

MONTHLY PRICE AND POLICY UPDATE *

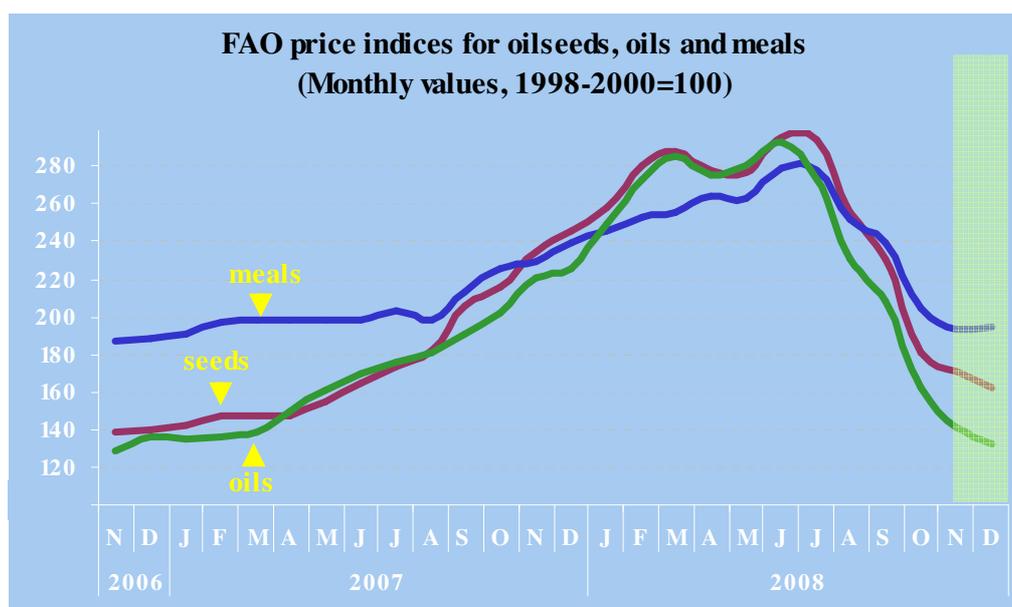
No. 1, January 2009

a) Global price review

In December 2008, the FAO indices for oilseeds and oils fell further while the index for meals remained about unchanged compared to November: at, respectively, 162, 132 and 194 points, all three indices were sharply below the record levels observed in June 2008 (declining by 45, 55 and 31 percent for, respectively, oilseeds, oils and meals) and thus very close to the values recorded when prices started surging back in early 2007.

The improved global 2008/09 supply outlook and the prospect of a general slowdown in economic growth (and thus in the demand for vegetable oils and oilmeals) on the trail of the global financial crisis remain the two main causes behind the general price weakness. External factors contributing to the current depression in prices include the sharp drop in mineral oil prices and the continued relative strength of the US currency.

Compared to November, the decline in the oil price index has slowed down in December, while in the case of meal the index even moved upward, albeit only marginally. This trend is mainly explained by the prospect of tighter global 2009 soybean supplies compared to earlier expectations. Such outlook is primarily caused by the deteriorating crop prospects in South America: during December, dry weather conditions and below average soil moisture prevailed in some of the region's main areas of production. The main crop concerned is soybeans, the world's key source for meals, thus explaining the new direction in international meal prices. By contrast, ample global supplies of vegetable oil, especially of sun, rape and palm oil, caused world prices for oils and fats to remain under downward pressure. In particular the palm oil market continues to suffer from high production levels and record inventories.



* 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 December 2008.

b) Selected policy developments and industry news

Argentina - grains export taxation: In Argentina, export taxes on wheat and maize have been lowered by, respectively, 18 and 20 percent. By contrast, the duties for oilseeds and their products remain unchanged - despite the recent sharp drop in global oilseed prices. From 4 December, the following base export duties apply to grains (in percent, ad valorem): wheat 23, maize 20, soybeans 35, sunflowerseed 32.

EU - biofuel policies: The EU decided to retain its binding target to have 10 percent of its vehicle fuels sourced with renewable fuels by 2020. To encourage the use of non-food feedstock, second generation biofuels will count double against the target, while feedstock grown in high biodiversity and carbon stock areas will not be admitted. Specific sub-targets according to the type of feedstock used and the form of transport have not been set. By 2017, in order to be counted against the target, biofuels need to achieve at least 50 percent reduction in GHG emission over conventional fuel. For the time being, the carbon footprint of related indirect land use changes will not be taken into account. A further review of these policies is envisaged for 2014.

Thailand - soymeal import tariff: For 2009, the tariff for soymeal (imported from WTO members) has been reduced from 4 to 2 percent. The regulation requiring eligible importers to also purchase domestic soya meal at minimum prices set by the government remains in place.

USA - biodiesel feedstock: Towards the end of 2008, the use of animal fat as feedstock for biodiesel production has dropped sharply in response to the introduction of stricter biodiesel standards and as prices for vegetable oils abandoned their record level.

Certification of 'sustainable palm oil':

Recently, the first two oil palm plantation companies (both in Malaysia) have been ranked as certified producers of sustainable palm oil based on the criteria developed by the global multi-stakeholder initiative RSPO. Several more companies are expected to gain that status during 2009. A first shipment of certified and traceable palm oil has been delivered to the EU last November.

Soybean modification providing benefit to consumer:

A high-oleic soybean variety developed in the USA is ready for phased introduction in 2009. Compared to conventional soybeans, the new variety features a high oleic acid content, a lower rate of linolenic acid and a reduced percentage of saturated fatty acids. These traits make the oil more stable and versatile in a variety of food applications without the need for hydrogenation, thus allowing to avoid the presence of unhealthy trans fatty acids in food products.

EU - import approval for new GM

soybean: Approval for the importation, marketing and use in food and animal feed has been granted for the new high yielding variety known as "Roundup Ready2Yield". The variety is expected to be extensively grown in the USA, an important supplier of soybeans to the EU. The permission is valid for 10 years and the bean (and any product derived from it) will be subject to the EU's strict labelling and traceability requirements. The next GM product in line for potential approval is a new variety of rapeseed that was developed and is ready for cultivation in Canada.

Ukraine - domestic price regulation:

With a view to counter the marked fall in domestic prices of sunflowerseed, the government added sunflowerseed to the list of products whose prices are regulated by the state. Such measure will be limited to the 2008/09 marketing season. The

official price band has yet to be announced.

available for another 2.5 million tons (compared to a total domestic crop of about 16 million tons).

China - state procurement: After prices for domestically grown grains and oilseeds have declined as a result of record crops and weak demand the government decided to buy soyabeans, rapeseed and other arable crops for state reserves in an effort to support prices, protect farmers' incomes and stabilize plantings in 2009. State soybean reserves were not maintained before. Reportedly, 1.5 million tons have been bought and funding has been made

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

	International Prices (US\$ per tonne)					FAO Indices (1998-2000=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	143	118	144
2004/05	275	545	419	212	130	125	110	132
2005/06	259	572	451	202	130	120	112	161
2006/07	335	772	684	264	184	156	152	196
2007/08	549	1325	1050	445	296	263	251	252
Monthly								
2007 - October	445	1007	875	384	272	216	202	225
2007 - November	489	1133	955	397	260	234	221	229
2007 - December	516	1158	943	425	268	245	226	240
2008 - January	536	1270	1061	434	308	258	250	245
2008 - February	579	1426	1178	452	346	280	273	253
2008 - March	576	1467	1248	445	359	288	285	255
2008 - April	556	1430	1175	476	328	277	276	265
2008 - May	570	1430	1200	464	348	277	280	263
2008 - June	625	1531	1206	515	329	295	292	279
2008 - July	634	1506	1121	506	292	294	273	278
2008 - August	557	1323	884	435	247	255	230	252
2008 - September	508	1227	760	406	199	231	209	239
2008 - October	394	928	545	338	156	181	162	204
2008 - November	378	824	488	323	155	170	141	193
2008 - December	366	737	508	307	172	162	132	194
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 commodity for the 1998-2000 period. The indices are based on the international prices of five selected seeds, ten selected oils and fats and seven selected cakes and meals.								
Sources: FAO and Oil World								