

MONTHLY PRICE AND POLICY UPDATE *

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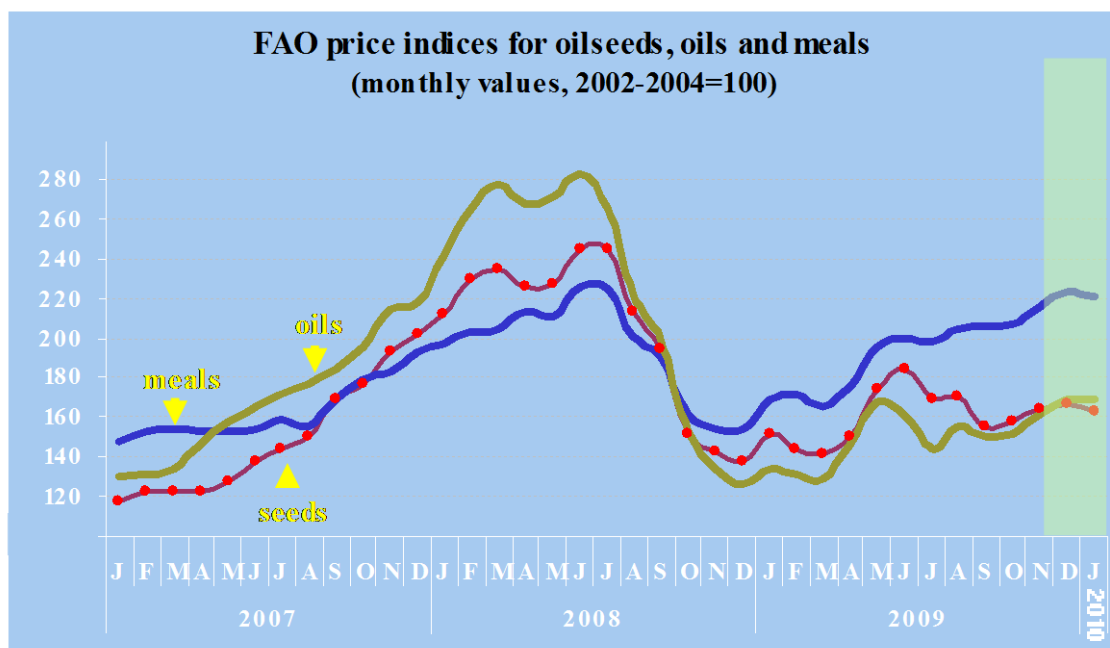
a) Global price review

The upward trend in prices that characterized the oilseed complex since the beginning of this marketing season has come to a halt in January. Lead by soybeans and soybean products, the FAO price indices for oilseeds and oilmeals have fallen by, respectively, 4 and 3 points, whereas the index for oils/fats has remained unchanged from the December level.

This reversal in trend was mainly caused by USDA's upward correction of the US 2009 soybean crop and much improved prospects for the forthcoming soybean harvest in South America. A slow down in import demand from China also contributed to the price weakening, as did the following external factors: strong speculative selling on equity markets, price drops for energy products, and a stronger US dollar after months of depreciation vis-à-vis other currencies.

Prices of oilcakes and meals have followed those for soybeans and, finally, the global meal market has started to come under the influence of the prospective large increases in soybean production and exports in Latin America.

As to oils/fats, the main factor behind the halt in the price rise was higher than expected palm oil output, which, together with a slow down in exports, has led to higher stock positions. However, compared to oilseeds and meals, prices for oils/fats tend to remain firm due to the anticipated below-average growth in global palm oil output and exports this year, increasingly tight world supplies of sunflower oil, and the need for soyoil prices to firm up when soy meal prices drop so as to keep crushing profitable.



* 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 **January 2010**. Previous issues can be downloaded from the FAO website at URL http://www.fao.org/es/esc/en/15/120/highlight_573.html.

b) Selected policy developments and industry news

THAILAND - exports of palm oil under AFTA:

Thai sources estimate that as a result of the common preferential tariffs recently introduced under the ASEAN Free Trade Agreement (AFTA), the country will lose 2.6% or US\$ 46 million of its export business to Malaysia.

ASEAN-China free trade area (ACFTA):

The trade agreement has come into force at the same time as trade got liberalized within the ASEAN block itself. Under the accord, China and the six founding ASEAN countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) will remove tariffs on 90 percent of imported goods. The other four ASEAN members (Cambodia, Laos, Myanmar, Vietnam) will follow suit in 2015. As to oilseeds, oils and meals, ASEAN exports of palm oil (primarily from Malaysia and Indonesia) are expected to benefit from improved access to the Chinese market. Palm oil, which belongs to the list of sensitive products, will see its import tariff reduced from 30 percent to 9 percent, and further reductions are scheduled for the coming years.

CHINA - rapeseed state reserves: The country's rapeseed stockpiling programme continues to be active: reportedly, state agency *Sinograin* bought 4.05 mill tons by last December and the purchasing programme has been extended to February 2010. The operations, which include a fix price offered to farmers, tend to stimulate traders' interest for cheaper rapeseed imported from abroad.

CHINA - soybean crushing capacity:

With new crushing facilities expected to come on-stream this year, the country's annual soy processing capacity could approach 100 million tons. However, the

current capacity utilization rate is estimated at less than 50%. Reportedly, the government could reject new applications for processing plants or expansions with a view to curb over-capacity.

INDIA - soybean futures trading:

Reportedly, soybean processors are calling for curbs on futures trading in soybeans. They are concerned about the recent hike in domestic soybean prices - which affect the country's soymeal export prospects - and claim that futures operations have contributed to the rise in prices. The concerned regulatory bodies have rejected these requests, saying there was no evidence for the suggested effect on prices.

INDONESIA - infrastructure

development: Delegations of government and business leaders from Indonesia and Japan started discussing a project under which Indonesia - assisted by Japanese private companies - will accelerate infrastructure development in selected regions to assist industrial growth. The initiative is expected to benefit the palm oil industry and allow further growth in the sector.

KENYA - domestic market competition:

The country's Commission on Monopolies and Prices reportedly has ordered in-depth investigations into activities of edible oil producers and distributors for possible cartel activities and collusion to control domestic prices taking advantage of market dominance.

LIBERIA - oil palm investment: A major Indonesian oil palm operator is reported to consider investing in Liberia's oil palm industry. Negotiations with the government on a concession agreement are reported to be on-going. The project will have to conform fully to the country's environmental master plan and standards. The investment plan envisages the development of up to 240 000 ha (including 40 000 ha run by out growers),

and would produce over one million tons of palm oil per year.

UGANDA - oil palm development:

Reportedly, the government has released new funds to expand oil palm growing in the country via public-private partnerships. Also, a palm oil pricing committee has been set up to ensure adequate returns for farmers. Public funds will be made available for purchasing land, and district leaders have been urged to allocate more land for oil palm cultivation. Meanwhile, according to private sources, under an on-going public-private project, the government has been asked to make available for oil palm growing grassland portions that belong to a forest reserve.

AUSTRALIA - GM rapeseed:

Reportedly, the government has announced that, from this year, GM rapeseed may be grown in the country. Once GM varieties enter the market, trade with the EU - where importation of GM material is subject to specific regulations - could be affected.

CANADA - effects of biofuel production:

Reportedly, the government has commissioned a study on possibly harmful environmental effects associated with the production of biofuels. Official sources pointed out that the commissioning of the study does neither presuppose that there are any such effects nor alter the government's commitment to renewable fuels.

CANADA - support to rapeseed sector:

The government and the Canola Council of Canada will together invest in the development of a comprehensive market strategy for the rapeseed sector. The initiative aims at improving access to international markets. Measures will include the examination of non-tariff trade barriers and the promotion of best practices so as to meet the standards of importing countries.

GATES FOUNDATION: A reputed biotech expert with extensive experience in the development of genetically modified seeds has been appointed as head of the Foundation's Agricultural Development Program. In recent years, the foundation focused much of its agriculture efforts on helping small farmers improve production and commercialization of their crops. In addition, the foundation started to invest in higher tech solutions for combating hunger and disease.

Jatropha curcas genome: Although considered a promising biofuel crop for developing countries, jatropha's off-take as a commercial crop has so far been hampered by the absence of certified plant material with proven yield potential. Reportedly, to address this problem, a group of science companies in the US is committed to work on the plant's genome and on the systematic introduction of promising traits, so as to develop stable, high performance and region-specific cultivars.

GM soybean beneficial to consumers:

Most GM soybean varieties developed to date were designed to help farmers by making weed and disease control easier. Now *Monsanto* is ready to launch a new variety that - rich in omega-3 fatty acids - promises to deliver health benefits for consumers. Researchers generally concur that omega-3 fatty acids are helpful in combating cardiovascular diseases and can benefit the brain.

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	International Prices (US\$ per tonne)					FAO Indices (2002-2004=100)		
	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
2008/09	437	849	682	409	206	161	150	194
Monthly								
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

¹ Soybeans (US, No.2 yellow, c.i.f. Rotterdam)
² Soybean oil (Dutch, fob ex-mill)
³ Palm oil (Crude, c.i.f. North West Europe)
⁴ Soybean cake (Pellets, 44/45%, Argentina, c.i.f. Rotterdam)
⁵ Rapeseed meal (34%, Hamburg, f.o.b. ex-mill)

Note: The FAO indices are calculated using the Laspeyres formula; the weights used are the average export values of each

Sources: FAO and Oil World