

a) Global price review

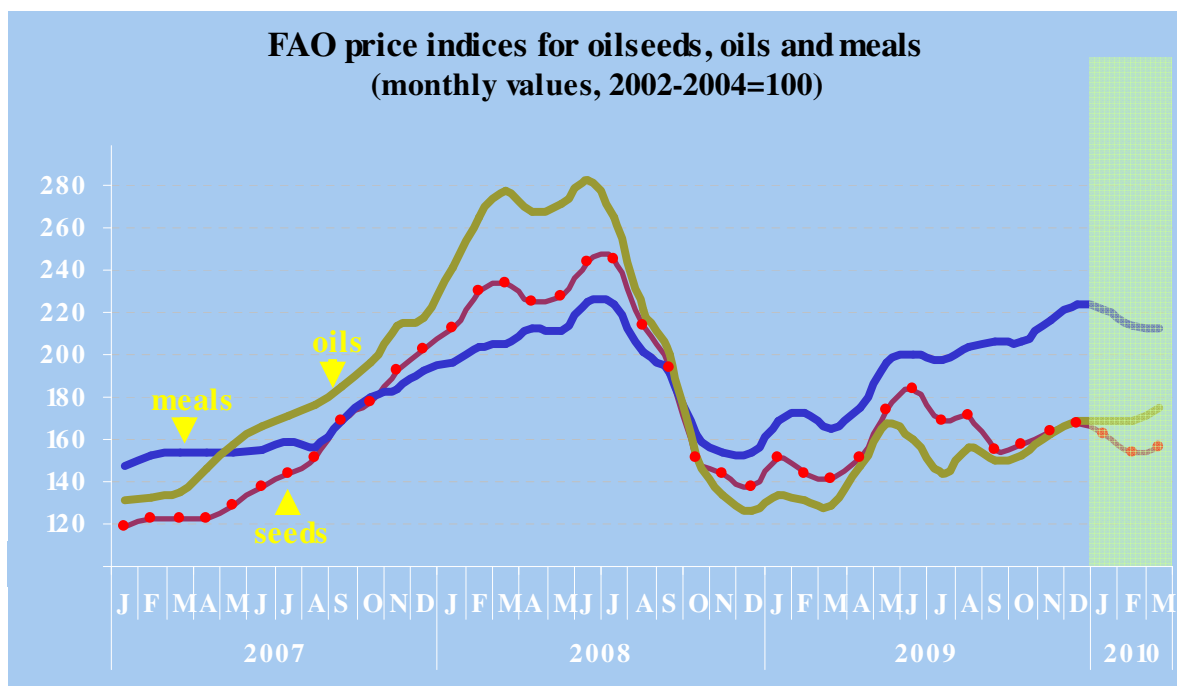
World prices for oilseeds and derived products remain above historic levels. In March 2010, the FAO price indices for oilseeds and for meals changed only marginally from the previous month, while a significant increase occurred in the index for vegetable oil prices.

With soybean harvests now in full swing in South America, estimates of a massive recovery from last year and a new record output in the region have been confirmed. While these prospects point towards a drop in soybean values, so far a number of factors have prevented prices from falling; these are: logistical problems at ports in Brazil caused by the massive harvest; dockworker unrests at Argentinean ports; unusually high freight rates from Latin America; new strength in Brazil's

currency; and historically tight stocks in the USA, the other major supplier.

International meal prices remained firm due to the strength in soybean prices and continued tightness in global sunflower and fish meal supplies.

The renewed growth in vegetable oil values reflects continued shortages of supplies vis-à-vis demand at the global level. The supply side is characterized by reduced sunflower, cotton and groundnut oil output and slow growth in palm oil production. At the same time, demand remained firm on account of strong food-usage in Asia and increased biofuel demand following the introduction of higher blending mandates in numerous countries. Vegetable oil values are also supported by the relative strength in mineral oil prices.



\* The **Monthly Price and Policy Update**, or MPPU, is a new 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 sources. The present issue covers developments observed in **March 2010**. Previous issues can be downloaded from the FAO website at URL <http://www.fao.org/economic/est/publications/oilcrops-publications/monthly-price-and-policy-update/en/>

## b) Selected policy developments and industry news

**AUSTRALIA - cultivation of GM rapeseed:** After the states of New South Wales and Victoria, cultivation of GM rapeseed has also been approved in Western Australia. With the addition of the country's most important rapeseed growing state, GM varieties will now be allowed on almost 90% of the country's rapeseed area.

**CHINA - soyoil import regulations:** According to industry sources, the government is considering to tighten the procedures for granting import permissions for soybean oil and to enforce stringent rules on maximum solvent residue levels in imported oils. If introduced, such measures would affect nations exporting soybean oil to China, notably the country's main supplier Argentina.

**INDIA - agricultural support:** The newly released 2010/2011 federal budget contains provisions to support agriculture as a whole, notably measures to ease the credit flow into the sector, to bring down input costs and to attract private investment into agriculture - especially for sugar and foodgrain warehousing as well as for cold storage. It also includes plans for extending the green revolution to the eastern region of the country and for organizing 'pulses and oil seed villages' in rainfed areas so as to enhance productivity in dryland farming and promote conservation practices. Other, nation wide initiatives to encourage oilseed production and improve productivity in that sector were not reported, nor plans to bring vegetable oil import duties back to their historic level.

**INDONESIA - palm oil export tax:** In response to rising global palm oil prices, in April, the ad valorem export tax will be raised to 4.5% in April (from the 3% rate applied since last January).

**INDONESIA - oil palm futures:** The *Indonesia Commodity and Derivatives Exchange* is ready to launch a crude palm oil futures contract in April with a view to create a local benchmark price.

**PERU - antidumping duties on US biodiesel:** Reportedly, the provisional anti-dumping duty imposed late last year on imports of 100% biodiesel from the US has been revoked in March.

**UNITED STATES - biodiesel tax break:** The tax credit of 1 USD per gallon of marketed biodiesel - which expired last December, negatively affecting the profitability of biodiesel production - has been retroactively renewed until the end of 2010. To be enacted, a final bill still has to be issued. With the renewal, demand for soybean oil and other feedstock for biodiesel is set to resume. Currently, around 10% of annual soy oil output is absorbed by the biofuel industry.

**Sustainable palm oil supply:** RSPO has estimated current global supply of palm oil certified to comply with its sustainability criteria at 1.5 million tons per year, mostly coming from Malaysia. By the beginning of 2011, supply should double to 3 million tons as the number of certified plantations continues to rise. Due to the on-going expansion of supplies, the premium for certified palm oil is reported to have fallen from 50 USD per tonne at the end of 2008 to USD 10 today. While this should spur demand for certified oil, it could also discourage producers from shifting to the more expensive methods required to produce and market sustainable palm oil.

**Environmental concerns in palm oil trade:** Information published by environmental NGOs regarding alleged illegal land-clearing and improper land conversion by selected oil palm plantations in Asia could lead major traders and end-users of palm oil (including *Cargill, Nestlé*

and *Unilever*) to shift sources of supply depending on the outcome of on-going investigations.

**Mandatory biodiesel blending:**

- **ARGENTINA:** Reportedly, the long announced B5 blending mandate has come into force in March. Private sources estimate the amount of biodiesel required per year to fulfil the mandate at 860 000 tonnes. Total biodiesel production in 2010 is forecast between 1.6 and 2.2 mill tons (compared to 1.2 mill in 2009), part of which will be exported.
- **MALAYSIA:** After a number of postponements, the government is reported to be ready to implement B5 blending in June this year and to make available public funds to defray the costs associated with production and distribution.

**Chicago futures markets:** Coming May, the *CME Group Inc.* intends to launch an electronically traded, US\$-denominated futures contract for **crude palm oil** using the *Bursa Malaysia Derivatives* ringgit-denominated benchmark. The partnership between the two platforms aims at offering an alternative means of hedging risk to companies that trade in dollars and creates new opportunities for cross-trading with soybean oil.

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	<b>International Prices (US\$ per tonne)</b>					<b>FAO Indices (2002-2004=100)</b>		
	Soybeans <sup>1</sup>	Soybean oil <sup>2</sup>	Palm Oil <sup>3</sup>	Soybean Cake <sup>4</sup>	Rapeseed Meal <sup>5</sup>	Oilseeds	Edible/Soap Fats/Oils	Oilcakes/Meals
<b>Annual (Oct/Sep)</b>								
2003/04	322	632	488	257	178	121	116	114
2004/05	275	545	419	212	130	105	105	104
2005/06	259	572	451	202	130	100	125	107
2006/07	335	772	684	264	184	129	153	148
2007/08	549	1325	1050	445	296	217	202	243
2008/09	437	849	682	409	206	161	150	194
<b>Monthly</b>								
2008 - January	536	1270	1061	434	308	212	242	197
2008 - February	579	1426	1178	452	346	230	265	204
2008 - March	576	1467	1248	445	359	234	277	205
2008 - April	556	1430	1175	476	328	226	268	213
2008 - May	570	1430	1200	464	348	227	272	211
2008 - June	625	1531	1206	515	329	244	283	225
2008 - July	634	1506	1121	506	292	245	265	224
2008 - August	557	1323	884	435	247	213	222	201
2008 - September	508	1227	760	406	199	194	200	191
2008 - October	394	928	545	338	156	151	153	162
2008 - November	378	824	488	323	155	143	133	154
2008 - December	366	737	508	307	172	137	126	154
2009 - January	411	788	553	369	202	152	134	169
2009 - February	386	744	571	378	215	144	131	172
2009 - March	380	728	590	346	208	141	129	165
2009 - April	410	802	699	383	220	151	147	175
2009 - May	472	893	799	441	230	174	168	196
2009 - June	504	894	734	445	227	184	160	200
2009 - July	467	834	641	428	186	169	144	198
2009 - August	474	891	722	437	186	171	156	204
2009 - September	424	850	676	428	192	155	150	206
2009 - October	427	891	676	413	187	158	152	207
2009 - November	442	939	728	422	196	164	162	216
2009 - December	448	931	791	425	219	167	169	224
2010 - January	435	919	793	407	243	163	169	221
2010 - February	406	915	804	393	230	154	169	214
2010 - March	410	920	832	381	200	156	175	213
<p><sup>1</sup> Soybeans (US, No.2 yellow, c.i.f. Rotterdam)</p> <p><sup>2</sup> Soybean oil (Dutch, fob ex-mill)</p> <p><sup>3</sup> Palm oil (Crude, c.i.f. North West Europe)</p> <p><sup>4</sup> Soybean cake (Pellets, 44/45%, Argentina, c.i.f. Rotterdam)</p> <p><sup>5</sup> Rapeseed meal (34%, Hamburg, f.o.b. ex-mill)</p>								
<p><i>Note</i> : 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 oils and fats and seven selected cakes and meals.</p> <p><i>Sources</i>: FAO and Oil World</p>								