



## *OILSEEDS, OILS & MEALS* MONTHLY PRICE AND POLICY UPDATE \*

*No. 91, February 2017*

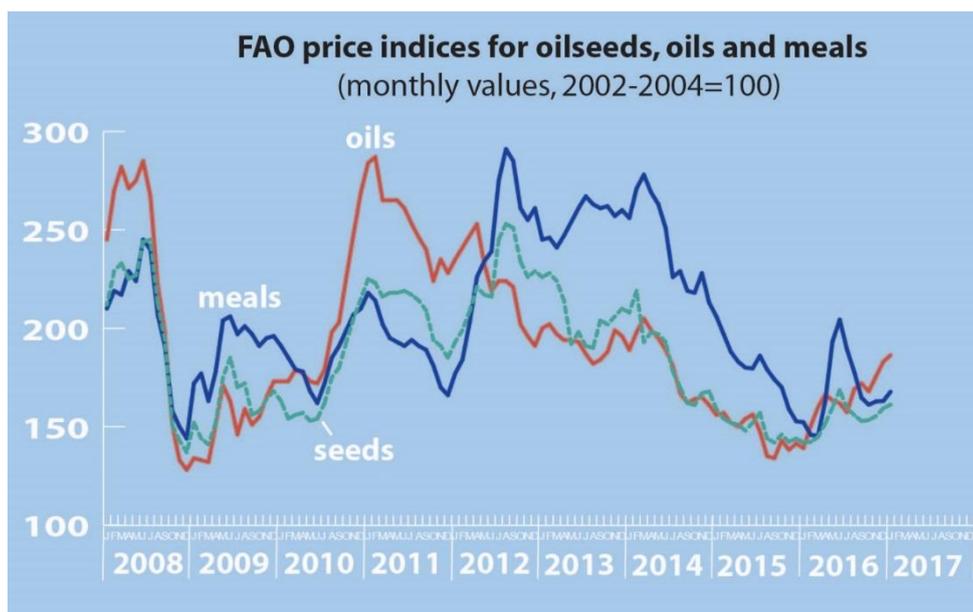
### a) Global price review

The month of January has seen an upward move in prices across the oilseed complex. Compared to the previous month, the strongest gain has occurred in FAO's oilmeal index, which increased by about 5 points (or 2.9 percent), while FAO's indices for vegetable oils and oilseeds rose by 2–3 points (or 1.8 and 1.2 percent respectively). Compared to January 2016, all three indices firmed, posting year-on-year increases of 10–30 percent.

The price index for oilseeds, and even more so the oilmeal index, gained additional strength in January under the lead of soybeans. Main factors contributing to the rise in soybean/soymeal prices have been downward corrections in the soybean crops of the United States and Argentina, although global 2016/17 output is still forecast 13 million tonnes (or 4 percent) above the 2014/15 record. The unexpected reduction in

the United States mainly reflects lower yield estimates, while, in Argentina, heavy rains and extended flooding in key growing regions adversely affected crops in the ground, pushing production forecasts some 3 million tonnes (or 5 percent) below earlier projections. By contrast, crop prospects in Brazil continue to be excellent. Considering the global market's growing reliance (at this point of the season) on South America's forthcoming soybean harvest, prices can be expected to remain volatile depending on (i) how climatic conditions evolve during the coming weeks, and (ii) any disruptions in shipments due to logistical problems. As to soymeal, the prospective lower soybean availabilities in Argentina – the world's leading soymeal supplier – exerted strong upward pressure on international soymeal prices. International rapeseed and rapeseed meal prices

– *cont'd on next page* –



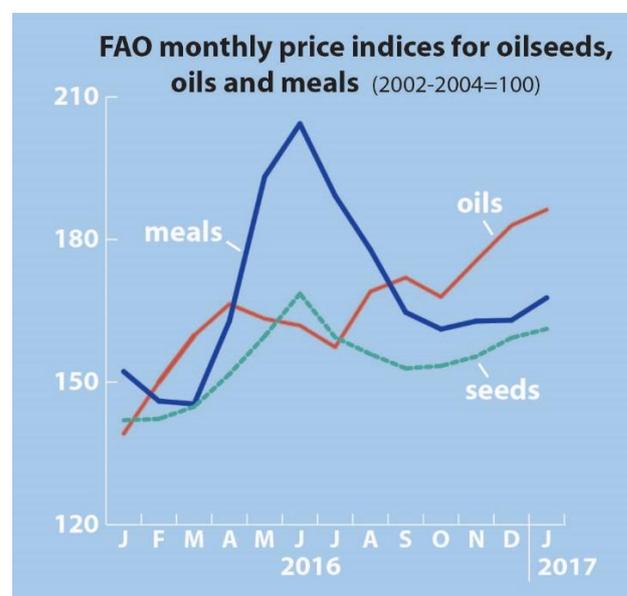
\* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market events selected from a variety of official and unofficial sources. Section b) of the present issue covers developments observed during **January 2017**. 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

also continued to appreciate, underpinned by a tight 2016/17 supply outlook, thus contributing to the rise in FAO's price indices.

As to the vegetable oil market, palm oil remained the key driver behind the prolonged rise in FAO's vegetable oil price index. Palm oil values rose for the third consecutive month reaching a 30-month high, mainly reflecting the slower than anticipated recovery of production in Southeast Asia and low inventory levels in both exporting and importing countries. Meanwhile import demand continued to be strong, and reduced stock levels in several major importing countries are expected to keep import demand high in the coming months – unless the current strength in palm oil prices triggers a shift in demand towards other vegetable oils. Rapeseed oil prices also increased further in January, following developments in the

corresponding seed market. By contrast, the prices of soy and sunflowerseed oil eased on expectations of ample global availabilities.



## b) Selected policy developments and industry news

**ARGENTINA – seed policy:** In 2017, Argentina's national seed agency (INASE) will continue testing farmers' crops for the presence of GM traits, private sources reported. Last year, the government entrusted INASE with this task to facilitate the collection of royalties by seed producers (*see MPPU July '16*). Reportedly, policy makers and seed companies are working on a permanent seed bill, in replacement of the current temporary arrangement.

### **BRAZIL – agricultural policy:**

The Government presented its pre-crop financing scheme for the 2017/18 crop year. The programme will allow medium-sized producers to purchase agricultural inputs (seeds, fertilizers and pesticides) for the 2017/18 season at a preferential interest rate of 8.5 percent. This year's credit line will total BRL 12 billion (USD 3.83 billion) – up 20 percent from last year's level. The maximum amount each farmer can borrow has been set at BRL 780 000 (USD 250 000).

**CHINA – import policy:** The Chinese Government extended the anti-dumping and anti-subsidy duties imposed last September on the importation of distillers dried grains (DDGs) from the United States until January 2022 – a decision expected to increase feedmillers' demand for domestically produced DDGs, maize and soy meal.

**CHINA – GMO policy:** China has granted import approval for *Balance GT*, a new soybean variety characterized by tolerance to both glyphosate and isoxaflutole-based herbicides. China's approval follows the import authorizations provided by Canada, the European Union and the United States (*see also MPPU Aug. '16*). However, *Balance GT* will not be commercially available until *Balance Bean*, the herbicide specifically developed for use on the new soybean variety, has received the required regulatory approval by the United States Environmental Protection Agency.

**ECUADOR – import policy:** Ecuador decided to extend its current tariff and duty exemptions for soybean meal imports from all origins until 31 December 2019. According to market experts,

the exemption will keep imports from the United States – Ecuador's principal supplier – competitive compared to those from Bolivia (one of Ecuador's Andean Community partners) and other MERCOSUR countries. Without the exemption, soymeal imports would attract a 15 percent ad valorem tax plus the Andean Price Band's variable levy, currently set at 21 percent.

**EUROPEAN UNION / INDONESIA – trade dispute:** In December 2016, a panel established by the WTO dispute settlement body (DSB) issued a report on the anti-dumping measures taken by the European Union against imports of certain fatty alcohols (derived from palm oil) from Indonesia (*see also MPPU May '14*). The Panel, which was set up at the request of Indonesia, found that the EU's export price comparisons were not inconsistent with existing WTO regulations, but ruled that the EU failed to disclose the results of its on-the-spot verifications of Indonesian producers. The panel recommended that the EU bring its measures into conformity with its obligations under the WTO anti-dumping Agreement.

**INDIA – health policies:** The Government of India set 27 February 2017 as the enforcement date for both, the mandatory declaration of trans fat and saturated fat content on food product labels and the 5 percent limit for trans fatty acid content (by weight) in fats, oils and fat emulsions (*see also MPPU Sep. '15 & Sep. '16*).

**INDIA – special farm support measures:** Seeking to minimize the impact of last November's demonetization measure on the farm sector (*see also MPPU Dec. '16*), the Government has given its ex-post facto approval for a two-month interest waiver for farmers who took up short-term crop loans from cooperative banks. Reportedly, many farmers faced difficulties in carrying out Rabi crop operations due to the lower availability of cash that followed demonetization.

**INDIA – copra procurement:** Last December, India's National Agricultural Cooperative Marketing Federation (NAFED) started procurement of copra in Karnataka state in a bid to protect growers from falling prices of the commodity. In the 2016/17 (July-June) crop year, Karnataka has become the third state after Andhra

Pradesh and Tamil Nadu where copra is being bought at the federal support price of INR 59 500 per tonne (USD 890) for milling quality copra and INR 62 400 per tonne (USD 933) for ball copra.

**KAZAKHSTAN – agricultural policy:** The Government presented a programme for the development of the country's agro-industrial complex in 2017-2021. In addition to improved access to subsidies for small/medium-sized farmers, an expanded farm insurance scheme and higher irrigated land area, the plan envisages incentives to reduce wheat cultivation in favour of coarse grains and oilseeds. Starting next year, per hectare subsidies for wheat producers could be cut strongly, while those for maize would fall less and those for soybeans, rapeseed and other oilseeds would be raised.

**MEXICO – GMO policy:** The Government of Mexico invited public comments on a plan to introduce new assessment criteria governing the experimental release of GMOs, such as maize, soybeans and other GM crops or animals.

**TURKEY – agricultural policy:** In a bid to diversify the country's agricultural production, raise productivity levels and reduce the cultivation of water-intensive crops in structurally disadvantaged areas, the Government of Turkey has launched a new agricultural subsidy programme. Under the new scheme, 19 strategic crops – including soybean, sunflower, safflower and rapeseed – will be eligible for public support, starting this year. Subsidies will be allocated based on climate and soil conditions prevailing in each zone, and will be disbursed in two annual instalments. Markets observers expect farmers' planting decisions to be affected by the new system; in particular, in some areas, farmers could replace maize with cotton, oilseeds, pulses and wheat.

**UNITED STATES – GMO policy:** USDA's Animal Plant Health Inspection Service (APHIS) proposed to revise its regulations regarding the importation, interstate movement and environmental release of GMOs. The proposed revisions are meant to (i) reflect advances in genetic engineering as well as past implementation experience, and (ii) reduce

the burden on regulated entities. In the United States, APHIS is responsible for reviewing GM crops to determine whether they pose risks to domestic agriculture. The proposed new rule will remain open for comment until 19 May 2017.

#### **UNITED STATES – biofuel support:**

Renewing national efforts to promote research on bio-based fuels, the United States Department of Energy has allocated funds to a research project on camelina sativa, an edible oilcrop adapted to northern climates and suitable for cultivation as a rotation crop in dry areas and on thin soils. Reportedly, research efforts will concentrate on ways to raise productivity in camelina cultivation and to improve camelina oil quality, using a combination of traditional breeding methods and molecular genetics. Chiefly, camelina will be studied for its potential as biofuel feedstock. In recent years, numerous tests have been conducted in the United States and elsewhere with camelina-based transport and aviation fuels, and camelina oil has gained approval as biofuel feedstock by the country's Environmental Protection Agency (*see MPPU Apr. '13, Feb./June '16*).

#### **Intergovernmental commodity agreement:**

On January 1, the International Olive Council's (IOC) new international agreement on olive oil and table olives took effect. It is the sixth such agreement since the organization was set up in 1959. Compared to the previous versions, the new agreement aims to boost the involvement of importing countries in IOC's work by making participation shares more appealing. Bringing together olive oil and table olive producing and consuming stakeholders, IOC's mission is to contribute to the sustainable and responsible development of olive growing and to serve as a world forum for discussing policy issues and tackling the industry's challenges.

#### **Variable palm oil export tax – Indonesia,**

**Malaysia:** In February, Indonesia will raise its export tax on crude palm oil shipments to USD 18 per tonne (compared to USD 3 in January) – the highest rate since the country changed the duty from a percentage rate to a dollar system in 2015 (*see MPPU Aug. '15*). The six-fold increase has been triggered by the hike in the government's benchmark price for palm oil to USD 816 per tonne.

The tax rise could affect the competitiveness of Indonesia's exports and encourage producers to raise sales to domestic buyers, especially the biodiesel industry, industry sources said. Malaysia raised its palm oil export duty for February to 7.5 percent – the fourth consecutive increase since August 2016, also reflecting an increase in the relevant reference price (*see MPPU Jan. '17*).

#### **Sector Development measures**

- Burkina Faso – soybeans: The Government of Burkina Faso joined forces with two associations representing the French vegetable oils/protein sector to develop the country's soybean sector. To address Burkina Faso's growing demand for vegetable oil and protein (to be used for human consumption and animal feed), the project aims at lifting annual domestic soybean output from currently 20 000 tonnes to 100 000 tonnes by 2022. Interventions will focus on (i) raising productivity and yields in the field, (ii) strengthening producer organizations, (iii) consolidating the processing sector, (iv) creating a national soybean association, and (v) establishing a sector development fund.
- Indonesia – Coconut: For the year 2017, the Government of Indonesia has allocated IDR 28 billion (USD 2.1 million) to improve domestic coconut production, according to the local press. Higher domestic output is needed to meet growing demand for raw materials by local industries. Reportedly, Indonesia's countrywide coconut cultivation programme will include (i) carrying out a complete inventory on coconut; (ii) rejuvenation of coconut stands in key growing regions; (iii) mapping high-yielding mother palms for seedling production; and (iv) strengthening existing and setting up new nurseries.

#### **Disease control**

- European Union - Xylella fastidiosa: The European Commission has launched a multidisciplinary research programme aimed at improved the prevention, early detection and control of *xylella fastidiosa*, a bacterial disease responsible for the quick wilting and dieback syndrome that destroyed olive trees in southern Italy and has been detected in neighbouring countries (*see MPPU Nov./Dec. '16*). The four-year project will benefit from the collaboration of 29 research centers located

in 14 countries around the world. The principal objective is to prevent the spread of the disease and develop a comprehensive integrated management strategy, so as to mitigate the economic, environmental and social aspects of epidemic conditions worldwide. Proposed actions will be complementary to other on-going efforts. Reportedly, the *xylella fastidiosa* pathogen originated in Brazil and is widely distributed in the American continent, from where it travelled to the Old World via infected plant material.

- **European Union – neonicotinoids:** A research consultancy reviewed, with support from the private sector, the impact of the EU's decision (*see MPPU June '13*) to temporarily ban neonicotinoid-based pesticides – a group of pesticides used primarily on rapeseed. According to the consultancy firm, the ban has led to significant yield reductions, crop quality losses and increased insecticide applications in EU rapeseed cultivation. Allegedly, the ban also caused a shift of production outside the EU, triggering the conversion of grassland and other biodiversity-rich natural habitats to arable land. The study concludes that holistic impact assessments – looking at all economic and environmental effects – ought to be conducted before pesticide restrictions are implemented.

**Trade standards - responsible soy:** Backed by a civil society group that promotes sustainable trade initiatives, four associations representing Brazilian soybean producers and European soy buyers have signed a memorandum of understanding in support of responsible soy production in Brazil and its market acceptance in Europe. Reportedly, the initiative will support the Brazilian Forest Code's objective of preserving natural habitats by promoting sustainable production practices on soy farms whilst safeguarding community rights in rural areas. All five parties explicitly recognized the complementarity of existing responsible soy initiatives in Europe and Brazil.

**Trade standards – responsible fishoil/fishmeal:** IFFO, the organization that represents and promotes the fishmeal, fishoil and wider marine ingredients industry worldwide, has launched a two-month public consultation on its revised Responsible Supply standard for fishery and factory assessments. The purpose of the revision is to promote more

responsible fishery management and further reduce the environmental and social impact of the fishmeal and fishoil manufacturing process.

#### **Trade standards – responsible palm oil**

- **Smallholders:** In Côte d'Ivoire, civil society group *Solidaridad* and *RSPO* (the world's leading industry-backed standard setting body for palm oil) will jointly implement a large group certification programme targeting 5 000 smallholders. The three-year project is aimed at making sustainable production of palm oil the norm in the country. Côte d'Ivoire is Africa's third largest producer of palm oil.

- **Lending institutions:** Environmental advocacy groups continue pressing international banks to induce oil palm companies to adopt sustainable production practices (*see MPPU Apr. '16*). A report released by *Greenpeace International* claims that one of the largest providers of financial services to the palm oil industry provided loans and other financial services to companies that allegedly harmed tropical rainforest, infringed labour laws and disregarded operating licenses. By doing so, the bank is said to have breached its own corporate policy regarding sustainability in forestry and agricultural production, including specific sections on palm oil. The report, which states that also other banks' lending activities are problematic, urges banks and institutional investors to actively engage with palm oil companies on corporate strategy and behaviour prior to agreeing to provide new (or renew on-going) financial services.

- **Company news:**

- a) Global agri-business trader *Cargill* reported on the company's progress and goals regarding deforestation and pledged to protect forests in six priority supply chains, including palm oil and soybean. The company committed to implement specific action plans and offer training programmes to farmers and suppliers – in close collaboration with their customers, governments, NGOs and other stakeholders.

- (b) An Indonesian industry group agreed to stop clearing forest until sustainability assessments can be made on 75 000 ha of forest under a palm oil concession in Papua Province. Reportedly, the

group considers following the ‘High Carbon Stock Approach’ in its assessments, which would imply using independent assessors, publishing the results and seeking independent verification of compliance.

– (c) Global products and services company *DuPont* reported that it has completed its switch to 100% RSPO-certified sustainable palm oil and palm oil derivatives in its global emulsifier production – a process the company started in 2009. Reportedly, the transition was delayed by insufficient market demand and a shortage of certain certified palm oil derivatives. Now the company aims to move from sourcing its products through Book&Claim mechanisms to buying through physical supply chains.

– (d) Global consumer goods company *Unilever* informed that it will adopt a jurisdictional approach to palm oil sourcing by preferentially buying from areas that have in place comprehensive climate and forest policies. Accordingly, the company has signed a three-year Memorandum of Understanding with the provincial government of Central Kalimantan (Indonesia) other local partners to promote, at village level, sustainable palm oil production

by certified smallholders. The new form of palm oil sourcing is said to build on close public-private collaboration.

#### **Futures markets**

- **European Union:** The pan-European exchange *Euronext* temporarily suspended its rapeseed futures and options to review, together with industry players, the contracts’ technical specifications – in particular the oil content basis for rapeseed.
- **India:** After receiving approval from the Securities and Exchange Board of India (SEBI), the *National Commodity & Derivatives Exchange (NCDEX)* and the *Multicommodity Exchange (MCX)* informed that they intend to launch a futures contract in castor seed to cater to the need of the castor industry for price discovery and risk management instruments.

*For comments or queries  
please use the following Email contact:  
[Peter.Thoenes@fao.org](mailto:Peter.Thoenes@fao.org)*

The designations employed and the presentation of material in this information product do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations (FAO) concerning the legal or development status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The mention of specific companies or products of manufacturers, whether or not these have been patented, does not imply that these have been endorsed or recommended by FAO in preference to others of a similar nature that are not mentioned.

The views expressed in this information product are those of the author and do not necessarily reflect the views or policies of FAO.

	<b>International Prices (US\$ per tonne) <sup>1</sup></b>					<b>FAO Indices (2002-2004=100) <sup>7</sup></b>		
	<b>Soybeans<sup>2</sup></b>	<b>Soybean oil<sup>3</sup></b>	<b>Palm Oil<sup>4</sup></b>	<b>Soybean Cake<sup>5</sup></b>	<b>Rapeseed Meal<sup>6</sup></b>	<b>Oilseeds</b>	<b>Vegetable oils</b>	<b>Oilcakes/ Meals</b>
<b>Annual (Oct/Sep)</b>								
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
<b>Monthly</b>								
2015 - January	421	789	681	431	279	159	156	206
2015 - February	407	775	693	412	273	154	157	197
2015 - March	402	748	673	392	262	152	152	188
2015 - April	396	753	657	380	263	151	150	183
2015 - May	385	781	663	371	290	148	154	180
2015 - June	397	800	670	372	282	152	156	180
2015 - July	413	746	635	389	264	157	148	186
2015 - August	375	729	544	371	270	144	135	179
2015 - September	367	725	533	362	256	142	134	174
2015 - October	377	743	581	351	255	146	143	170
2015 - November	367	726	561	328	232	142	138	159
2015 - December	372	757	568	317	215	144	142	153
2016 - January	368	722	564	316	217	142	139	152
2016 - February	370	762	639	303	203	142	150	146
2016 - March	379	761	694	301	219	145	160	145
2016 - April	398	797	723	339	242	152	166	163
2016 - May	425	790	708	406	261	160	163	193
2016 - June	455	797	679	430	259	169	162	204
2016 - July	429	790	652	400	234	159	157	189
2016 - August	414	812	736	375	228	156	169	178
2016 - September	403	825	755	344	219	153	172	165
2016 - October	404	853	712	340	214	153	168	161
2016 - November	409	875	755	343	218	155	176	163
2016 - December	420	902	783	344	211	159	183	163
2017 - January	425	879	806	355	216	161	186	168

<sup>1</sup> Spot prices for nearest forward shipment  
<sup>2</sup> Soybeans (US, No2 yellow, c.i.f. Rotterdam)  
<sup>3</sup> Soybean oil (Dutch, f.o.b. ex-mill)  
<sup>4</sup> Palm oil (Crude, c.i.f. North West Europe)  
<sup>5</sup> Soybean meal (44/45% Hamburg fob ex-mill)  
<sup>6</sup> Rapeseed meal (34%, Hamburg, f.o.b. ex-mill)  
<sup>7</sup> 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