

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

*No. 95, June 2017*

**a) Global price review**

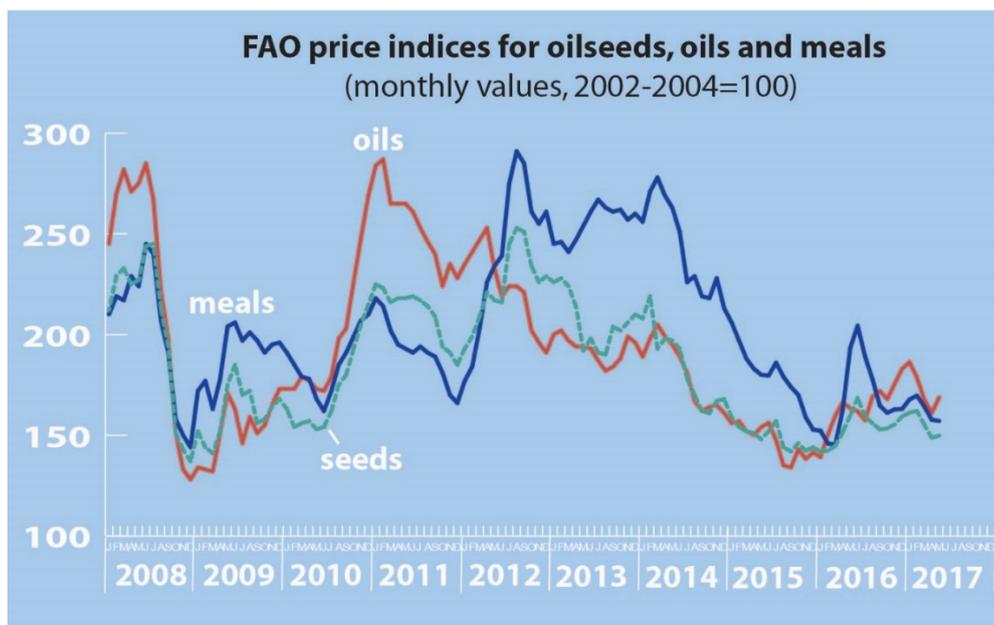
In May, FAO's price indices for oilseeds and oilmeals changed little but the index for vegetable oils firmed, gaining 7.6 points (or 4.7 percent) compared to April. Year-on-year, the indices for oilseeds and oilmeals dropped below the levels recorded in May 2016, falling short by, respectively, 6 and 19 percent. By contrast, the vegetable oil index stood 3 percent higher than last year.

Led by soybeans, FAO's oilseed price index appreciated slightly in May (up 0.7 percent), after two months of consecutive declines – notwithstanding abundant soybean availabilities. Global soybean supply prospects remain positive on even better crop prospects in South America and indications that the supply and demand balance could remain comfortable in 2017/18. Last month's unexpected (possibly short-lived)

firmness in oilseed prices mainly originated from i) sustained import demand, ii) weather concerns regarding the United States' 2017/18 sowing campaign (with unseasonal rains possibly delaying planting progress), and iii) continued slower-than-usual crop sales by Brazil. Sunflowerseed prices also contributed to the strength in the index: following the recent strong pace in sunseed crushing to satisfy import requirements, global inventories are expected to contract, hence exerting upward pressure on prices.

Regarding oilmeals, in May, FAO's price index dipped further (– 0.4 percent), confirming the downward trend of the two preceding months and marking a 14-month low. The slide in the index largely reflects persistently weak import demand of soymeal and the consequent accumulation of

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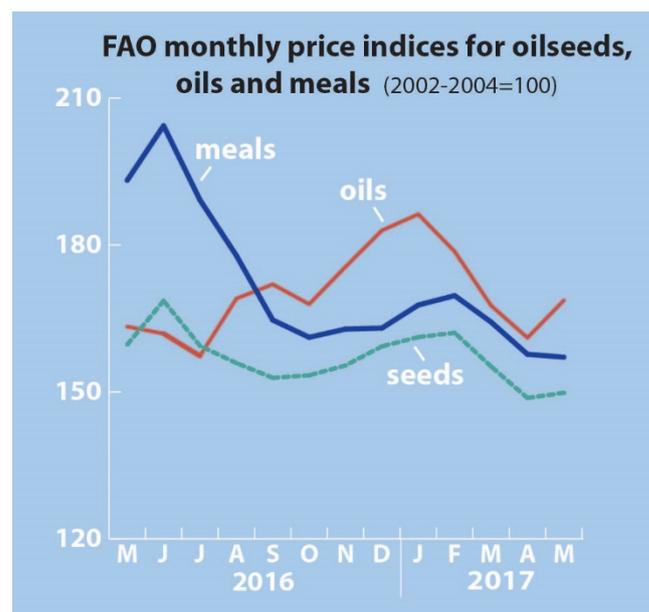
\* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market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

stocks in the key exporting nations. Furthermore, estimates for global soymeal consumption have been adjusted downwards, pointing to lower crushing rates. The prospective slowdown in world consumption is linked, at least in part, to pressing competition from attractively priced feed grains and DDGS (the by-product of maize-based ethanol production).

As to vegetable oils, the strengthening in FAO's price index (after three consecutive drops) mainly reflects rising palm and soy oil values. In May, international palm oil quotations firmed on rising global demand, fueled in part by increasing import requirements preceding the forthcoming Ramadan festivities, which contributed to keeping global inventory levels at unusually low levels. The slower than anticipated recovery of palm oil production in Indonesia and Malaysia also put pressure on prices – even though production is projected to accelerate considerably in the coming months. In addition, the EU-Parliament's recent recommendation to only allow the importation of certified sustainable palm oil into the EU after

2020 caused nervousness among market participants. Meanwhile, international soyoil prices also rose on expectations of continued robust consumption worldwide and in particular in the United States – just when subdued global demand for soymeal could prompt a slowdown in soybean crushing.



## b) Selected policy developments and industry news

### **ARGENTINA – agricultural policy:**

Argentina's Ministry of Agriculture determined that the subsidy provided to soybean farmers in the country's disadvantages northern regions will amount to ARS 290 per tonne (USD 18). Farmers producing up to 2 000 tonnes will be entitled to have their entire production subsidized, whereas caps will be applied to larger producers. For the 2016/17 campaign, the Government budgeted total outlays under the programme at ARS 1000 million (USD 62.9 million). As part of efforts to revitalize the economy of the country's northern regions, the Government also awarded new contracts to lay railway tracks in the provinces of Jujuy and Salta. Argentina's northern provinces are viewed as one of

the few areas with potential for grain and oilseed production to expand, especially assuming improved transport infrastructure. Currently, the region accounts for about 10 percent of national soybean output.

### **AUSTRALIA / EUROPEAN UNION – free trade agreement:**

Australia and the European Union successfully concluded a joint scoping exercise on a future free trade agreement between the two economies. Australian growers' associations welcomed the news as the EU provides an important market for Australian oilseeds, notably rapeseed. Currently, about 60 percent of Australia's rapeseed shipments are directed to the EU. It is important to note that, in the EU, Australia's rapeseeds enjoy a premium of up to AUD 50 per tonne (USD 38) due to the country's capacity to deliver non-GM rapeseed.

**BOLIVIA – export policy:** The Bolivian Government raised the country’s annual soybean export quota to 400 000 tonnes, in a bid to promote foreign sales while continuing to guarantee that domestic consumption requirements are met.

**BRAZIL / CHINA – infrastructure investment:** The Governments of Brazil and China announced the creation of an investment fund for infrastructure projects. The fund will be valued at USD 20 billion, with Brazil and China contributing, respectively, one-fourth and three-fourths of the resources. Reportedly, China is eager to invest in railroad, highway and port projects that could lower the cost of raw agricultural products such as soybeans being shipped to China. One such project is the *Ferrogrão* (or Grain Railway) that would connect grain production regions in northern Mato Grosso to Miritituba, a river port in the Amazon Basin (*see also MPPU Feb. & Aug. ’16*).

**CANADA – GMO policy:** The Canadian Parliament voted against a private member’s bill calling for mandatory labelling of genetically modified foods. The debate in Canada follows last year’s passage, in the United States, of a bill introducing mandatory GM-labelling over a three-year period (*see MPPU Aug. ’16*).

**CANADA – pesticide regulations:** Canada’s Food Inspection Agency (CFIA) determined that glyphosate – an herbicide widely used in the cultivation of oilseeds, other arable crops and fruits – is neither genotoxic nor likely to pose a human cancer risk and that dietary exposure associated with use of the herbicide is unlikely to pose significant risks to human health. The agency’s decision follows similar judgements in the European Union (*see MPPU Dec. ’15 & Apr. ’17*) and the United States (*see MPPU Nov. ’16*).

**CANADA – feed standards:** Canada’s Food Inspection Agency (CFIA) approved the use of mechanically extracted camelina oil as a feed ingredient for farmed fish. Camelina oil is viewed as a cost-effective replacement of wild-sourced fish oils in aquaculture feed. The approval paves the way for *camelina sativa* to serve as a new rotation option for potato farmers in Maritime Canada. In recent years, *camelina sativa* started attracting interest in

the EU, the United States and Canada due to the suitability of its oil for a variety of uses, including as feedstock in the production of road and aviation biofuel (*see also MPPU Apr. ’13, Feb. ’14, Feb. ’15, Feb./June ’16 & Feb. ’17*).

**CANADA – health policy:** Canada’s Health Ministry confirmed its plan to prohibit the use of partially hydrogenated oils (PHOs) – a key source of harmful trans fats in food products – by summer 2018 (*see MPPU Dec. ’16*). Canada’s initiative aligns with global efforts toward the elimination of PHOs in foods. According to the ministry, maintaining the current voluntary approach (*see MPPU Sep. ’11 & July ’16*) would be insufficient to achieve the objective of reducing the population’s trans fat intake to the lowest level possible. The ministry also intends to provide stakeholders with information on more healthful alternatives to PHOs, preferably unsaturated fats. As a disincentive for the industry to replace PHOs with saturated fats, the ministry proposed to include front-of-pack warnings on products that are high in saturated fats.

**CANADA – transportation policy:** While Canada’s lawmakers continue working on amendments of the country’s Transportation Act (*see MPPU Dec. ’16*), the Government is considering extending a temporary revenue cap on rail transports of grains and oilseeds from Canada’s Western regions to the country’s main ports beyond its current expiry date of 1 August 2017.

**CHINA – food standards:** China’s National Health and Family Planning Commission confirmed that a new safety standard for food processing meals will come into force on 23 June 2017 (*see also MPPU Nov. ’15*). As the standard only applies to edible meals for food processing, it does not concern rapeseed and cottonseed meal.

**CHINA – agricultural policy**

- **Land distribution:** China’s Ministry of Agriculture issued guidelines concerning the future distribution of arable land as part of the country’s national food security strategy. In order to ensure the effective allocation of agricultural resources across the country, during the next three years, 60 million ha of land would be earmarked for the cultivation of rice, wheat and maize, and an

additional 19 million ha for soybeans, rapeseed, cotton, sugar and rubber. For soybeans and rapeseed, respectively 6.7 and 4.7 million ha of protected land will be identified. The new policy is meant to help optimize the country's agricultural production pattern, while making agricultural support programmes more effective. The country's investments in fixed assets, transfer payments, and planned reforms in agricultural lending will concentrate on the target areas.

- **Tax policy:** The Ministry of Finance announced a reduction in the value-added tax on agricultural goods – effective 1 July 2017 – as part of ongoing reforms to simplify the country's tax structure and stimulate domestic consumption. The measure will apply to oilseeds and oilseed products, whether locally produced or imported.
- **Farm insurance:** The Government plans to introduce new agricultural insurance programmes in selected counties to compensate farmers for crop losses resulting from natural disasters. The new insurance packages would be offered to family farms, large-scale growers and farmers' cooperatives.
- **Crop-specific subsidies:** In China's northeastern grain belt, farmers will continue to receive subsidies for growing soybeans and maize, based on area planted. Government officials confirmed that, for the 2017/18 crop, the subsidy provided for soybean cultivation would remain above that for maize, in order to encourage farmers to shift additional acreage from maize to soybeans. Soybean payments will be de-coupled from market prices, replacing the target price system in place from 2014 to 2016 (*see also MPPU June/Nov. '14 & Nov. '16*). The exact amount of the area-based subsidies will only be determined later in the season. In the meantime, provincial officials will compile detailed land statistics to determine the farmers' eligibility for the subsidy. The central Government plans to allocate a lump sum for each subsidy to the concerned provinces, entrusting provincial authorities with the calculation and distribution of the subsidy to individual farmers.

**CHINA – GMO policy:** As part of recent trade negotiations between China and the United States, China agreed to accelerate the evaluation of eight US-developed genetically modified crops, including two soybean varieties. Pending the Chinese

authorities' import approval, the concerned seed companies opted to delay the new varieties' commercial release.

#### **EUROPEAN UNION – pesticide regulations**

- **Neonicotinoids:** The European Commission is considering to convert the EU's existing temporary moratorium on *neonicotinoid*-based insecticides into a permanent ban. The allegedly bee-harming pesticides are widely used in the cultivation of rapeseed, sugar beet and other crops. In recent months, farmers' representatives and industry groups disputed the results of studies linking the insecticides to bee declines. They also claimed that producers rely on neonicotinoid products to kill disease-spreading aphids that are resistant to other pesticides (*see also MPPU Feb. '17*). Experts also pointed out that the proposed ban could lead to other types of pesticides being overused, potentially allowing pests to develop resistance to them.
- **Glyphosate:** Based on the latest state of scientific research and taking into account the findings of a study recently conducted by the European Chemical Agency (*see MPPU Apr. '17*), the European Commission decided to start consultations with Member States about a possible 10-year renewal of the approval of glyphosate – one of the world's most widely used herbicides. The 18-month approval granted last July is due to expire in December 2017.

#### **EUROPEAN UNION – environmental policy:**

The European Parliament passed a resolution calling for the introduction of a single mandatory certification scheme for Europe-bound palm oil, in a bid to ensure that all palm oil entering the bloc is produced in an environmentally and socially sustainable way. To prevent the EU's renewable fuel targets from inadvertently contributing to deforestation, the resolution also recommends phasing out, by 2020, the use of biofuels produced from palm oil and other vegetable oils purportedly produced in an unsustainable way. Reportedly, the resolution was influenced by the observation that the certification schemes currently in use – such as the independent Roundtable on Sustainable Palm oil (RSPO) or the national schemes introduced by Indonesia (ISPO) and Malaysia (MSPO) – do not enforce blanket bans on forest and peatland clearance. Essentially, in its non-binding resolution

addressed to the European Commission, the Parliament suggested that only sustainably produced palm oil – according to its own criteria – should enter the bloc. The motion faced strong criticism from palm oil producing countries, which labeled the initiative as discriminatory and protectionist. Last year, the EU imported approximately 7 million tonnes of palm oil, of which about half was used for biodiesel production. The bloc is the world's second largest importer of palm oil after India.

**INDIA – food standards:** India's Food Safety and Standards Authority (FSSAI) informed that revised standards for oils and fats would come into force on 1 July 2017. The amended standards include a redefinition of inter-esterified vegetable fat and regulates the usage of food grade enzymes in oil refining processes.

**INDIA – GMO policy:** The Genetic Engineering Approval Committee (GEAC) of India's Environment Ministry backed the commercial use of an indigenously developed GM mustard seed. Last year, GEAC already provided its technical clearance, following favourable crop trials and safety tests (*see MPPU Sep. '16*). Pending the final approval by the Federal Government, the product could become the country's first GM food crop cleared for commercial production (*see also MPPU Mar. '15*).

**INDONESIA – market regulation:** Indonesia's State Logistics Agency (BULOG) allocated IDR 37 trillion (USD 2.8 billion) for the procurement of rice, soybeans and sugar. BULOG's purchases, which can either be made on the domestic market or abroad, will be aimed at stabilizing domestic consumer prices. Furthermore, BULOG is seeking to improve cooperation with private stakeholders that agree to sell the commodities at the prices set by the agency. Moreover, BULOG plans to continue investing in post-harvest infrastructure, notably storage facilities, in order to strengthen the agency's capacity to buy from local farmers.

**INDONESIA – variable export tax:** After standing at USD 18 per tonne in February and March, Indonesia's export tax on crude palm oil shipments was lowered to USD 3 per tonne in April

and eventually suspended in May. The successive cuts were in line with the tax' sliding regime and reflect the decline in the commodity's world price (and hence in the official benchmark price used to determine the tax rate).

**INDONESIA – oil palm replanting:**

In 2017, Indonesia's Oil Palm Estate Fund – the state agency set up in 2015 to collect a levy on crude palm oil exports (*see MPPU July '15*) – plans to support the Government's oil palm replanting scheme with an allocation of IDR 500 billion (USD 37.6 million). The national scheme is aimed at raising productivity levels on small, independently run plantations, where average yields reportedly stalled at 1.7 tonnes of palm oil per ha – as opposed to up to 5.7 tonnes achieved on corporate-run plantations. Low productivity levels are primarily attributed to poor quality seeds and to the circumstance that palms are cultivated beyond their productive age. Private sources pointed out that the government's initiative faces important administrative hurdles in that many of the targeted farmers are not able to prove their land ownership – a prerequisite for participating in replanting programmes.

**INDONESIA – environmental policy:**

Indonesia's President approved a two-year extension of a moratorium on issuing new licenses for the use of land designated as primary forest and peatland in the country (*see also MPPU June & Aug. '16*). The six-year-old moratorium was scheduled to expire on 20 May 2017. Aimed at halting deforestation and pollution resulting from forest fires, the moratorium is said to concern a total of 66 million hectares. According to government officials, the latest extension gives concerned authorities more time to improve rules on forest and peatland governance and gather material to manage licenses more effectively. A number of civil society groups pointed out that forest cover losses remained high during the past six years. Allegedly, during 2014–2015, 1.5 million ha of forest cover were lost. Furthermore, some NGOs claimed that the recurrent outbreak of fires on forestland and drained peatland was to a large extent driven by plantation expansions in the oil palm, wood and paper sectors. While government sources reckoned that some land conversion continued due to permissions issued

prior to the moratorium, NGO's stressed that a number of factors compromised the moratorium's effectiveness, notably: i) enforcement problems arising from decentralized decision-making; ii) disputes over land tenure; and iii) the circumstance that the moratorium was issued in the form of a presidential instruction, which does not entail legal consequences for perpetrators. A group of forestry experts urged that the moratorium on permits be complemented with livelihood programmes for locals to facilitate the generation of local income from forests without involving conversion.

**JAPAN – feed standards:** The Japanese Government cleared a proposal to permit mixing selected oilmeals with feed maize in the production of compound feed. In the past, maize could only be mixed with animal protein such as fishmeal.

**MALAYSIA - variable export tax:** After standing at 8 percent in February and March, Malaysia's export tax on crude palm oil shipments has been lowered three times, mirroring the gradual decline in the commodity's world price (and hence in the official benchmark price used to determine the sliding tax rate). In April, May and June 2017, the export tax stood at, respectively, 7.5 percent, 7 percent and 6 percent.

**MALAYSIA – export promotion:** The Governments of Malaysia and India signed a Memorandum of Understanding aimed at helping raise the presence of Malaysian palm oil in the Indian market. The MoU provides a platform for Malaysian palm oil related agencies to explore – together with Indian research institutions and other organizations – new traits and applications of palm oil, specifically tailored to India's fast growing market. The use of MSPO-certified palm oil (Malaysian Sustainable Palm Oil) will also be promoted under the accord.

**MEXICO – agricultural policy:** While the country's main programmes in support of agricultural production are set to remain in place, the Government announced cuts in the amount of subsidies provided to individual farmers in 2017, providing the following details: i) under the country's Pro-Oilseeds programme, support

payments will drop from MXN 1 500 to MXN 700 per tonne of oilseeds produced (i.e. USD 83 to USD 39); ii) under PROAGRO, the flat rates per ha for arable crops will be lowered for commercial farms but not for subsistence farmers; and iii) the percentage of hedging operation costs receiving support will be reduced from 85 to 75 percent.

**PERU – oil palm development:** The Peruvian Government committed to consult indigenous people (which typically do not possess recognized legal rights over their land) prior to approving oil palm projects that would affect them. Reportedly, the territories earmarked for oil palm expansion under the Government's 2016–2025 development plan include at least 13 indigenous communities.

**TURKEY – import policy:** Turkey readmitted the Russian Federation to its list of accepted import tax-free origins for agricultural products including sunflower oil and sunflower meal. The Russian Federation had been suspended from the list last March, entailing that its shipments to Turkey faced prohibitive tariffs (*see MPPU Apr. '17*).

**UNITED ARAB EMIRATES – biofuel policy:** According to the local press, the country could soon start to turn used cooking oil into biodiesel. Reportedly, the UAE Centre for Waste Management is considering to provide permits to companies to produce biodiesel from leftover cooking oil, fat and grease for use in buses and lorries.

**UNITES STATES – biofuel policy**

- **Import measure:** In April, following a petition filed by the US biodiesel industry (*see MPPU Apr. '17*), the US Department of Commerce launched preliminary investigations into biodiesel imports from Argentina and Indonesia for possible dumping and subsidization. In May, the US International Trade Commission (USITC) determined that there is evidence that the US biodiesel industry is hurt by such imports, which, allegedly, are subsidized and sold in the United States at less than fair value. Based on the Commission's affirmative determination, the Department of Commerce is set to pursue its investigations, with preliminary countervailing and anti-dumping duty determinations due later this year. In 2016, roughly a third of the US biodiesel

market (i.e. about 3.1 million tonnes) was supplied by imported biodiesel. Argentina alone exported around 1.5 million tonnes of biodiesel and renewable diesel to the United States.

- Iowa State – infrastructure assistance:

The Iowa Infrastructure Fund Bill, which provides USD 3 million in funding for the state's Renewable Fuels Infrastructure programme, has been extended for an additional year until 30 June 2018. Under the programme pump operators receive assistance for the conversion of their equipment to raise renewable fuel sales. Iowa is the United States' leading producer of biodiesel.

- Federal tax credit:

1.) Legislation concerning the renewal of the USD 1.00-per-gallon biodiesel tax credit – which expired on 31 December 2016 – has been introduced in the US Congress. The bill envisages the subsidy's extension for 3 years – retroactive from 1 January 2017 and through 31 December 2019. However, the main change concerns the stage in the supply chain that will receive the tax incentive: under the proposed bill, the subsidy would be provided to domestic biodiesel producers rather than blenders. Since its introduction in 2005, the tax incentive was directed to blenders, making no distinction whether the feedstock used was produced domestically or imported from abroad – a provision that has stimulated the importation of competitively priced biodiesel into the country, in part displacing US product. The proposed shift to a producers' credit is aimed at preventing foreign manufacturers from accessing the tax benefit. However, the reform is opposed by some, who argue that the shift would increase profits for a limited number of producers, possibly reducing the overall availability of biodiesel and driving up its price. Previous bids to convert the blenders' credit into a producer incentive have been turned down by the US Congress (*see MPPU Aug.'15 & Feb.'16*).

2.) A separately introduced bill proposes to put an end to federal tax credits for biodiesel produced with animal fats. Allegedly, the current policy distorts the domestic market for animal fats by diverting this important raw material away from the manufacturing of cleaning and personal care products.

## Sector development policies

- Canada, rapeseed: A public-private research partnership to develop advanced high-yielding rapeseed varieties has been set up in Canada, in a bid to uphold the competitiveness of the country's rapeseed sector. The new platform will operate under Canada's Genomic Applications Partnership Program (GAPP) and is set to benefit from co-funding by the provincial Government of Ontario.
- Morocco, olive oil: As part of their continuing support to Morocco's olive oil sector, FAO and the European Bank for Reconstruction and Development (EBRD), in collaboration with Interprolive, Morocco's olive oil industry association, organized a series of workshops to strengthen the country's olive oil sector. The initiative brought together public and private stakeholders. Discussions focused on how to improve the sector's inter-professional organization and ensure quality production. In the meantime, Interprolive started providing technical assistance to its members and launched a campaign to encourage Moroccan consumers to buy better quality olive oil packaged in bottles.
- Sri Lanka, coconut: Given the prevailing shortage of coconut in the domestic market, the Government of Sri Lanka is considering to liberalize the importation of husked coconuts and fresh coconut kernel. The Government may also allow investment into fresh coconut milling capacity, with a view to foster domestic value addition and exports. According to government officials, a fast-growing international market for value-added coconut products (such as virgin coconut oil, coconut milk and coconut cream) has opened new opportunities for local processors.
- India, oil palm

1.) Federal policy: In a bid to reduce the nation's reliance on imported edible oil, the Federal Government will step up its efforts to promote oil palm cultivation across the country (*see also MPPU June'16*). Restrictions on providing assistance to plantations cultivating more than 25 ha will be relaxed, and criteria for distributing support payments (for planting material, manuring, irrigation, inter-cropping and maintenance costs) are set to be revised. Both measures are aimed at attracting private entrepreneurs, corporate entities and cooperative bodies towards palm oil. The changes will be implemented in 133 districts across

12 states, primarily in the southern part of the country. For 2016, India's total area under oil palm cultivation was estimated at 300 000 ha (comprising immature area), with average yields lingering around 0.5 tonne of oil per ha due to insufficient rainfall. In the meantime, roughly 60 percent of the country's edible oil requirements continue to be satisfied through imports, with palm oil accounting for about 75 percent of the country's edible oil import bill.

2.) **Telangana State:** The Government of Telangana will promote the establishment of oil plantations on 12 000 hectares in the eastern part of the state. The state subsidy on palm seedlings will be raised from INR 56 to INR 80, which leaves the farmer with a cost of about INR 10 per plant (1 USD = 64 INR). Some 450 000 seedlings are being raised in local nurseries in support of the programme.

**Soybean moratorium – Brazil:** According to a study jointly conducted by researchers in Brazil and the United States, Brazil's voluntary moratorium – which banned the purchasing and financing of soybeans produced on illegally cleared land in the Amazon biome – has been more effective than previously considered. Reportedly, forest cover loss declined sharply after the measure's introduction in 2006. Reportedly, deforestation is still ongoing, but it has slowed down considerably, and less of the deforested land is being used for soybean production. Extended regularly since its introduction, the moratorium was renewed indefinitely in May 2016 (*see MPPU June '16*). The initiative is supported by a multi-stakeholder coalition that brings together the private sector, environmental NGOs groups and the Brazilian government.

### **Disease control**

- **Soybean rust (South America):** Scientists, industry representatives and government officials from Brazil, Paraguay and Bolivia set up a working group to combat the spreading of soybean rust (a fungal disease that affects soybeans and other leguminous crops) in South America. In Brazil, one of the most effective measures to combat the disease has been the enforcement of a soybean-free period of 3–4 months when no live soybean plants are permitted along fields or around storage and transport facilities, to hinder the movement of rust

spores from one growing season to the next (*see MPPU May & Aug. '15*). The working group will look into the possibility of implementing similar restrictions in Paraguay and Bolivia. Furthermore, coordinated efforts are envisaged to slow down the disease's increasing resistance to commonly employed pesticides.

- **Nematode control (United States):** According to seed company *Monsanto*, the US Environmental Protection Agency (EPA) issued registration for *tioxazafen*, a nematicide said to provide broad-spectrum control of plant parasitic nematodes in maize, soybeans and cotton. Reportedly, EPA's registration will enable US farmers to use the pesticide in 2018, pending state approvals.

### **Product news**

- **Carinata meal (Canada, USA):** A Canadian company gained approval from the US Food and Drug Administration to commercialize carinata meal as a non-GM protein meal for beef cattle feed in the United States. Carinata meal, which is said to match rapeseed meal specifications, is obtained as a by-product when *brassica carinata* is crushed for oil (*see also MPPU Dec. '13*). Carinata meal has previously been approved in Canada and the European Union. Reportedly, regions targeted for carinata cultivation include South America (where the plant can be grown as a second crop following soybeans) and North America, notably the southeastern United States and the northern Plains, which includes the southern Canadian Prairies. The crop is already cultivated in Europe, where the oil is used as biodiesel feedstock.

- **Certified organic coconut oil (Vanuatu, New Zealand):** A coconut oil producer and exporter of Vanuatu has achieved certified organic status with certifying company *BioGro* in New Zealand. Reportedly, the *BioGro* certification label is widely recognized in New Zealand – Vanuatu's top export market – as well as elsewhere in the region.

- **Responsible soy (Brazil, EU):** A group of Brazilian and EU industry associations joined forces to support the production (in Brazil) and market acceptance (in the EU) of *responsible soy*, i.e. soybean produced in accordance with specific environmental, social and financial principles and criteria. The group's objectives include involving European soy users in the development of tools that

allow compensating Brazilian producers for their environmental services.

- **High-oleic groundnut:** Snack food producer *Mars* informed it was moving towards using exclusively high-oleic groundnuts in some of its products. High-oleic groundnuts are valued for their health profile, notably their high content of unsaturated fats. Furthermore, high-oleic oils enjoy a high oxidative stability and don't need to be hydrogenated, hence preventing the formation of trans fatty acids. The company reported that its shift to high-oleic groundnuts has been slowed down by insufficient product availability.
- **Omega-3 rapeseed:** Australian seed company *Nuseed* is filing for regulatory approval of omega-3 bearing rapeseed in Australia, Canada and the United States and expects commercialization to commence in 2018 or 2019. Reportedly, the new product provides long-chain omega-3 oils similar to those found in fish oil. Commercial applications are planned in both aquaculture feed uses and human nutrition (*see also MPPU Dec. '16*).

#### **GMO market issues**

- **GM cottonseed (Australia):** According to industry circles, the absence of regulatory approval for GM cottonseed variety *Bollgard3* in China is threatening Australia's cottonseed exporting sector. Reportedly, when the new variety was launched in Australia last year, the patent owner misapprehended the regulatory situation in China.
- **Non-GM soy (Brazil):** Increased production of conventional soybean has been reported from the state of Mato Grosso in Brazil. While, in the country as whole, GM varieties account for approximately 96 percent of output, a niche market has emerged for non-GM soy in Brazil's leading soybean-producing state. Reportedly, the new trend is driven by premia paid for conventional varieties, as demand for GM-free product is on the rise (and cannot be satisfied fully) in Europe and Asia. At present, the premium – which is needed to compensate farmers and traders for additional costs borne to prevent non-GM soybeans from being contaminated with GM material – is said to range around BRL 12 per 60 kilograms sack (or USD 61 per tonne). Encouraged by such premium, farmers could plant more non-GM soy in 2017/18, provided they manage to source sufficient quantities of seed. Currently, conventional soybeans account for

roughly 14 percent of Mato Grosso's total soy output. Reportedly, the reason for non-GM production being concentrated in Mato Grosso is that the state enjoys access to recently opened ports on the Amazon River that are specifically equipped to handle GM and non-GM material separately.

#### **Futures Markets**

- **China:** China's Dalian Futures Exchange (DCE) plans to change the contract rules for its soybean futures in a bid to help investors hedge the risk in soybean import and provide a domestic pricing benchmark for soybean. Details of the envisaged changes are still to be provided.
- **India:** India's National Commodity and Derivatives Exchange (NCDEX) announced the launch of a futures contract for mustardseed cake. As the market of the animal feed is subject to considerable price volatility, the new futures contract is aimed to allow producers and traders to hedge their risk.
- **European Union:** The pan-European exchange Euronext has launched rapeseed options contracts for delivery in 2019, without changing their specifications. The contracts had been suspended earlier this year to review their technical terms (*see MPPU Feb. '17*). Reportedly, market participants could not agree on potential changes to the oil content basis specified in the contract.

#### **Biodiesel feedstock**

- **Used cooking oil (Singapore):** Air carrier *Singapore Airlines*, in partnership with Singapore's Civil Aviation Authority, started operating a series of biofuel-powered intercontinental flights. The flights will be powered by a blend of conventional jet fuel, hydro-processed esters and fatty acids produced from used cooking oil. The project is geared towards reducing the carrier's carbon emissions.
- **Used oils/fats (Italy):** Italy's National Consortium for the Collection and Treatment of Used Oils and Fats (CONOE) signed a Memorandum of Understanding to supply used vegetable oils and fats to multinational oil/gas company *ENI*. The company, which has experience in producing renewable diesel, jet fuel and liquefied petroleum gas from palm oil, plans to process approximately 1 million tonnes of used oils/fats annually, starting in 2018. Reportedly, the new

partnership also includes joint activities to promote the collection of used oil/fat at the household level, where the product habitually goes to waste. *ENI* expects to achieve significant reductions in carbon emissions and fresh water consumption by switching to used oils/fats.

- **Jatropha oil (Egypt):** According to media reports, the National Research Centre of Egypt developed a jatropha oil-based fuel suitable for airplanes. The project included refining jatropha oil to make it resist freezing until at least – 45° degrees Celsius. Reportedly, the oils freezing point has been lowered through a thermal cracking process, plus the introduction of chemical additives.

### Research & Development

- **Groundnut oil authentication:**

Chinese researchers presented a new analytical method for detecting fraud in groundnut oil. Based on low-field nuclear magnetic resonance and chemometrics, the new technique is said to eliminate the sample pre-treatment step, thus allowing to detect adulteration of groundnut oil with other vegetable oils in a single 5-minute analysis. Groundnut oil is a major edible oil in China, along with soybean and rapeseed oil. Being more expensive than the other two oils, it is prone to adulteration by unscrupulous dealers.

- **Biodiesel purity:** Brazilian scientists developed a new method for verifying the purity and quality of biodiesel. The detection of raw vegetable oils in biodiesel – as opposed to refined, trans-esterified oil – is said to be crucial as the presence of such oils lowers the quality of the fuel, increases pollution and can cause damage to engines. The newly developed detection method uses nuclear magnetic resonance spectroscopy.

- **Rapeseed meal:** Research conducted in Canada suggests that pork producers can reduce feed costs by including rapeseed meal at higher than traditional levels in the rations of lactating sows (*see also MPPU Aug. '15 & Mar. '16*).

- **Palm oil yield:** An Indonesian oil palm firm reported that it developed a new variety of oil palm capable to increase palm oil yields by up to double the current levels. Allegedly, the new material, which has been developed using traditional plant breeding methods, yields 11–13 tonnes of crude palm oil per ha per year during the palm's prime age (10–18 years), with oil extraction levels ranging

32–36 percent. Reportedly, this compares to a current capacity of 7.5–8 tonnes per ha under optimal conditions and a countrywide average level of less than 4 tonnes. Seedlings also reach maturity faster – supposedly after 24 months as opposed to the current industry average of 30 months. Reportedly, the new clones have been registered in Indonesia's Catalogue of Seeds and could be available at large-scale within five years. Stagnating yield levels represent a major concern in the palm oil industry worldwide (and in Southeast Asia in particular) – especially in recent years, as growth via area expansion started to face environmental and social challenges.

- **Sunflower genome:** Reportedly, an international team of scientists published the first sunflower genome sequence. Access to the genome is expected to assist future research programmes using genetic tools to improve the plant's crop resilience and oil production.

### Sustainable oil palm production

- **International research:** An international consortium on Sustainable Agricultural Landscapes in Southeast Asia (SALSA) has been launched in Malaysia and Indonesia. The founding members are France's agricultural research centre CIRAD, two plantation companies, an Indonesian plantation crop research network and the Asian and Pacific Coconut Community (APCC). The overall objective of the public-private partnership is to promote sustainability and deliver specialized training in major commodity chains, including palm oil.

- **Certification – Malaysia:** The principles and criteria for MSPO, the Government-backed sustainability certification for oil palm that is due to become mandatory in Malaysia, will be revised to make it more compatible with international standards, according to the local press. Reportedly, during the exercise, care will be taken to keep the certification process affordable and tailored to the specific needs of domestic producers (*see also MPPU Apr. '17*).

- **RSPO**

- 1.) **Standards revision:** The globally recognized self-regulating industry body for palm oil, RSPO (Roundtable on Sustainable Palm Oil), has launched the review of its standards – an exercise the body conducts every five years, to ensure that its criteria remain relevant and reflect the stakeholder's

understanding of good sustainability practices. RSPO expects to adopt a revised set of principles and criteria by November 2018. Reportedly, the revision will focus on, inter alia, i) making standards more measurable and objective, ii) the inclusion of smallholders, iii) deforestation; iv) product traceability, v) human and labour rights, and vi) jurisdictional certification approaches (*see MPPU July'15 & Nov.'16*).

2.) RSPO-Next certification: A Colombian oil palm grower has become the first producer to receive RSPO-Next certification, a voluntary add-on module launched in 2016 engaging RSPO members to exceed the body's basic sustainability standard, notably with regard to deforestation, peatland development and indigenous peoples' rights (*see MPPU July'15 & Mar.'16*).

3.) Grievance cases: Recently, RSPO has taken action against specific members for allegedly violating the organization's codes of practice. In one case, RSPO claimed that a member had violated community rights by not following the

proper legal process for obtaining land from an indigenous group, therefore recommending that the disputed land be re-measured for development approval with better community participation, while the company would renegotiate the terms for planting oil palm on the land. In another case, RSPO claimed that a member had carried out deficient High Conservation Value (HCV) assessments and had set aside inadequate areas to protect HCV areas, therefore requesting the concerned company to suspend all land clearing operations. RSPO also reproached a former member for its alleged destruction of primary forest. Civil society groups following these disputes view them as important test cases for RSPO and the organization's ability to uphold its own standards and regulations.

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	<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>								
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
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
<p><sup>1</sup> Spot prices for nearest forward shipment</p> <p><sup>2</sup> Soybeans (US, No 2 yellow, c.i.f. Rotterdam)</p> <p><sup>3</sup> Soybean oil (Dutch, f.o.b. ex-mill)</p> <p><sup>4</sup> Palm oil (Crude, c.i.f. North West Europe)</p> <p><sup>5</sup> Soybean meal (44/45% Hamburg fob ex-mill)</p> <p><sup>6</sup> Rapeseed meal (34%, Hamburg, f.o.b. ex-mill)</p> <p><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.</p> <p>Sources: FAO and Oil World</p>								