

MONTHLY PRICE AND POLICY UPDATE *

No. 4, April 2009

a) Global price review

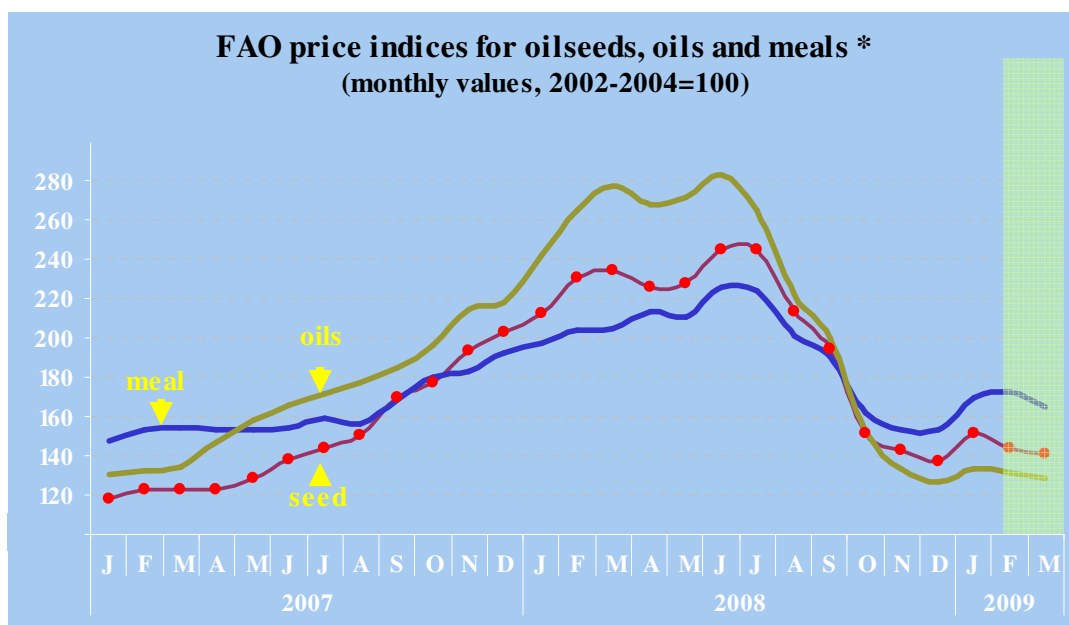
Prices weakness continued to characterize the oilseed complex. In March, the FAO price indices for oilseeds and products have fallen further. For oilseeds and oils, the index fell by 2 percent, whereas a 4 percent fall was recorded for oilmeals.

Improved crop prospects in Latin America together with poor global economic growth and the resulting slowdown in demand caused prices to remain low. Furthermore, global trade continues to be confronted with reduced availability of credit.

The effects of economic recession are felt stronger in the livestock sector - and thus demand for oilmeals - than in the oils and fats industry. This is because demand for oils/fats as biofuel feedstock continues to grow as mandatory biofuel consumption

programmes are implemented in various countries and because the recent recovery in global mineral oil prices tends to improve profitability of biofuel production. In the case of palm oil, international prices even moved upward as global consumption started to exceed production, ending a period of high stocks and excess supplies.

Currently, the market for oilseeds and products is facing considerable uncertainty. Main factors expected to affect prices include, tight stock levels in the USA, Argentina's soybean and product exports amid continued conflicts between farmers and the government, 2009/10 planting intentions in the northern hemisphere (in particular the possibility of expanded soybean plantings in the USA) and the further impact of economic crises on national crushing and import demand for oilseeds and products.



* 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 2009.

b) Selected policy developments and industry news

India - soyoil import tariff: The 20% import duty on crude soyoil introduced last November has been removed again. Soyoil will thus enjoy the same treatment as other crude vegetable oils which are imported duty free since April 2008. By doing away with the duty the price premium for soy oil will be restored to normal levels.

EU - butter market intervention: After reaching the ceiling of 30 000 tons for automatic intervention buying at fixed prices in early March, the Commission went on purchasing additional butter into intervention at a price slightly below the official intervention price. The purpose of these purchases is to contain oversupply at a period of low market prices.

EU - GM rapeseed importation: The Commission has approved the importation and processing (but not cultivation) of a GM rapeseed variety for food, feed and other uses for a period of 10 years. The new variety T45 is characterized by tolerance to a particular herbicide and is grown primarily in Canada, whose exports towards the EU are expected to resume thanks to the approval.

USA - demand for sustainable palm kernel oil: An oleo-chemicals company started to purchase sustainable palm kernel oil certification credits. It is the first step in creating a segregated supply chain for sustainably produced palm kernel oil. By doing so palm kernel oil producers that use more environmentally responsible practices to produce and harvest palm kernel oil are going to be paid a premium.

Argentina - negotiation progress: Negotiations between the government and farmers regarding economic difficulties that afflict the sector resulted in agreements eliminating export taxes on dairy products, increasing the export quota for beef and guaranteeing a higher price for wheat sold domestically. The tax levied on soybean exports remains unchanged. Plans to set up a grain regulating agency have been postponed.

Pakistan - Indonesia trade agreement: Under preferential trade negotiations, Pakistan has agreed to reduce duties on palm oil imports from Indonesia by 10 percent, which would put duties at par with those applied to imports from Malaysia.

Canada - trans fat limits at province level: From October 2009, foods served in restaurants will be subject to specific limits for trans fat content in British Columbia. Since 2006, the industry was following voluntary limits at the federal level.

Malaysia - palm oil market measures: Government efforts to prevent oversupply on the domestic market continue. Under the 200 000 ha oil palm replanting scheme, by March 63 000 ha were approved, implying a temporary reduction in palm oil output by approx. 220 000 tons. Mandatory use of palm oil based B5-diesel in the entire transportation and industry sector is set to start next January, entailing a market offtake of approximately 500 000 tons of palm oil. And the increase in the country's duty free export quota for crude palm oil to 3 million tons in 2009 is expected to stimulate exports.

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| | <u>International Prices (US\$ per tonne)</u> | | | | | <u>FAO Indices (2002-2004=100)</u> | | |
|--|--|--------------------------|-----------------------|---------------------------|----------------------------|------------------------------------|-----------------------|----------------|
| | Soybeans ¹ | Soybean oil ² | Palm Oil ³ | Soybean Cake ⁴ | Rapeseed Meal ⁵ | Oilseeds | Edible/Soap Fats/Oils | Oilcakes/Meals |
| Annual (Oct/Sep) | | | | | | | | |
| 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 |
| Monthly | | | | | | | | |
| 2007 - October | 445 | 1007 | 875 | 384 | 272 | 177 | 196 | 180 |
| 2007 - November | 489 | 1133 | 955 | 397 | 260 | 193 | 214 | 183 |
| 2007 - December | 516 | 1158 | 943 | 425 | 268 | 203 | 218 | 193 |
| 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 |
| <p>¹ Soybeans (US, No.2 yellow, c.i.f. Rotterdam)</p> <p>² Soybean oil (Dutch, fob ex-mill)</p> <p>³ Palm oil (Crude, c.i.f. North West Europe)</p> <p>⁴ Soybean cake (Pellets, 44/45%, Argentina, c.i.f. Rotterdam)</p> <p>⁵ 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> | | | | | | | | |