectors). Long-term plans to raise domestic admixture levels in the transportation and energy sectors to 30 percent are upheld. In the meantime, also exports of biodiesel may rise, following the recent elimination of the EU's anti-dumping duties on Indonesian biodiesel.

INDONESIA – shipping regulations:
The Government of Indonesia delayed until 2020 regulations requiring exporters of palm oil to use exclusively Indonesia-flagged vessels. Aimed at fostering the local shipping industry and saving foreign exchange, the new rule was originally scheduled to take effect in April 2018. Reportedly, concerns over the availability of local vessels have led to the postponement in the implementation date.

MEXICO – agricultural support policies:
Mexico's federal programme to encourage domestic oilseed production (known under the name 'Pro-Oleaginosas') remains in place in 2018, with producer payments staying at MXN 700 (USD 35) per tonne of product delivered to domestic processors (as opposed to MXN 1500 provided two years back). 'Proagro', a scheme providing farmers with liquidity to invest in productive activities has also been confirmed, with per-hectare allocations for small, medium-size and large farm holdings raised by, respectively, 14 percent, 33 percent and zero percent. While a government scheme to stimulate forward sales also remains in place, market participants are reported to favour better-priced alternatives offered by the domestic and international market.

REPUBLIC OF KOREA – trade policy:
After consultations with the President of Brazil, the Government of the Rep. of Korea announced its intention to restart trade talks with the Mercosur trade bloc in the first half of 2018, focusing, inter alia, on the bloc's soybean and maize exports to the Rep. of Korea.

SENEGAL – market regulation:
The Government of Senegal signed a memorandum of understanding with industry stakeholders to regulate the marketing of raw and refined groundnut oil in the country. The agreement defines sale and purchase obligations of artisanal processors and industrial refiners, while the Government will be in charge of operating safety reserves and regulating imports. The initiative is aimed at improving domestic market transparency and efficiency while improving consumer access to edible groundnut oil.

THAILAND – biofuel policy: With a view to support oil palm growers affected by depressed prices (stemming from burdensome domestic supplies), the Government of Thailand is planning to raise mandatory blending of palm oil-based biodiesel in the automotive and railway sectors from 7 percent to 10 percent. Performance tests of the higher blends are currently being conducted with support from the industry. According to the press, the shift to the higher blending rate is envisaged for early next year. In recent years, the country has seen repeated adjustments in mandated rates – both upward and downward – as the Government strived to stabilize domestic palm oil prices *(see MPPU Sep.'16, Aug.'17 & Jan.'18).*

UNITED KINGDOM – biofuel policy:
On 15 April, a number of changes in the UK's Renewable Transport Fuel Obligation (RTFO) have come into effect. Transport fuel manufacturers will be required to guarantee biofuel blending rates of at least 9.75 percent and 12.4 percent in, respectively, 2020 and 2032 – compared to the present target of 4.75 percent. At the same time, the new legislation establishes a 4 percent cap on the contribution of crop-based (or 'first generation') biofuels until 2021, after which thresholds of 3 percent and 2 percent will apply in, respectively, 2026 and 2032. RFTO will also, for the first time, support and reward the production of sustainable renewable aviation fuel.

UNITED STATES – biofuel policy: From 1 May, the state of Minnesota requires petroleum diesel to be blended with 20 percent biodiesel during the April–September period – exactly double the previous blending requirement of 10 percent. During the winter months, the mandate is set to revert back to 5 percent.
To implement the higher requirements, state officials must ensure that the following conditions are met: sufficient feedstock supply; adequate blending infrastructure; and the existence of tailored fuel standards.

UNITED STATES – biodiesel import restrictions: In April, the U.S. International Trade Commission asserted that biodiesel imports from Argentina and Indonesia have harmed the US industry, thereby paving the way for the application of anti-dumping duties as determined by the U.S. Department of Commerce last February *(see MPPU Mar.'18).* According to press reports, Indonesian biodiesel exporters reacted by filing an appeal to the U.S. Court, while the Indonesian Government is considering to submit the case to the World Trade Organization.

VIET NAM – import policy: In line with provisions of a number of regional and bilateral free trade agreements concerning the country, the Government of Viet Nam lowered or eliminated the nation's import tariffs on oilseed and oilseed products starting in January 2018. Countries or country groups benefitting from the tariff adjustments include: ASEAN, Australia, Chile, China, EAEU, India, Japan, the Rep. of Korea and New Zealand.

GMO approval

- Argentina – GM soybean: Cultivation of a new GM soybean variety resistant to herbicides containing glyphosate, glufosate and isoxaflutole ('MTS-FG072' owned by *Bayer SA*) has been approved in Argentina. The approval comes on the heels of a long-awaited agreement sealed last February between the Government and private seed companies regarding royalty payments, which paved the way for new seed varieties to reach Argentina's farmers *(see MPPU Mar.'18).*
- Brazil – GM soybean: Three new GM soybean varieties (dicamba/glyphosate resistant 'Intacta2Xtend' by *Monsanto*, and two lines of high-oleic acid event 'DP-305423-1' by *DuPont*) have received regulatory approval in Brazil. Full commercial launch of the new varieties is expected in about 2 years, pending the results of farm trials and the outcome of regulatory reviews in key soybean import markets.

Variable palm oil export tax – Indonesia, Malaysia: In Indonesia, where benchmark values for palm oil remained below the threshold level of USD 750 per tonne, the tax on crude palm oil exports has been kept at zero for both April and May – marking the thirteenth month in succession with no export tax. Meanwhile, Malaysia extended the 3-month tax suspension introduced in early January until the end of April, in a bid to maintain Malaysian palm oil exports competitive *(see MPPU Mar.'18).* According to the Malaysian Palm Oil Board, export taxation has resumed on 1 May, which rates set at 5 percent for both May and June.

Sector development policies

- Pakistan – olive oil: Public efforts to promote olive tree cultivation continue to be pursued in different parts of the country under the oversight of Pakistan's Agricultural Research Council *(see MPPU Oct.'15 & Feb./Sep.'16).* In Punjab province, free-of-charge distribution of saplings is continuing in the Pothohar Plateau and the local government has confirmed its target of planting 2.4 million trees by 2020. Eligible growers are given access to subsidies and training programmes. Elsewhere, in Balochistan, 120 000 trees are being planted, with olive plantations expected to cover an area of approximately 5 700 hectares, while, in Gilgit-Baltistan, government officials announced plans to plant three million olive trees as part of an environmental conservation project. These and parallel initiatives concerning rapeseed, sunflowerseed and oil palm, are all aimed at lowering the country's dependence on vegetable oil imports.

- Uganda – oil palm: The Government of Uganda intends to expand its efforts in promoting oil palm cultivation across the country in partnership with UN-agency IFAD and a group of private investors. As part of the country's Vegetable Oil Development Programme, oil palm cultivation has been developed since 2005 in two districts (Kalangala and Buvuma) on an area of 10 000 hectares, comprising both nucleus estates and smallholder farms. Reportedly, the project attracted multiple investments along the palm oil value chain, creating jobs and improving local livelihoods. Under a second phase, oil palm cultivation is expected to concentrate on four regional hubs, covering 43 new districts.
The initiative has not been spared from scrutiny by civil society groups, which identified a number challenges regarding the project's environmental and social sustainability.

Private sector – overseas investments

- China / Brazil: A consortium led by state-owned *China Communications Construction Company (CCCC)* has begun construction of the port of São Luís in Brazil's northeastern state of Maranhão. The fresh investment in Brazil's port infrastructure is expected to further enhance the country's ability to ship grains/oilseeds via the rapidly expanding northern export corridor known as 'Arco Norte' *(see also MPPU Mar.'18).*
At the same time, the initiative will allow China to further expand its presence in the country that satisfies half of China's soybean import requirements, supplying about 50 million tonnes annually. The investment follows earlier Chinese ventures in Brazil's infrastructure and grain trade *(see MPPU Feb.'16, June/Oct./Dec.'17 & Jan.'18).* On a similar note, private sources suggested that, in 2017, China's state-owned grain trading group *COFCO International* advanced to fourth position in the ranking of Brazilian exporters of soy, soymeal and maize – after *Bunge*, *Cargill* and *Marubeni* and before *Louis-Dreyfus* and *ADM*.
- Thailand / Lao People's Democratic Republic: A Thai palm oil trader is planning to set up an oil palm plantation and a processing unit for biodiesel production in neighbouring Laos. Reportedly, the move is driven by a lack of appropriate opportunities – in particular the limited availability of land for plantations – in Thailand. Reportedly, the Thai company is also engaged in R&D work, focusing on the development of oil palm varieties that are tolerant to the drier weather conditions prevailing in Laos.

Export routes – Brazil: Brazil's *Aprosoja*, the Association of Soybean and Maize Producers of Mato Grosso, signed an agreement with the Panama Canal Authority to promote the recently expanded Central American waterway as a key route for grain shipments travelling from Northern Brazil to destinations in the Pacific Ocean. Under the agreement, ways to increase the Canal's participation in Brazil's rising grain exports will be explored, focusing on the on-going expansion of shipments out of Brazil's new northeastern terminals, which are closer to the Panama Canal *(see MPPU Mar.'18).* For the time being, the bulk of Brazil's grains are shipped from the country's southern ports and the Atlantic Ocean. However, with regard to sales to Asia, availing of the Canal has the potential to reduce total travel time significantly. The new partnership will concentrate on Panamax vessels, given the similarity between the drafts in the Amazon River ports and the Canal's locks. Reportedly, the agreement is the first memorandum of understanding signed between the Panama Canal and a partner in a Latin American country.

Biodiesel – sustainability certification:
A Finish company has gained certification by the Roundtable on Sustainable Biomaterials (RSB) for both sustainability and low indirect-land-use-change risk (ILUC) regarding its biofuel production from crude tall oil. RSB's double certification allegedly minimizes the risk of biofuels causing indirect impacts such as deforestation or increased food prices in third countries.

National palm oil certification – Malaysia:
In Malaysia, a large palm oil plantation company joined forces with the country's Palm Oil Certification Council (MPOCC) to help all of its suppliers obtain certification by the end of 2019 – the date by which all producers are required to

comply with the national MSPO (Malaysian Sustainable Palm Oil) standard. The partnership's objective is to engage, share knowledge and lend support to suppliers while they prepare for mandatory MSPO certification. Reportedly, more than 260 mill suppliers are going to benefit from the initiative.

RSPO initiatives

- Developing country markets:

The Roundtable on Sustainable Palm Oil (RSPO), a global standard setting body for palm oil, signed an agreement with China's Chamber of Commerce for Foodstuffs and Native Products to promote initiatives related to sustainable palm oil. In particular, the two institutions agreed to cooperate on promotional activities, exchange visits and the preparation of recommendations for policy makers. Generally, in developing countries – including China, the world's second largest importer of palm oil – awareness of and demand for certified sustainable palm oil tends to be considerably lower than in developed nations.

- Member accountability: RSPO reported new efforts to ensure that grower members regularly submit detailed data regarding their concessions. The organization considers access to such information as a prerequisite for monitoring its members' environmental accountability. RSPO intends to compare member data with satellite images and other geospatial information with a view to facilitate timely assessments of potential cases of environmental non-compliance. RSPO also informed that it is working on means to determine whether plantation owners manage any HCV (High Conservation Value) areas effectively. Through these measures, RSPO hopes to strengthen the credibility of its certification, verification and grievance systems.

Palm oil sourcing and retail practices

- *BASF*: German chemical company *BASF* pledged that, in the course of 2018, it will offer palm-based products for the cosmetics industry exclusively as certified sustainable. The company envisages to source its palm and palmkernel oil via the RSPO 'Mass Balance' standard, one of RSPO's supply chain models that support the physical flow of certified raw materials. The company also informed that, in 2017, it managed to trace almost 80 percent of its overall oil palm exposure of more than 500 000 tonnes.
- *Greenpeace*: According to a survey conducted by *Greenpeace*, a number of global consumer goods companies declined to disclose where they source their palm oil from – despite corporate pledges to achieve 100% traceability by 2020 (in support of commitments to stop buying from companies that apply unsustainable production methods). In this regard, *Greenpeace* renewed its call for brands to actively support the transformation of the industry by sourcing only from traders/suppliers able to prove that all the palm oil they sell comes from producers verified as compliant with 'no deforestation–no peat–no exploitation' standards. Since the publication of *Greenpeace*'s report, one of the surveyed companies fully disclosed its sources of supply, welcoming the NGO's request for further supply chain transparency, which the company viewed as an essential component of sustainable and responsible sourcing.
- Retail sector: In the EU, two retail chains decided to remove palm oil from their own-brand food products, citing concerns over growing consumer apprehension about the use of allegedly unsustainable production practices in producing countries.

Peatland development: Environmental advocacy group *Rainforest Action Network* claimed that approximately 10 000 hectares of peat forest have been cleared illegally in Borneo, Indonesia, for future palm oil plantations – despite national regulations as well as company commitments against further peat development and deforestation. Reportedly, most of the concerned land bank was marked as 'peatland prioritized for protection' on maps prepared by Indonesia's Peat Restoration Agency.

Sustainable soybean production:
In Brazil, a coalition of traders, environmental groups, research institutes and government departments launched a tool designed to help producers identify already cleared land to plant

soybeans in the country's Amazon and Cerrado biomes. The group claims that the tool can help participants in the soybean value chain expand soybean cultivation in a sustainable way, thereby containing forest degradation and other environmental/social risks. Economic viability considerations are also captured by the tool, as information on a location's yield history, its logistical features and similar parameters is gathered by the system. One of the tool's main values is seen in bringing together information from multiple sources on one single platform. Reportedly, there are plans to expand coverage by including Argentina's Chaco region, another zone where soybean expansion is associated with environmental degradation risks.

Certified organic soybean: In Togo, a group of agricultural entrepreneurs is planning to market 10 000 tonnes of certified organic soybean in the 2018/19 season. Reportedly, a number of NGOs and government agencies are backing the initiative by providing assistance in regard to business plan development and provision of quality seed.

Fraudulent labelling – vegetable oil:
A new fraud case concerning olive oil has been reported from China. According to media sources, a provincial food safety office uncovered a fraud scheme in which cooking oil companies misled consumers by deliberately overstating the percentage of olive oil contained in bottled oil blends. In general, olive oil is valued by consumers for its health properties and fetches significant price premiums over other edible oils. China's imports of olive oil have risen constantly in recent years.

Research and product development

- Carinata meal: New strains of *brassica carinata*, an oilcrop that strives in arid climates and on marginal farmland not suited for other agricultural crops, may offer a high-protein alternative feed ingredient to rapeseed meal, according to a group of scientists in Canada *(see also MPPU June'17).* Analyses of the new strains' chemical profile, anti-nutrient compounds, energy values and protein fractions seem to suggest that carinata meal can improve crude protein levels and other milk values in cows (compared to rapeseed meal). To date, most research efforts on industrial applications for carinata have focused on uses of its non-edible oil as feedstock for biofuels, especially aviation fuel *(see MPPU Dec.'17).*
- Non-GMO oilseed emulsifier:
Global agribusiness firm *Cargill* started selling certified GMO-free, de-oiled rapeseed lecithin on the European market. Used as emulsifier in the bakery and food snack industry, the product is said to offer comparable functionality to conventional GMO soy-based lecithin.
- High-oleic soybean/soyoil: Following the EU's regulatory approval of *DuPont*'s high-oleic soybean variety 'Plenish' in December 2017 and China's import authorization for *Monsanto*'s 'VistiveGold' high-oleic soybeans in mid-2017, the US industry expects worldwide production, trade and consumption of high-oleic soybean oil to take off in the coming years. In the United States, where high-oleic soybean varieties have been planted on 250 000 hectares 2017, sowings are projected to climb to 6.5 million hectares by 2027. High-oleic soybean oil – which is deemed to be more stable and offer improved functionality and nutritional properties than conventional soyoil, without requiring partial hydrogenation – is expected to be in high demand, given that the U.S. Food and Drug Administration mandated the complete removal of partially hydrogenated oils from the country's food supply chain by June 2018 *(see also MPPU June'13 & Apr./July 2015).*
- Sunflower-based food-grade protein:
A Russian firm developed a process to produce high-value food-grade protein from sunflowerseed press cake, a by-product of oil production that is normally used as feed. Based on mechanical separation and membrane filtration processes, the technology developed by the company removes fibre, polysaccharides and fat to obtain concentrates with up to 95 percent protein content. The latter can be used in sports nutrition products and various functional food products.
- Olive waste-based feed: An Irish firm claims to have developed a process for turning olive waste products into animal feed. Reportedly, olive feed can significantly improve the flavour,

tenderness and nutritional profile of meat, by increasing the levels of oleic acid, mono-unsaturated fat and glutamic acid. The initial target for the new feed is Japanese Wagyu beef. The new feedstuff is conceived as a finishing feed, owing to its high caloric content and ability to support weight gain. Waste from olive oil extraction processes is normally an environmental pollutant that is subject to strict disposal regulations.

- Gene-editing: Seed companies are showing increased interest in gene-editing techniques, as opposed to genetic modification methods *(see MPPU Dec.'16 & Jan.'18). Monsanto* informed that it entered a partnership with a start-up company to advance agricultural R&D on soybean, rapeseed and other crops by leveraging gene-editing technologies. Allegedly, the technology allows to precisely and rapidly develop improved crop varieties, without making recourse to DNA transfer within and across species boundaries. Therefore, gene-editing could help meet growing consumer demand for GMO-free farm products.

Xylella fastidiosa: Recently, two additional manifestations of the bacterial disease that threatens olive cultivation in the EU have been reported from Spain, one in the outskirts of Madrid and the other in Andalusia *(see also MPPU Mar.'18).* Andalusia is Spain's leading olive growing region, producing close to 1 million tonnes of olive oil, or almost one-third of global production. Meanwhile, the number of infected trees in Italy's containment zone is reported to have increased further, while on the French island of Corsica *xylella* has been detected for the first time on olive trees. Researchers have identified cicada and spittlebug as common vector insects responsible for the spreading of the disease.

Futures markets

- United States: The *Chicago Mercantile Exchange (CME Group)* has raised the maximum daily price change permitted on its soybean contracts by 10 US cents to 75 US cents per bushel, while the limit for soymeal has been increased by USD 5 to USD 25 per tonne.
- Singapore: The *Asia Pacific Exchange (Apex)* has been approved by Singapore's monetary authority to operate as the city-state's third derivative exchange and clearing house. Reportedly, *Apex* will commence trading in the second quarter of 2018, starting with a USD-denominated and physically delivered futures contract for palm olein.
- Malaysia: Malaysia's commodities futures exchange *Bursa Malaysia Berhad* announced a number of changes to its crude palm oil contract, namely: increased position limits; extended trading hours; a more flexible trading tenure; and new product traceability requirements.

For comments or queries
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	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
2007/08	549	1325	1050	445	296	216	246	214
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

[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. North West Europe)
[5] Soybean meal (44/45% Hamburg fob 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

Sources: FAO and Oil World