

OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

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a) Global price review

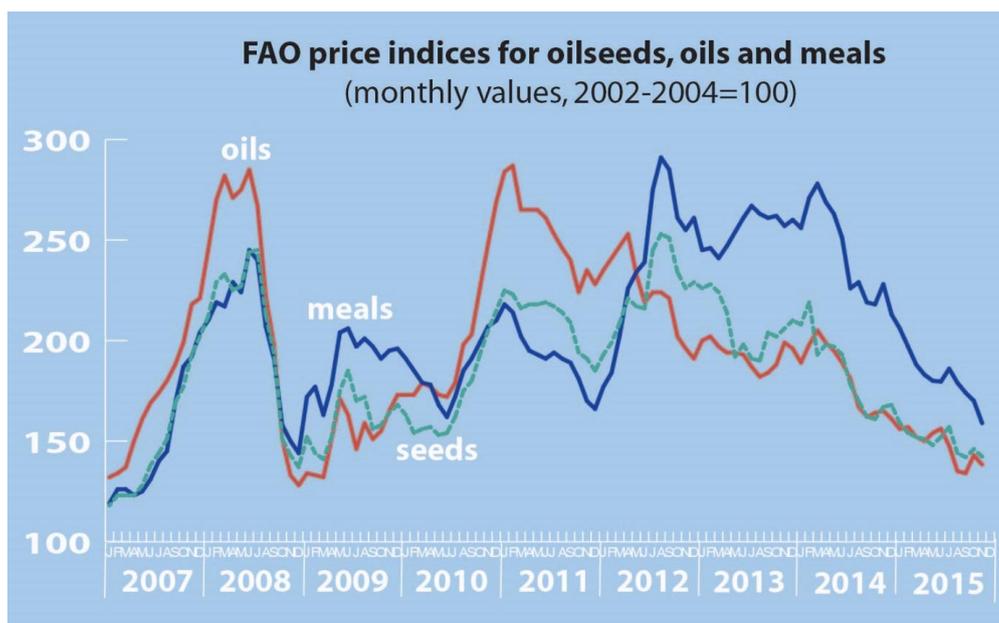
In November 2015, all the FAO price indices trailing the oilseed complex moved down. Month-on-month, the price indices for oilseeds and oils both shed – after a short-lived spike in October – about 4 points (or 3 percent). Both indices stand well below the average level recorded in the last five marketing years. The price index for oilmeals dropped by as much as 10.8 points (or 6.4 percent) to a 7-year low.

The decline of the oilseed price index continues to be driven primarily by the prospect of bumper global soybean supplies. After recent upward revisions of production in both the United States (based on higher yields) and South America (on improved planting conditions), global soybean output in 2015/16 is forecast to outstrip last season's all-time record. Although current

expectations point to unprecedentedly high production in South America, weather developments need to be monitored closely in the coming months, as crop yields in Brazil and Argentina will be strongly influenced by the intensity and duration of the on-going El Niño weather event. For rapeseed, international quotations dropped markedly in November (now standing at a 7-month low), mainly reflecting higher production estimates in Canada. By contrast, sunflower seed prices strengthened for the second consecutive month on continued concerns about limited global availabilities.

Much of the slump in the oilmeal price index can be explained by the prospect of ample global supplies of soybeans, which are high meal-yielding seeds. The recent strong pace of

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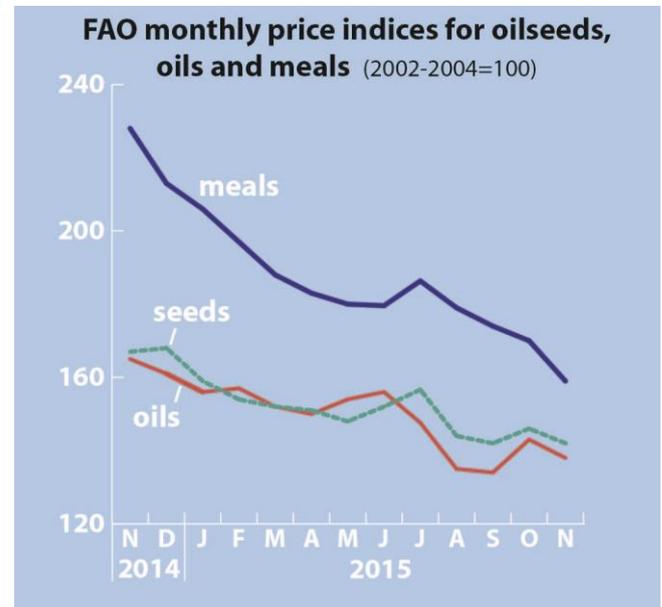
* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market events selected from a variety of sources. Section b) of the present issue covers developments observed during **November 2015**. 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

soybean crushing in South America has, by propelling global soymeal availability, intensified the downward pressure on international prices, which also reacted negatively to promises of export liberalization by the newly elected president of Argentina, the world's largest soymeal exporting country (see below).

The price index for vegetable oils resumed its downward trend, mainly under the pressure of falling international palm oil quotations. These weakened in November, as sluggish global import demand coincided with larger than anticipated production in South East Asia. The effects of increasingly poor rainfall due to El Niño and of widespread haze (caused by extensive land clearing via slash-and-burn methods) in key production zones of Malaysia and Indonesia are only expected to be supportive of prices in the coming months. World prices of soy, rape and

sunflower oil also weakened, largely mirroring the paths of their respective parent seeds. The slide in energy prices also weighed on international prices of vegetable oils.



b) Selected policy developments and industry news

ARGENTINA – agricultural policy:

The newly elected government, which has taken office on 10 December 2015, has pledged to cut export taxes and state controls on the country's main agricultural export products. For wheat, maize and beef, this would entail an immediate lifting of export quotas and duties. For oilseeds, the immediate removal of the export tax concerns only sunflowerseed and groundnut (and their subproducts), while taxes on soybeans, soyoil and soymeal are to be lowered progressively, starting next year, by 5 percentage points each year, until their complete elimination over a seven-year period. Argentina's new president also vowed to lift currency controls, a move that could lead to a substantial devaluation of the country's currency. If fully implemented, these measures will likely have significant impacts on domestic and international markets. In the short term,

the proposed changes could spur exports of soybeans, which have been held up in recent months.

ARGENTINA – biodiesel policy:

Effective October 2015, Argentina's biodiesel export tax was lowered to 3.3 percent, down from the 9.8 percent in place since May 2015. The new rate is the lowest since the government introduced its variable tax system in 2012. The duty has been reduced to support the country's export-oriented biodiesel sector, which is struggling to survive, amid depressed fossil oil prices and the imposition by the EU, of anti-dumping tariffs. With few alternative markets, Argentina's biodiesel production has fallen sharply, resulting in a capacity utilization rate of only 40 percent. In addition to lowering taxes, the government also reduced the domestic biodiesel reference prices by one percent, with a view to stimulating local biodiesel consumption.

BRAZIL – biodiesel policy:

A special committee in Brazil's Upper House endorsed a plan to raise mandatory blending of biodiesel into diesel fuel to 10 percent over the next three years – up from the 7 percent mandated since November 2014. The draft bill would also compel diesel-powered public transport vehicles in large cities to use 20 percent biodiesel. The draft legislation is now going to be discussed by the Lower House.

EUROPEAN UNION – disease control:

The European Commission has allocated EUR 7 million (USD 7.7 million) to foster research into *xylella fastidiosa*, a bacterial disease blamed for the devastation of olive trees in Southern Italy (*see MPPU Aug '15*). The purpose is to contribute to efforts to tackle the disease before it spreads to other key olive-producing regions in the EU or to other commercially important crops. Funding will be provided to research projects that focus on the ability and methods of detecting the pathogen and on improved prevention and control measures. EU member states have also expanded the list of potential host plants whose sales will be subject to strict regulations and controls. Moreover, EU members will be required to conduct awareness raising campaigns and to prepare contingency plans to ensure full preparedness in case of new disease outbreaks.

EUROPEAN UNION – marketing regulations:

The European Commission adopted new guidelines on how specific derogations from EU antitrust rules apply to groups of farmers selling arable crops, bovine meat and olive oil. According to the new rules, farmers fulfilling certain conditions will be allowed to sell their products jointly – setting prices, volumes and other terms without contravening the competition rules. The measure is meant to ensure that farmers can join forces to remain competitive and strengthen their bargaining power, in a context of increased concentration at the processing and retailing stages of the chain.

INDIA – price support: Minimum support prices for Rabi crops (which are sown now for

harvest in the first half of 2016) have been raised compared to last season's level. For oilcrops, they were set about 8 percent higher, at INR 3350 per quintal (USD 500 per tonne) for rape and mustardseed, and at INR 3300 per quintal (USD 493 per tonne) for safflowerseed. Support prices have been lifted by similar rates for pulses, but by only 6.5 percent for barley and 5.2 percent for wheat. Furthermore, in order to strengthen the procurement mechanism for oilseeds and pulses, the Food Corporation of India (FCI) has been designated as the central nodal procurement agency for these crops. As per official documents, losses incurred in the procurement process may be reimbursed by the central government.

TURKEY – GMO imports: Turkey's Biosafety Board approved two more GM soybean (and six GM maize) varieties for feed use. In July 2015, the board had cleared the first GM traits since 2011 (*see MPPU Sep. '15*). Five more GM soybean events and four GM rapeseed events are currently under review.

UNITED STATES – support payments:

USDA announced that nearly USD 4 billion will be channeled to farmers whose revenues have dropped below five-year average levels in the 2014 crop year. The safety-net payment will be provided to producers that adhered to either the Agricultural Risk Coverage (ARC) or the Price Loss Coverage (PLC) programmes introduced under the 2014 Farm Bill (*see MPPU Feb. '14 and Mar. '15*). Crops receiving assistance include soybeans and groundnuts.

UNITED STATES – GMO labeling policy:

While a bill regulating GM labeling in food products is under discussion in the US Congress (*see MPPU Aug. '15*), the US Food and Drug Administration (FDA) has issued a set of guidelines on voluntary labeling, inviting public comment. The detailed guidelines, which reflect the agency's current thinking and are not mandatory, outline some recommended actions for manufacturers wishing to voluntarily label their food products, as containing ingredients from genetically engineered, or non-genetically engineered, sources. Based on current law,

companies are free to label their products for either the absence or the inclusion of GM ingredients. However, the FDA can enforce labeling of GM content when there is a material difference – such as a different nutritional profile – between the GM product and its non-GM counterpart.

UNITED STATES – biofuel policy:

The US Environmental Protection Agency, EPA, finally set mandatory biofuel volumes (and associated percentage standards that are used by producers to calculate their individual compliance obligations) for the period 2014–2016 (*see also MPPU July & Aug. '15*). While the volumes for all types of biofuel are above those proposed by EPA in June 2015, the new standards still fall short of the target set by the US Congress in 2007. Allegedly, constraints in the marketplace have made the targets laid out by Congress impossible to achieve. EPA considers the new standards to be sufficiently ambitious to stimulate renewable fuel production and to sustain the growth of the country's biofuel industry. The total renewable fuels volume for 2016 has been targeted at 18.11 million gallons, which translates into a biofuel-to-fuel mix of 10.1 percent. For biomass-based diesel (which comprises biodiesel and renewable diesel), volumes have been fixed at 1.9 million gallons in 2016 and at 2.0 million gallons in 2017, which corresponds to admixture rates of 1.5 percent and 1.6 percent, respectively.

UNITED STATES – export promotion:

New funding has been made available through the USDA Market Access Program (MAP) and Foreign Market Development Program (FMD) to assist agricultural commodity organizations in their efforts to expand commercial exports. Oilseed associations that have been awarded funding (provided they also contribute own funds) are: the American Soybean Association, the American Peanut Council, and the National Sunflower Association.

ZAMBIA – import policy: The government decided to lift the import ban on edible oils introduced in March 2015 (*see MPPU Aug. '13*

& *Apr. '15*). Starting this November and until January 2016, registered importers will be allowed to import up to 1 000 tonnes of oil per month. The measure aims to stabilize domestic cooking oil prices, which sharply increased after the introduction of the import ban, harming consumers.

Sector development measures

- **India – palm oil:** The government allowed 100% foreign direct investment in five plantation crops, including palm oil and olive oil – a concession so far only extended to tea plantations. The measures, which will allow foreign companies (for example large Indonesian or Malaysian firms) to own plantations or form partnerships with domestic stakeholders, aims at stimulating India's oilcrop production, thereby helping to reduce the country's edible oil deficit (*see also MPPU July & Sep. '15*). While the industry welcomed the policy change, private sources stated that its impact could be much larger if the government also exempted the crops from land ceiling norms, a step that would allow the establishment of large-scale plantations in addition to the present contract farming mode.
- **Philippines – used cooking oil:** The city of Davao, Philippines, together with public and private entities from Japan, launched a project to collect used cooking oil (UCO) from households and businesses for biodiesel production. Reportedly, although UCO is classified as toxic and hazardous, it is currently sold on the city's black market.

Adulterated edible oil

- **Italy – olive oil:** Seven well-known olive oil brands are under investigation in Italy for allegedly selling ordinary olive oil as superior, 30–40 percent more expensive, “extra virgin oil”. State-owned laboratories have downgraded the oils based on organoleptic defects that were confirmed by chemical and physical analyses. Health risks have been excluded as none of the substances in the products appeared to be harmful to human health. If found guilty of deceptive practices, the companies concerned could face massive financial penalties. Market experts said

that record imports of (low quality) olive oil following last year's crop failure has encouraged fraud. Italy is the world's top consumer and second largest producer of olive oil.

- **Ghana – palm oil:** Ghana's Food and Drug Authority has confiscated large amounts of palm oil adulterated with industrial dye. Consumers have been invited to buy their oil only from trusted sources. Reportedly, Sudan III and Sudan IV, the non-authorized dyes used to enhance the colour of palm oil, are potentially carcinogenic when mixed with food.

Pesticide regulations

- **Glyphosate:** The European Food Safety Authority and EU Member States conducted a re-assessment of glyphosate, a chemical found in pesticides used on grains and oilcrops worldwide. The study concludes that glyphosate is unlikely to pose a carcinogenic hazard to humans and proposes new safety measures to tighten the control of glyphosate residues in food. The findings will be used by the European Commission to decide whether to keep glyphosate on the EU list of approved active substances, and by EU Member States to re-assess the safety of pesticide products containing glyphosate used in their territories. Reportedly, EFSA's evaluation has considered a large body of evidence, including a recently published report by the International Agency for Research on Cancer, which classified glyphosate as probably carcinogenic to humans (*see MPPU Apr. '15*).

- **Enlist Duo:** The US Environmental Protection Agency, EPA, has asked a US court to revoke its own registration of the herbicide 'Enlist Duo' (*see MPPU Nov. '14*). The weed-killer is used on soybean and maize varieties that have been genetically modified to tolerate the pesticide. EPA's earlier approval had been tied to a number of restrictions to address potential environmental and health hazards. New information has led EPA to believe that the two chemicals contained in Enlist Duo – 2,4-dichlorophenoxyacetic acid and glyphosate – could be more toxic on non-target organisms than originally thought because the two substances may amplify each other's effects. Reportedly, this is the first time EPA has asked

a court to annul a decision it had made on a pesticide.

- **Sulfoxaflor:** EPA has issued a cancellation order for all previously approved pesticides containing sulfoxaflor, a substance deemed to be toxic for bees. The order has come in response to a US court finding that EPA had improperly approved the pesticide used on oilseeds and other crops. Sulfoxaflor belongs to the neonicotinoid family, a class of pesticides that has been banned in the European Union and subjected to strict controls in Canada (*see MPPU June '13 and July&Sep. '15*).

- **Chlorpyrifos:** In a US court opinion, EPA has been criticized for its delay in making a decision on whether to ban agricultural use of chlorpyrifos, an insecticide shown to pose risks to human health. Chlorpyrifos is primarily used on maize but also on soybeans and other crops.

GMO permits – Mexico: Mexico's Supreme Court suspended a permit granted to seed company *Monsanto* to farm GM soybean in the states of Campeche and Yucatan, maintaining that indigenous communities who had opposed the move ought to be consulted first. Reportedly, concerns were raised that the cultivation of GM soy could put honey production at risk due to the use of the herbicide glyphosate.

Futures markets trading rules: The Chicago Mercantile Exchange fined and temporarily suspended a futures trader for violating Chicago Board of Trade rules. The trader engaged in entering orders for soybean futures contracts without the intent to trade. The practice – also known as 'spoofing' – is considered inconsistent with just and equitable principles of trade.

Research and development – oil palm: Reportedly, the discovery of a genetic defect in oil palms could help raising yields. While studying the oil palm genome, a group of scientists has identified a transposable element that is responsible for useless dried-out (or "mantled") fruit. A simple, leaf-based test has been developed to identify the harmful DNA sequence, thus allowing growers to eliminate worthless saplings

before they are planted in the field. Normally, growers need to wait until a palm reaches maturity to find out whether it carries the defect.

Sustainable palm oil – market uptake

- **Europe:** FEDIOL, the federation representing the European vegetable oil industry, monitors the use of certified sustainable palm oil reported by its members, in particular companies that refine vegetable oils. According to the federation, in 2014, about 47 percent of the palm oil entering refining plants was certified as sustainable – a share that increased to 55 percent in the first two quarters of 2015. Reportedly, ‘book&claim’ mechanisms like GreenPalm trade certificates are excluded from FEDIOL’s calculations, which only comprise mass-balance, segregated and identity preserved trade (*see also MPPU Dec. ’13*). The federation, with the support of its members, intends to up-date these figures regularly in support of the RSPO plea for achieving, by 2020, 100% sustainable palm oil supply in Europe.

- **United Kingdom:** In 2012, UK trade associations, NGOs and the UK government committed to work towards achieving 100% sourcing of credibly certified sustainable palm oil by the end of 2015. A report published by the UK Government tracks progress towards meeting this commitment by estimating the consumption of sustainable palm and palm kernel oil in the country. Findings indicate that purchases supported by credible certification have increased steadily since 2009. In 2014, certified imports by UK companies were equivalent to 70–90 percent of the country’s total palm and palmkernel oil imports (excluding derivatives and finished goods). It is important to note that the figures used in the report include trade in GreenPalm certificates, a ‘book&claim’ mechanism that contributes only indirectly to sustainable production as it bypasses the physical supply chain, hence not allowing product segregation and traceability (*see MPPU Dec. ’13*).

Sustainable palm oil – RSPO policies:

The Roundtable on Sustainable Palm Oil (RSPO), the world’s leading body for sustainable palm oil certification, informed about new measures taken to enhance the effectiveness of its work, namely:

- launching of ‘RSPO-Next’, a voluntary addendum to the body’s core principles and criteria, meant to meet the needs of growers that decide to commit to zero deforestation, zero peatland conversion and respect for human rights (*see also MPPU July ’15*);
- pledges by the governors of Sabah (Malaysia), Central Kalimantan (Indonesia) and South Sumatera (Indonesia) to introduce jurisdictional certification, meaning that all palm oil produced within their jurisdiction will be certified sustainable (*see also MPPU July ’15*);
- steps to ensure the quality, oversight and credibility of RSPO assessments regarding the establishment of new plantations, in particular with respect to protecting ‘high conservation value’ (HCV) areas and to seeking ‘free prior and informed consent’ (FPIC) from customary land owners;
- introduction of remediation and compensation procedures to address cases of land cleared without prior HCV assessment;
- heightened efforts to address challenges faced by smallholders;
- measures to improve the quality, accuracy and timeliness of information submitted by members, including sanctions in case of non-compliance; and
- first steps by China to implement guidelines on sustainable palm oil, as well as China–United Kingdom bilateral collaboration in promoting the trade and consumption of sustainable palm oil in China.

*For comments or queries
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	<u>International Prices (US\$ per tonne)</u> ¹					<u>FAO Indices (2002-2004=100)</u> ⁷		
	Soybeans ²	Soybean oil ³	Palm Oil ⁴	Soybean Cake ⁵	Rapeseed Meal ⁶	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
Monthly								
2014 - October	430	835	724	463	258	161	164	218
2014 - November	447	827	728	485	265	167	165	228
2014 - December	446	816	694	449	278	168	161	213
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
¹ Spot prices for nearest forward shipment ² Soybeans (US, No.2 yellow, c.i.f. Rotterdam) ³ Soybean oil (Dutch, f.o.b. ex-mill) ⁴ Palm oil (Crude, c.i.f. North West Europe) ⁵ Soybean meal (44/45% Hamburg fob ex-mill) ⁶ Rapeseed meal (34%, Hamburg, f.o.b. ex-mill) 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. Sources: FAO and Oil World								

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