



OILSEEDS, OILS & MEALS MONTHLY PRICE AND POLICY UPDATE *

No. 97, August 2017

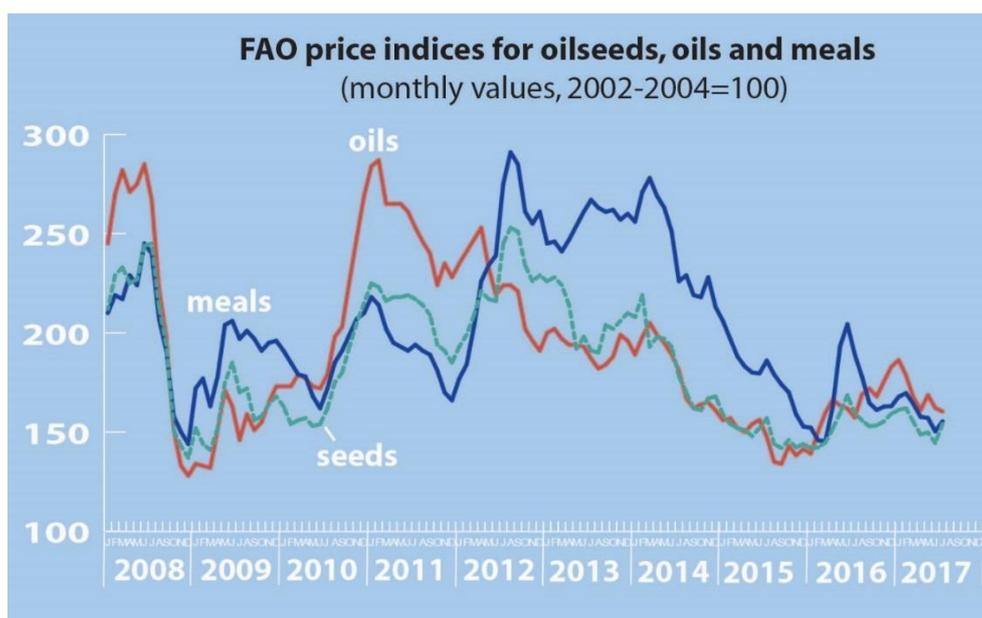
a) Global price review

In July, FAO's price indices for oilseeds and oilmeals firmed, whereas the vegetable oil index decreased for the second consecutive month. Compared to June, the oilseeds index increased by 9.7 points (or 6.7 percent), climbing to a four-month high, while the oilmeals index rose – after four consecutive declines – by 5 points (or 3.3 percent); conversely, the vegetable oil index dropped by 1.8 points (or 1.1 percent), marking the lowest level since August 2016.

The indices for oilseeds and oilmeals strengthened under the lead of soybeans, mainly reflecting unfavourable weather conditions in the United States: while exceptional heat and dryness affected soybean crops in the main US growing regions (the Plains, the Western Belt and Dakota), burdensome rainfalls were reported for other areas (from Wisconsin to Ohio). Firmer than anticipated

demand for US old-crop supplies also underpinned prices. While concerns regarding weather developments will likely continue to affect soybean prices in the coming weeks, the overall soybean supply and demand outlook for 2017/18 remains positive, thanks to all-time high global opening stocks and forecasts of near-record world production. Firming rapeseed prices also contributed to the strengthening in the global oilseed and oilmeal indices. Rapeseed values firmed primarily on weather related concerns in key producing countries: dryness and above-average temperatures in Canada's main growing provinces are expected to affect yields, while excessive rainfalls are hampering harvest operations in parts of Europe. Drought conditions also affected planting operations and crop establishment in Australia, where rapeseed

– cont'd on next page –



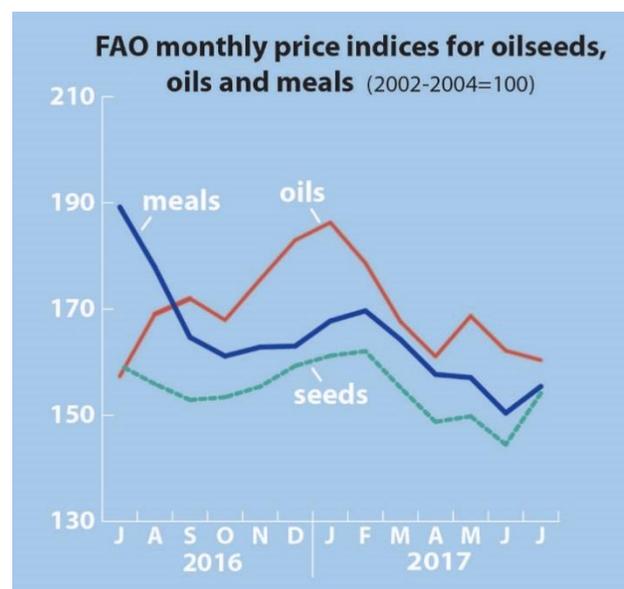
* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market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

crops are scheduled to be harvested in October. Combined with relatively low global closing stock levels in 2016/17, the above production uncertainties could translate into another tight supply year for rapeseed in 2017/18.

The slide in the vegetable oil index was driven by further drops in the price of palm oil, the key commodity in the index. By contrast, international soybean, rapeseed and sunflower oil values strengthened, following the developments of the corresponding seeds – thereby preventing the index from falling more markedly. International palm oil quotations continued to ease – notwithstanding persistent, lower-than-usual global inventory levels – on both good production prospects in Southeast Asia and relatively weak global import demand. Although Southeast Asia's palm oil output is anticipated to rise further in the coming months, production gains could fall short of earlier expectations, reflecting both prolonged

adverse effects of past weather developments and the continued shortage of plantation workers in Malaysia. With regard to trade, sluggish global import demand for palm oil primarily reflects ample vegetable oil supplies and stock positions in India and China.



b) Selected policy developments and industry news

BRAZIL – pest control: The Brazilian state of Mato Grosso du Sul state is preparing to join the states of Mato Grosso, Goias and Parana in imposing an annual soybean-free period to help control the spread of Asian soybean rust from one growing season to the next. The measure would ban the so-called *safrinha* crop, i.e. the practice of planting a second crop of soybeans in the same field during the same growing season. Even though *safrinha* soybeans only account for a very small acreage in Mato Grosso du Sul, scientists confirmed the crucial importance of the ban in their efforts to control the disease. Once the measure will become effective in the named state, about two thirds of Brazil's soybean area will be subject to *safrinha* restrictions. (See also *MPPU June '17* on efforts to introduce similar restrictions in neighbouring Paraguay and Bolivia.)

EUROPEAN UNION – biodiesel anti-dumping duties: In line with pledges to bring the bloc's anti-dumping duties on biodiesel imports from Argentina and Indonesia into conformity with WTO rules (*see MPPU Jan '17*), the EU Commission has tabled a proposal for lowering the duties that are in place since November 2013. Under the proposal, the duties on imports from Argentina would be reduced from around 25 percent to 9 percent, and those on Indonesian produce from about 19 percent to 5 percent, according to media reports. The EU's agriculture and biodiesel lobbies strongly criticized the proposal, arguing that their sectors would be severely impacted by the reduction in duties, which, allegedly, would trigger an influx of low-cost biodiesel from Argentina and Indonesia into the bloc. The Commission decided to postpone the final vote on the matter to September 2017.

FRANCE – palm oil utilization: France's Environment Ministry is considering to introduce measures restricting the use of palm oil in biofuels,

based on the alleged prevalence of unsustainable production methods in countries of origin. Details of possible domestic measures have not been provided. Past proposals to introduce – also on environmental grounds – a surtax on crude palm oil imports destined for food use failed to obtain parliamentary approval (*see MPPU Apr. '16*).

INDIA – food standards:

- India's Food Standards and Safety Authority (FSSAI) invited public comments on a set of regulatory amendments concerning (i) the removal of the *Boudouin test* requirement for blended edible vegetable oils, and (ii) provisions regulating the sale of hydrogenated vegetable oils/fats.
- FSSAI announced a further postponement in the compliance date for mandatory declaration of trans fat and saturated fat content on food product labels (*see also MPPU Apr. '16*). Reportedly, the new compliance date will be 30 September 2017 and no further extensions will be granted. The additional deferral is meant to allow manufacturers to utilize existing stocks of packaging material.

INDONESIA – environmental policy:

Indonesia's Environment Minister proposed to turn the country's temporary moratorium on issuing new licenses for the use of land designated as primary forest and peatland into a permanent ban. In place since 2011, the moratorium has been renewed for a third time – until May 2019 – earlier this year (*see MPPU June '17*).

MALAYSIA, INDONESIA – joint action on palm oil:

The Governments of Malaysia and Indonesia informed that they would consider challenging at WTO level possible measures by the European Union to restrict palm oil imports on sustainability grounds. The announcement is related to a recent resolution by the European Parliament that (i) calls for mandatory certification of all Europe-bound palm oil, and (ii) recommends phasing-out the use of biofuels made from palm oil and other vegetable oils purportedly produced in an unsustainable way (*see MPPU June '17* and above item '*FRANCE – palm oil utilization*'). Meanwhile, the two countries agreed to carry out a joint mission to Europe to engage with relevant parties and stakeholders, and informed that they were ready to work with trade partners in addressing their

concerns over sustainability. The two governments will coordinate their actions under the Council of Palm Oil Producing Countries (CPOPC), an initiative set up by Malaysia and Indonesia to stabilize prices through concerted actions on production and stocks.

THAILAND – biodiesel policy:

In Thailand, the mandatory biodiesel blending rate of 7 percent has been reintroduced in May 2017. The rate had been temporarily lowered to 5 and 3 percent last year following shortages in domestic palm oil supplies and consumer price hikes (*see MPPU Sep. '16*). By contrast, in recent months, producer prices dropped sharply amid rising palm oil output, triggering Government measures to support domestic palm oil uptake (*see MPPU July '17*), including the latest revision in the biodiesel blending rate.

UNITED STATES – biofuel policy

- 2018–2019 consumption targets:
The Environmental Protection Agency (EPA) published its proposals for mandatory consumption of total, conventional and advanced renewable fuels in 2018, as well as biomass-based diesel in 2019. As in past years, several of the proposed volumes range below the statutory targets set by Congress in 2007, allegedly reflecting the need to account for changing market realities. For 2018, EPA proposed
 - to slightly lower the volume of total renewable fuels, which would keep volumes significantly below the congressional target;
 - to leave non-advanced/'conventional' biofuels (mostly maize-based ethanol) unchanged compared to 2017, compliant with the original targets; and
 - to lower advanced biofuels slightly from the 2017 level, hence falling short of statutory volumes.

Under the 'advanced biofuels' category, volumes of biomass-based diesel produced from vegetable oils and animal fats (which were raised in past years) would remain unchanged in 2019. Furthermore, 'biomass-based diesel' would continue to qualify as well under the 'undifferentiated advanced biofuels' category. EPA invited public comments on the proposed volumes, informing that final figures would be published by 30 November 2017. Representatives of the country's biodiesel industry

maintained that EPA's biodiesel proposal continues to underestimate the sector's capacity to produce much higher volumes.

- **Court ruling:** Directly related to the above, in July 2017, a US court ruled that the methodology used by EPA to justify past reductions in biofuel consumption mandates (relative to the statutory targets set by Congress) was incorrect. The ruling was made in response to a petition filed in 2016 by an alliance of biofuel advocacy groups. According to the court ruling, rather than taking into account renewable fuel supplies available to refiners and importers, EPA primarily considered biofuel demand expressed by consumers – a consideration not allowed under the relevant law. The ruling could force EPA to revise upward the consumption targets set for 2016. Reportedly, the court decision resulted in US renewable fuel credits climbing to multi-month highs, while share prices of mineral oil refiners dropped.

Variable palm oil export tax – Indonesia,

Malaysia: Indonesia kept the export tax on crude palm oil at zero in August, as the commodity's reference price remained below the threshold that triggers taxation. In Malaysia, the variable tax for August has been lowered to 5.5 percent (compared with 6.5 percent in July), mirroring a drop in the relevant benchmark price for crude palm oil.

Bilateral trade promotion

- Indonesia / Viet Nam – palm oil:

Recent efforts to promote business between Indonesia and Viet Nam are expected to result in increased supplies of Indonesian paper and palm oil to the Vietnamese market, according to local media reporting on recent bilateral talks.

- Indonesia / Nigeria – palm oil:

According to official sources, Indonesian Government representatives initiated talks with Nigerian counterparts to revive shipments of Indonesian crude palm oil (CPO) to Nigeria. Reportedly, CPO trade between the two countries has fallen sharply over the last few years, as Nigeria introduced import restrictions to protect its foreign exchange market and stimulate domestic oil palm cultivation.

- Malaysia / Philippines – palm oil & diesel: Malaysia is targeting a 50 percent increase in its shipments of palm oil and palm oil-based products

(including biodiesel) to the Philippines over the coming three years, government sources reported. According to bilateral talks, there is room for Philippine's edible oil imports to increase, considering that the country is not self-sufficient in edible vegetable oil and that demand is steadily rising. Consultations also focused on possibilities of collaboration in the area of renewable energy, including biodiesel. In the Philippines, the planned increase in mandatory biodiesel blending (from 2 percent to 5 percent) has been postponed several times due to insufficient domestic supplies of coconut oil (the country's main biodiesel feedstock). By contrast, Malaysia reportedly has ample capacity to export either palm oil-based biodiesel or crude palm oil to be used as biodiesel feedstock.

Sector development measures

- Philippines / Indonesia – coconut palm:

Backed by the Government of Germany, the German Agency for International Cooperation (GIZ) joined forces with private consumer good firm *P&G*, chemical company *BASF* and agri-trade firm *Cargill* to enhance the production of coconut oil in the Philippines and Indonesia. The initiative is aimed at establishing certified sustainable coconut supply chains in the regions of Southern Mindanao and Southern Leyte (Philippines), and Amurang and North Sulawesi (Indonesia). Working with smallholder farmers, the project will focus on good agricultural practices, intercropping, enhanced farm management skills, and the creation of cooperatives. Selected farmers will also receive training on the Sustainable Agricultural Network (SAN) standards, with a view to facilitate application for Rainforest Alliance certification. While GIZ would focus on the provision of technical assistance, *Cargill* will be in charge of production, while *P&G* and *BASF* would secure access to the personal care, nutrition and health products market.

- European Union – soybean & protein crop supplies: In June, thirteen EU member states signed the 'European Soya Declaration' (see also *MPPU July '17*). The declaration supports national and EU-wide initiatives to increase the production of legume crops, notably soybeans, as a contribution to the development of more sustainable and resilient agricultural systems in Europe. Signatories underlined the initiatives' potential role in boosting

the production of non-GM soya in Europe and in reducing the bloc's dependence on imported soybean. Reacting to the intergovernmental initiative, industry associations representing the EU's grain, oilseed and feed sector called for a coherent strategy to address the region's protein deficit. In this regard, the associations pointed out that the EU's latest proposals on biofuels – viz. the gradual phasing out of crop-based biofuels – could translate into falling EU oilcrop production (in particular rapeseed), hence reducing the availability of protein-rich meals. As to the objective of promoting sustainable and resilient production systems, industry representatives drew attention to progress made by European stakeholders and their overseas partners in responsible sourcing. Finally, with regard to non-GM soya, the industry maintained that the non-GM/GM status was not a criterion for sustainability and recommended that the choice for one or the other quality be left to the market.

- **Zimbabwe – oilseed production:** According to media reports, the Government of Zimbabwe is planning to launch – with support from the private sector – a loan facility to support the country's oilseed farmers in a bid to stimulate domestic production, especially of soy. Funding would be directed primarily to irrigation infrastructure and farmer purchases of seeds, fertilizers and pesticides. Reportedly, the country's oilseed producers' association already identified farmers willing to sow a total of 60 000 hectares in the forthcoming season.

Research & development – coconut palm:

The Indonesian Palmae Research Institute is preparing the commercial release of two new coconut varieties known under the names 'Lampanah' and 'Bido'. Developed in collaboration with the provincial agricultural offices of Aceh and North Maluku, the former variety is characterized by superior fruit bearing, while the latter stands out for early maturity and slow stem growth, according to the agency.

Industry news

- **Europe – non-GM soya:** Global agri-trade company *ADM* expanded its capacity to crush non-GM soybeans in Germany. Reportedly, the move is meant to help the company meet rising customer demand as the European non-GM soybean market

continues expanding and reflects *ADM*'s strategy to support farmers in their efforts to raise local soybean production (see also related item under 'Sector development measures' above).

- **Brazil – transport disruptions:** According to industry sources, protests along Brazilian highway BR-163 have affected the flow of grains and oilseeds to the country's northern ports.

The highway links the state of Mato Grosso to Miritituba, the barge terminal connected with the north-Atlantic ports of Barcarena and Santarém. According to official sources, the recently opened northern export corridor was expected to absorb around one-fourth of Brazil's aggregate maize and soybean production in 2017/18 (see *MMPU July '17*). Reportedly, the highway was blocked by local residents, merchants and farmers who asked for increased access to the region's protected national forest areas.

- **United States – biodiesel trade dispute:** The US biodiesel industry filed an additional allegation with the US Department of Commerce (DOC) claiming that 'critical circumstances' exist with respect to imports of low-cost biodiesel from Argentina. Based on an earlier petition, in April 2017, DOC launched preliminary investigations into the named imports for possible dumping and subsidization, with preliminary determinations due later this year (see *MPPU June '17*). In principle, the 'critical circumstances' provision allows for the imposition of countervailing measures *prior* to preliminary determinations, possibly offering relief to affected parties in the form of retroactive duties – a protection aimed at deterring exporters from boosting shipments before countervailing measures are introduced. Claiming that shipments of Argentine biodiesel into the United States surged since the industry filed its first petition, US biodiesel producers have taken the additional step of invoking the 'critical circumstances' clause.

International standards

- **IFFO – certified responsible fish oil and fishmeal:** The Marine Ingredients Organisation (IFFO), which represents the global fishmeal, fish oil and marine ingredients industry, revised its global standard for responsible supply of marine raw materials to maintain its relevance, credibility and accessibility to all current and prospective producers. Launched in 2009, the standard is

implemented via a voluntary business-to-business certification programme aimed at guaranteeing that marine raw materials used for feed, food and nutraceutical purposes are responsibly sourced and manufactured.

• Codex Alimentarius – edible oil standards:
The WTO/FAO Codex Alimentarius Commission issued its first standard for fish oil. The detailed standard, which applies to fish oil intended for human consumption, includes provisions for differentiating certain wild origin fish oils from their farmed counterparts. The Commission committed to monitoring the application of the new standard with respect to oil authenticity and traceability (in particular regarding fatty acid profiles) and to implications for trade.

The Commission also deliberated on modifications to a number of existing or draft standards concerning oilcrops and derived products, viz.:

- the standard for olive oils and olive pomace oils;
- the standard for fat spreads and blended spreads;
- the standards for both named and unspecified vegetable oils (concerning, specifically, groundnut oil, rice brain oil, high-oleic palm oil, virgin palm oil, crude palmkernel oil, sunflowerseed oil, flaxseed oil and selected fruit/treenut oils);
- the Asian standards for tempe and non-fermented soybean products; and
- the African standard for unrefined shea butter.

Responsible palm oil – third party pressure:

Last year, social society groups urged global lending institutions and investors to play a more prominent role in persuading clients operating in the oil palm business to adopt sustainable production practices (*see MPPU Apr. '16 & Feb. '17*). Subsequently, international lending institution *HSBC* carried out a review of its loan policies for the palm oil sector, eventually adopting stricter standards to protect primary forests and peatland (*see MPPU Apr. '17*). According to recent media reports, in July 2017, the named bank triggered a probe into a client palm oil company over specific deforestation allegations. RSPO, the industry standards setting body to which both the bank and the concerned company are members, recently opened an investigation over claims that the concerned company was ready to clear 18 000 hectares of primary forest in Papua (Indonesia) to set up a new oil palm plantation. The move is meant to ensure that the RSPO's sustainability standards are observed. Reportedly, RSPO advised the company to suspend all further development on the concerned concession pending the agency's independent assessment. Meanwhile, following *HSBC*'s example, several other banks started moving to adopt stricter lending policies based on “no deforestation – no peat – no exploitation” commitments, the media reported.

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

The use, reproduction and dissemination of this information product is encouraged, provided that appropriate acknowledgement of Food and Agriculture Organization of the United Nations (FAO) as source is given.

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 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.

	International Prices (US\$ per tonne) ¹					FAO Indices (2002-2004=100) ⁷		
	Soybeans²	Soybean oil³	Palm Oil⁴	Soybean Cake⁵	Rapeseed Meal⁶	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
Monthly								
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
2017 - June	379	821	681	313	238	144	162	150
2017 - July	409	836	665	326	220	154	160	155
<p>¹ Spot prices for nearest forward shipment</p> <p>² Soybeans (US, No 2 yellow, c.i.f. Rotterdam)</p> <p>³ Soybean oil (Dutch, f.o.b. ex-mill)</p> <p>⁴ Palm oil (Crude, c.i.f. North West Europe)</p> <p>⁵ Soybean meal (44/45% Hamburg fob ex-mill)</p> <p>⁶ Rapeseed meal (34%, Hamburg, f.o.b. ex-mill)</p> <p>⁷ The FAO indices are calculated using the Laspeyres formula; the weights used are the average export values of each commodity for the 2002–2004 period. The indices are based on the international prices of five selected seeds, ten selected vegetable oils and five selected cakes and meals.</p>								
Sources: FAO and Oil World								