



## *OILSEEDS, OILS & MEALS* MONTHLY PRICE AND POLICY UPDATE \*

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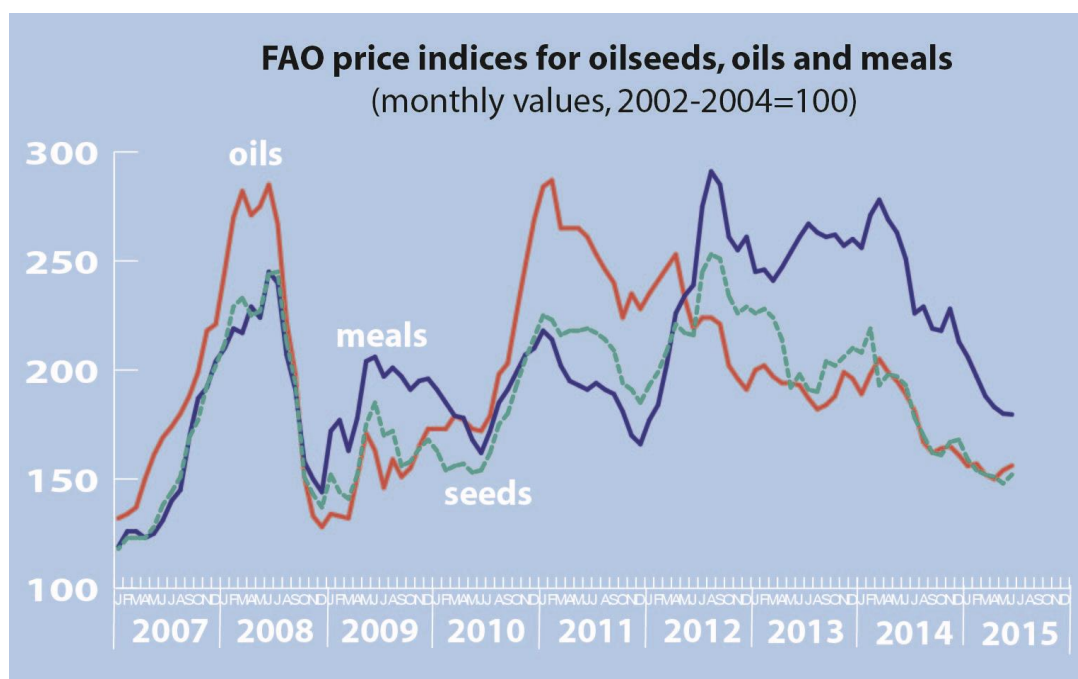
### a) Global price review

In June, the FAO price indices for oilseeds and for vegetable oils edged up by 1–2 percent (or 3 and 2 points respectively), marking a second consecutive increase for vegetable oils, but a change in direction for oilseeds, prices of which had fallen for the five preceding months. The index for meal/cakes, on the other hand, remained about unchanged (minus 0.2 percent) compared to May. In historical terms, all three indices continue to fare at multi-year lows.

The trend reversal in the oilseed index largely reflects the tendencies prevailing in the global soybean, rapeseed and sunflower market. International quotations for soybeans appreciated throughout the month, mainly reflecting concerns

about the unusually wet conditions that affected plantings and yield prospects in the United States. However, the increase was contained by a bright global production outlook for 2015/16, now forecast only slightly below the 2014/15 all-time record, while total supplies are projected to grow by 4 percent thanks to exceptionally large 2014/15 carry-out stocks. As to rapeseed, international quotations continued to appreciate – climbing to an 11 month-high in June – as unfavourable weather conditions across the main producing countries resulted in a less favourable global production outlook. Production forecasts have been corrected downward in particular in the European Union, but also in Canada and Australia. Regarding sunflowerseed, lower than previously anticipated global supplies as well as weather concerns supported prices.

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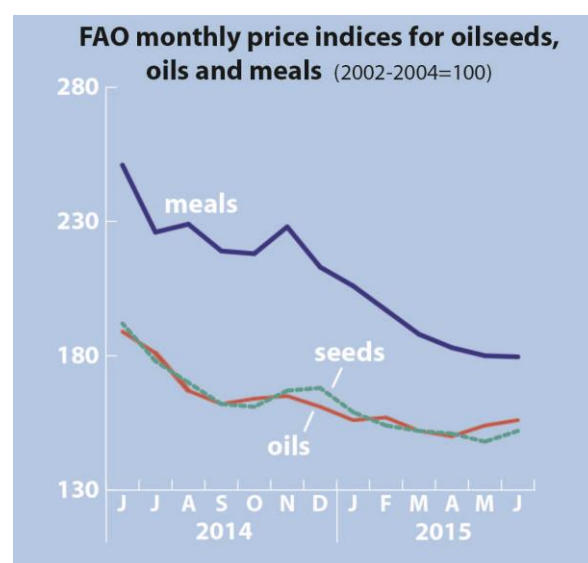
\* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market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

As to the oils index, last month's rise was driven by both palm oil and the leading seed-oils, whose prices followed the path of the corresponding seeds. During early June, international palm oil quotations firmed considerably on account of both improved import demand (by China and India, in particular) and continued concerns about dry weather related to El Niño, which may affect major growing regions in Southeast Asia. Furthermore, new policy initiatives launched by Indonesia to encourage domestic palm oil consumption raised concerns about the country's future export availabilities, adding to the upward pressure on prices. Interestingly, towards mid-May, palm oil prices shed part of their earlier gains, after Malaysia published larger than anticipated production figures and doubts emerged about the effectiveness of Indonesia's new consumption-enhancing policy measures.

The oilmeal price index has been driven mainly by developments in international soymeal prices. After initial falls in June, international soymeal

quotations recovered during the second half of the month, eventually remaining unchanged – on average for the whole of June – compared to May. While confirmation of record harvests in South America – and, with it, the prospect of abundant meal export availabilities – exerted downward pressure on prices, reports of less favourable crop conditions in the United States lent support to prices.



## b) Selected policy developments and industry news

**ALGERIA – import policy:** The country's import duty on animal feed, including soybean meal, will remain suspended until the end of the current year. In place since September 2012, the suspension aims at stabilizing the domestic market and containing rises in local retail prices for meat.

**ARGENTINA – biodiesel export duty:** During the last twelve months, the government has modified the export tax for biodiesel on a monthly basis, sometimes retroactively and with considerable month-to-month variations. For March, April and May 2015, the rate was fixed at, respectively, 5 percent, 13.2 percent and

9.8 percent. Officials from the biodiesel industry stated that frequent and unpredictable tax changes make the planning of commercial operations difficult.

**AUSTRALIA – biodiesel excise tax:** Originally planned to be phased-in over the next five years, excise taxes for biodiesel will now be introduced over a longer period of 16 years, starting in 2016 (*see also MPPU June '14*). The duty will be phased-in in equal increments until it reaches 50 percent of the excise rate applied to conventional diesel. The country's biodiesel industry welcomed the government's decision, saying that it affords investor certainty and enables producers to take a long term view, thus providing a sustainable footing for the sector's growth. Momentum for the use of

biofuels as an alternative to mineral oils is reported to be growing in the country. After New-South-Wales, the state government of Queensland recently decided to mandate biofuel use in gasoline starting in July 2016. The exact blending rate remains to be determined.

**AUSTRALIA / CHINA – free trade agreement:**

Certain agricultural commodities, notably oilseeds, cotton, wheat, sugar and rice, were kept outside the bilateral trade deal recently signed by China and Australia. Consequently, Australia's exports of rapeseed to China are not going to benefit from tariff concessions. However, Australian government officials pointed out that sectors excluded from the current agreement will likely be re-examined within three years.

**BRAZIL – agricultural support policies:**

The government has presented the agricultural support package for the 2015/16 season. Contrary to spending cuts in other sectors, total programme outlays for commercial farming have been raised to BRL 187.7 billion (USD 60 billion), up 20 percent from last season's level in Brazilian Real terms – but down 10 percent when expressed in US dollar terms. While the distribution of funds across the various programmes will remain largely unchanged, special consideration has been given to marketing support measures, assistance to medium-sized producers, agricultural equipment loans, storage facility expansion, and farm insurance schemes. Interest rates on production and marketing loans have been set at 7.75 percent for medium-sized farms and 8.75 percent for large agribusinesses, while loans for infrastructure development will vary between 7 percent and 8.75 percent. Although more expensive than last year, when the average interest rate was 6.5 percent, the loans remain attractive when compared to the Central Bank's current lending rate of 13.25 percent. In addition, individual farmers will benefit from higher borrowing limits – generally 8 percent above last season's level. Representatives from the agricultural sector pointed out that much of the year-on-year increase in public outlays will be in form of unsubsidized loans and that, for a

number of programmes, the available financing will be offered without the usual government subsidies.

**BRAZIL – infrastructure policies:**

The country's water transportation agency ANTAQ informed that the Tietê-Paraná waterway – a key watercourse used to ship grains and other bulk goods from southern and central-western states to ports in the Southeast – will reopen in the second half of 2015, after remaining closed for more than one year due to drought (*see MPPU Feb. '15*). Reportedly, works are underway to raise water levels and restore navigation conditions. According to industry estimates, last year's closure of the waterway resulted in a 10–12 percent increase in grain transportation costs.

**CANADA – pesticide use:** In the province of Ontario, the government introduced regulations aimed at reducing the use of neonicotinoid-based pesticides, which were proven to be highly toxic to bees. As natural habits and crop production depend on healthy pollinator populations, the protection of bee colonies is considered essential. From next year, the use of neonicotinoid-treated seed will be subject to limits, and from 2017, permission to use such seed will be contingent upon farmers filing a pest assessment report. Similar restrictions were introduced in the European Union last year (*see MPPU July '14*). Reportedly, in Ontario, about 60 percent of soybeans sown and virtually the entire maize crop are treated with the pesticide. Local scientists reported that the use of neonicotinoid-treated seeds has become indiscriminate and routine, regardless of whether or not pests are present.

**CHINA – production support:**

After abandoning state procurement and stockpiling of soybeans and cotton last year (*see MPPU Nov. '14*), the government announced it also intends to reform its rapeseed policy – characterized by nationwide procurement at uniform minimum purchase prices. In place since 2008, the current policies have led to stockpiles of nearly 6 million tonnes of rapeseed oil, entailing high financial costs for the government

and high local rapeseed prices (exceeding world levels by nearly 40 percent), which encouraged imports and dampened demand for domestic produce. To halt this development, the government has decided to discontinue its procurement programme for rapeseed. Instead, limited federal funding will be allocated to five key provinces (Hubei, Hunan, Anhui, Jiangsu and Henan) in support of local purchases, while provincial governments are expected to formulate and implement their own policies and cover possible funding shortfalls. Details of the new approach are yet to be given. Apparently, provinces may choose to provide direct subsidies to rapeseed farmers based on their output and a set target price – as currently done for soybeans – or to pay subsidies to processors that buy rapeseed.

**ETHIOPIA – edible oil trade:** Reportedly, the government is revisiting its ban on private edible oil imports. In place since May 2011, the ban was introduced after unsuccessful attempts to regulate the domestic edible oil market via retail price caps (*see MPPU May '11 & May '12*). Given the country's current commitment to free market policies, the government is considering lifting the ban and has commissioned a study on the economic impacts of letting private businesses import edible oil.

#### **EUROPEAN UNION – olive tree disease**

**control:** Concerning the outbreak of *xylella fastidiosa* in Italy's Apulia region (*see MPPU May '15*), the EU Commission adopted a set of reinforced measures aimed at preserving healthy plants located in affected areas and preventing the further spread of the bacterium in the Union. The new measures require member states to: (i) notify new outbreaks; (ii) carry out official surveys; (iii) promptly demarcate infested areas; and (iv) refrain from planting host plants in infested zones. In infested areas, strict eradication measures will be put in place, including the removal and destruction of both, plants known to be infested and plants showing symptoms that indicate possible infection, as well as of all host plants within a radius of 100 meters – regardless of their health status. In addition, concerned

member states are urged to increase their efforts to identify the causes of infection. Subsequent to the Commission's decisions, the European Parliament, while welcoming the measures taken, called for additional interventions. Inter alia, it proposed to compensate olive producers for revenue lost as a result of the eradication measures and to introduce incentives for producers implementing preventive measures. It also recommended to scale-up scientific research to find more efficient means to fight the disease.

#### **EUROPEAN UNION – GMO regulations:**

The European Food Safety Authority (EFSA) issued two new guidance documents related to GMOs. One document, aimed at applicant companies seeking EU cultivation and marketing approval, illustrates the data requirements for risk assessments of GM plants. The other is meant to assist applicants in the preparation and presentation of requests for the renewal of authorizations of GM food and feed for import and processing in the Union.

**INDIA – farmer support:** Following the official revision of this year's monsoon forecast to 'deficient', the Union government informed that subsidies on diesel, power and seed will be provided to farmers whose crops are affected by insufficient monsoon rainfall. Already last year, the country received 12 percent less rains (compared to the long-run average), which led to sizeable losses in domestic oilseed, grain and cotton production. Reportedly, the government has prepared contingency plans for 580 districts and appointed nodal officers in every department to deal with emergencies. To protect farmers' incomes, the Ministry of Agriculture is also planning to strengthen its federal crop insurance policy. At state level, the government of Madhya Pradesh is working on a new crop insurance scheme which would compensate farmers against both, losses due to erratic weather and revenue drops due to plunges in commodity prices. Farmers would also be ensured against post-harvest losses. The local government plans to set minimum returns levels for farmers against which



compensations would be calculated. The insurance premiums would depend on a farmer's average farm income. Madhya Pradesh is India's second-largest grower of oilseeds after Gujarat.

**INDONESIA – biodiesel/palm oil support:**

The government has approved a regulation that requires exporters to pay a levy of USD 50 per tonne of crude palm oil and USD 10-30 per tonne of processed palm oil. The proceeds of the levy will primarily be used to fund the government's recently announced biodiesel subsidies (*see MPPU Mar. & Apr. '15*). By promoting local biodiesel production (and thus demand for palm oil), the measure is eventually expected to support domestic palm oil prices. Reportedly, the new levy, which should become effective in August, will only be due when the export price for crude palm oil falls below the USD 750 per tonne mark – the threshold at which the country's variable export tax kicks in. A special public service agency – controlled by six ministries – has been established to collect and manage the new levy. According to official estimates, the agency will collect at least USD 700 million per year, of which some 40 percent will be employed to subsidize domestic biodiesel consumption. The remainder will be used to: (i) support sustainable plantation businesses; (ii) enhance plantations' human resource capacity; (iii) encourage the development of downstream industries; (iv) promote the use of palm oil in the energy sector; (v) protect plantation revenues through price optimization; and (vi) support small producers. According to official sources, domestic biodiesel sales by state-owned petrol company Pertamina (the country's main supplier of biodiesel) has reached 2.1 million tonnes in 2014, below the targeted 2.9 million tonnes, and should climb to 3.8 million tonnes in 2015. Private sources project total 2015 consumption at no more than 3.1 million tonnes.

**INDONESIA – sliding palm oil export tax:**

With palm oil reference prices remaining below the threshold level of USD 750 per tonne, the export tax for crude palm oil will stay at zero in July (*see MPPU Apr. '15*). The export tax has been suspended since October last year.

**MALAYSIA – biodiesel policy:** Government officials announced that mandatory blending of regular transport diesel with palm oil-based biodiesel will be raised to 10 percent by October this year. The current 7 percent (or B7) mandate is in place since November 2014, although nationwide implementation was completed only in January this year (*see MPPU Apr. '15*).

Aimed at boosting domestic consumption of palm oil, the higher blending mandate is expected to translate into an annual uptake of crude palm oil by the biofuel industry of 1 million tonnes, or about five percent of total domestic production. Private sources estimate actual demand to rise to no more than 750 000 tonnes. According to the 11<sup>th</sup> Malaysia Plan, by the year 2020 the country should move to a B15 mandate.

**MALAYSIA – variable palm oil export tax:**

In June and July 2015, the tax on palm oil exports stayed at zero as the product's reference price remained below the MYR 2 250 (USD 591) per tonne threshold that triggers taxation.

**PAKISTAN – import policy:** The government proposed to raise, for the second consecutive year, the import tariff on soymeal, effective 1<sup>st</sup> July 2015 (*see also MPPU Sep. '14*). Reportedly, the measure has proven successful in stimulating imports of whole soybeans for domestic crushing (at the expense of soymeal imports), thereby shifting value addition to the country's processing industry, which is suffering from considerable excess capacity. If approved by parliament, the effective import tariff for soybean meal would leap from 11 to 21 percent (comprising an increase in the general sales tax).

**THAILAND – market regulation:**

New consultations were held between the government, farmer representatives, processors, consumers and other sector stakeholders to review the conditions of the domestic palm oil market and coordinate measures to stabilize domestic supplies and prices (*see also MPPU May '15*). Against a background of abundant supplies and low producer prices, the government recommended that processors pay no less than

THB 4.20 (USD 0.12) per kg of oil palm fruit. Provincial governors would oversee adherence to the price agreement. Furthermore, to improve product quality, the government proposed to suspend trade of palm fruits with less than 17 percent oil content and to introduce a premium for fruit with higher oil content. As for long-term measures, the government pledged to further promote consumption of palm oil in the energy sector, help reduce farmers' production costs, and provide incentives for the construction of private storage facilities. Conversely, state purchases and stockpiling would only be considered when no other options were available.

**UNITED STATES – non-GMO certification:**

Amid rising calls by consumer groups for mandatory GMO-labeling, USDA decided to work on a new labeling protocol for GM-free foods, unofficial sources reported. Currently, companies can already put their own GMO-free labels (with many using a private label developed by nonprofit body *Non-GMO Project*), but there is no government-backed certification. Reportedly, USDA's Agricultural Marketing Service is working with concerned food manufacturers to certify the accuracy of claims they are making on food packages. Eventually, foods would be allowed to carry a 'USDA Process Verified' label, along with 'GMO-free' claims. Certification would be entirely voluntary and companies would have to pay for it. In the meantime, consumer and environmental groups have renewed their call for mandatory labeling of GM-ingredients in packaged food by the country's Food and Drug Administration (FDA), arguing that voluntary GM-free labels are not sufficient to help consumers know what is in their food. USDA's stance remains that GMOs on the market now are perfectly safe, making mandatory labeling unnecessary. However, civil society groups pointed out that the proposed no-GM certificate failed to communicate details as to the standards used and process followed, and underlined that any certification scheme should be based on a third-party standard. Meanwhile, mandatory labeling efforts continue to be pursued in a number of U.S. states (*see MPPU Dec. '13 &*

*June '14*) – although, according to a draft bill recently introduced at federal level, any state law requiring labeling would be overridden in favour of voluntary USDA certification.

**UNITED STATES – trans fat policy:**

The U.S. Food and Drug Administration (FDA) informed that it deemed trans fatty acids stemming from the partial hydrogenation of vegetable oils as 'not generally recognized as safe' for use in food products, therefore ordering U.S. food manufacturers to remove trans fats from their products within three years. The FDA thus finalized – after a period of public comment – a tentative determination made back in 2013 (*see MPPU Dec. '13 & May '14*). The ruling came as no surprise to the industry. Required (since 2006) to list trans fat content on product labels, food manufacturers started replacing partially hydrogenated soybean oil with alternative products such as high-oleic and interesterified soybean oil as well as palm oil. At the end of the three-year compliance period, no trans fats will be tolerated in food products unless they are otherwise authorized by the FDA.

**UNITED STATES – biofuel policy:**

A year and a half behind schedule, the U.S. Environmental Protection Agency (EPA) published proposed volumes for domestic biofuel use in 2014 and subsequent years. For biomass-based biodiesel – largely made from vegetable oils – the targets proposed for 2014, 2015, 2016 and 2017 are, respectively, 5.4 million, 5.7 million, 6.0 million and 6.4 million tonnes. For 2014, the retroactive target has been established at a level reflecting actual use, while consumption targets over 2015-2017 are set steadily higher – though still falling short of the goals set by Congress in 2007. EPA's proposals will remain open to public comment until July 27<sup>th</sup>. By end November, final volumes should be issued. Separately, USDA informed of a pledge of up to USD 100 million in grants to support infrastructural investments needed to make more renewable fuel options available to consumers. Assistance will focus on the installation of fuel pumps capable of supplying

higher biofuel blends and other initiatives to promote such blends.

### Sector development initiatives

- Algeria – olive oil: The country's olive industry, with assistance from the United Nations Industrial Development Organization (UNIDO), will set up a consortium of olive oil exporters to offer support to local producers and to promote Algerian olive oil on the international market. Reportedly, key challenges faced by the industry include: quality preservation via improved harvesting techniques, processing methods, and storage facilities; adherence to international quality standards; and the need to set up certified laboratories meeting international requirements.
- Canada – soybeans: The country's federal government continues to promote domestic soybean production. Reportedly, CAD 358 000 (USD 280 000) will be channeled to Canada's soybean industry association to attend trade shows and organize missions that help raise the profile of Canadian soybean in international markets, especially in China, the United States, the Republic of Korea, Japan and the EU. In addition, in the Province of Manitoba, farmers are set to benefit from public funding amounting to CAD 1.2 million (USD 0.9 million) for research on improved soybean and maize production methods. The project is supposed to help producers take advantage of growing domestic and global market opportunities.
- Ghana – oil palm: Reportedly, the government has launched as strategic export development plan aimed at diversifying Ghana's exports, in particular by increasing the share of non-traditional exports. Palm oil is one of the eleven priority products encompassed in the plan.
- Ghana – groundnut: With financial support from the European Union, Ghana's Export Promotion Authority is encouraging investments in groundnut production. The two-fold objective is to improve local food supply and create opportunities for foreign exchange earnings. The project will target groundnut farmers and other stakeholders of the commodity chain, offering training programmes on production management, quality control and product

certification. One of the key challenges faced by the industry remains high rates of aflatoxin contamination in groundnut, which bar the product from entering international markets.

- Tunisia – olive oil: The International Finance Corporation (IFC) provided a loan package worth USD 26 million to one of the country's leading olive oil producers in a bid to ramp up the production of branded oil and target new export markets. The project is expected to benefit numerous local olive oil mills and farmers, thus supporting the development of the country's olive oil sector.
- India – palm oil: Indian food manufacturer *Ruchi Soya* and international civil society organization *Solidaridad* signed a partnership worth EUR 4.5 million (USD 4.96 million) to promote sustainable expansion of oil palm cultivation. The project will work with Indian oil palm farmers, training them on sustainable high-yield cultivation practices, including means to optimize water use. Over the next four to five years, over 20 000 hectares of land (across five different states) are to be developed on a contract farming basis. To date, although the government identified 2 million hectares of land suitable for oil palm, cultivation has expanded at a very slow pace (*see MPPU June '13*). In the meantime, total annual consumption of vegetable oils has exceeded 22 million tonnes, of which more than 13 million are imported - dominated by palm oil (9 million).
- Vietnam – palm oil: A food company and a logistic services company in Vietnam will establish a joint venture with Malaysia's *Felda Global Ventures*, one of the world's largest palm oil operators. The purpose is to foster production and distribution of palm oil and specialty oils for the Vietnamese market. Reportedly, the initiative will capitalize on current available infrastructure, promoting the processing of crude palm oil originating in Malaysia.

**Herbicide safety:** After classifying glyphosate as 'probably carcinogenic to humans' (*see MPPU Apr. '15*), the International Agency for Research on Cancer (IARC) classified the extensively used weed killer 2,4-dichlorophenoxyacetic acid

(known as *2,4-D*) as ‘possibly carcinogenic to humans’ – i.e. one echelon below the ‘probably carcinogenic’ category but two levels above the ‘probably not carcinogenic’ classification. IARC’s decision rests on “inadequate evidence in humans and limited evidence in experimental animals” of ties between *2,4-D* and cancer. Used widely in agriculture, forestry and urban sites since its introduction in 1945, *2,4-D* is also meant to be used with the newly developed soybean variety *Enlist Duo*, which received U.S. approval last year (see *MPPU Nov. '14*). Civil society groups urged U.S. regulators to revisit and possibly restrict the use of *2,4-D*.

### **Biofuel news**

- **Sustainability certification:**

Biofuel producers can apply for a new, enhanced voluntary certification scheme launched by the *Roundtable on Sustainable Biomaterials (RSB)*. The private international certification body has released ‘Low iLUC Risk Biomass Criteria and Compliance Indicators’, an add-on certification module to its existing standard for biofuels and bio-products. Reportedly, the new standard allows producers to demonstrate that biofuel was produced with low indirect land use change (iLUC) and therefore minimal impact on food production and biodiversity.

- **Biodiesel initiative – India:** In India, a group of biodiesel producers established the national *Biodiesel Manufacturers Association (BEMA)*. The purpose is to further the interests of the industry by removing regulatory hurdles, while educating corporate and retail consumers about the perceived environmental and cost benefits of biodiesel. Following the recent deregulation of biodiesel sales (see *MPPU Feb. '15*) and last year’s termination of subsidies on conventional diesel, the country’s biodiesel market is expected to expand. Rising demand is reported from the railway sector and from truck operators in the logistics industry, which together account for about one third of domestic diesel consumption. Operators are attracted by biodiesel as it allows them to reduce fuel costs while improving their green credentials. In a related move, the Union’s shipping ministry announced plans to replace

20 percent of diesel consumed at 12 major Indian ports with biodiesel. In support of these initiatives, the country’s standards authority is expected to develop standards for higher usage of biofuels in automobiles, locomotives, heavy engineering machines and generators.

**Olive oil marketing:** In the United States, a class action lawsuit against popular brands of olive oil claims that the products in question are neither ‘made in Italy’ nor ‘extra virgin’ as reported on the labels. Lax enforcement of standards in olive oil trade has been reported repeatedly in the United States as well as other countries in recent years (see *MPPU Dec '10, May '11, Nov. '13, May & Nov. '14*).

### **Palm oil news**

- **Sourcing policies:** An environmental group denounced the continued clearing of high conservation value rainforest by private oil palm developers in South East Asia – a development that doesn’t tally with pledges by main customers to free their supply chains from all types of deforestation. If confirmed, such reports cast doubt on the high-profile no-deforestation policies announced by numerous multinational palm oil traders over the last one and a half years (see *MPPU Mar '15 & Dec./June/May '14*). Clearly, given the lack of independent bodies watching oil palm development activities and related palm oil sales, it is difficult to assess to what extent individual companies actually adhere to their voluntary ‘green’ commitments.

- **RSPO – enhanced standards:** A group of large institutional investors and global consumer brands urged RSPO (Roundtable on Sustainable Palm Oil) to strengthen its standards for certifying the sustainable production of palm oil. Arguing that RSPO’s current standards lack protections for high carbon stock forests/peatlands and show an inconsistent record of enforcement, the companies exhorted RSPO to: (i) prohibit deforestation and peatland clearance; (ii) report on GHG emissions and targets; (iii) ensure full traceability back to the field; (iv) guarantee objective, rigorous auditing and verification; and (v) strengthen its grievance and complaints mechanisms. Allegedly,



current gaps in certification meant that purchasing RSPO-certified palm oil was not sufficiently addressing critical sustainability concerns in the palm oil supply chain – a situation that seems to explain the recent wave of corporate commitments to source palm oil according to principles that go beyond RSPO standards (*see MPPU May, June, Dec. '14*). The RSPO replied that it was working on additional voluntary guidelines that included stricter requirements on deforestation, peatland development and indigenous peoples' rights. Expected to be issued later this year, the new guidelines will be made available to companies as a voluntary addendum to the existing principles and criteria.

- **RSPO – regional certification targets:** Reportedly, RSPO members agreed on the following targets regarding market uptake of certified sustainable palm oil (CSPO) in specific geographical regions: 100 percent CSPO in Europe by 2020, 50 percent in Indonesia and Malaysia, 30 percent in India, and 10 percent in China.
- **Jurisdictional certification:** In Indonesia, the provincial government of Central Kalimantan is working on a jurisdictional approach for sustainable palm oil production. The initiative envisages moving from single plantation/mill certification toward a comprehensive certification system at the provincial level. Similarly, in Malaysian Borneo, the state of Sabah is weighing a proposal to produce exclusively RSPO-certified palm oil by 2025. Currently, the fact that palm oil originates from a wide range of actors still poses challenges to state-wide certification. However, once these obstacles are overcome, a state or geographic region would be able to differentiate its palm oil from that of other regions, potentially enjoying competitive advantages.
- **Obstacles to zero-deforestation:** According to industry representatives and civil society groups, in Indonesia, certain state regulations tend to hamper zero-deforestation commitments by agroforestry companies and plantation owners. For instance, oil palm concession holders are required to use all their land to plant palms, precluding them from allocating land for

conservation purposes. Apparently, land that is left undeveloped can be claimed back by the state because it considers it as abandoned. To address this problem, the government ought to introduce regulations that act as a legal umbrella for deforestation-free commitments.

### **Soybean varieties**

- **Low-allergen soybeans:** Scientists from two U.S. universities developed a new low-allergenic, ready-to-use soybean. Generated through conventional breeding methods, the new variety contains low levels of the proteins responsible for the allergic and anti-nutritional properties of conventional beans. In fact, these allergens have been removed before, but via genetic engineering, which made the beans unsuitable for critical uses such as infant formula. The newly developed beans are said to be suitable for direct food and feed consumption – as opposed to traditional varieties, which must be heat-treated to eliminate the harmful protein.
- **High-oleic soybeans:** In the United States, a public-private partnership attained a patent for breeding soybeans with a high content of oleic fatty acid. The conventional, non-transgenic breeding methods yields beans with a oleic acids content of 80-85 percent, which exceeds the industry's current 70 percent standard for beans classified as 'high-oleic'. Some reckon high-oleic soybean oil to have significant market potential in cooking and baking, thanks to its stability and alleged health benefits (*see also MPPU Apr. '15*). A private source projected high-oleic varieties to account for 20 percent of total soybean plantings within the next 8-10 years.
- **Oil vs. protein content:** In Canada, a biotechnology company has joined forces with the University of Alberta to develop soybean varieties with increased oil content. Reportedly, the project will use genomic modification to isolate soybean seed traits that can enhance total oil content in soybeans without negatively affecting protein levels.
- **Genetic diversity:** U.S. scientists succeeded in crossing soybean with a related wild, perennial plant that grows like a weed in Australia (*see also MPPU May '15*). The successful introduction

of new genetic diversity to soybeans is expected to help reducing the plant's rising susceptibility to an array of pests and pathogens. Reportedly, the scientists managed to develop first fertile plants with resistance to soybean rust and soybean cyst nematode (as well as high yield levels and elevated protein content).

### **Soybean cultivation**

- **Control of resistant weeds – United States:** The U.S. Environmental Protection Agency has approved a new herbicide that is supposed to help soybean and cotton growers manage resistant weeds (*see also MPPU Nov. '14*). Ready to be launched in 2016 under the brand name *Warrant Ultra*, the product is said to provide superior post-emergence control of problematic weeds as well as good broad-spectrum residual weed control.
- **Non-GM soybeans – United States:** In Arkansas, interest for conventional or non-GM soybean varieties is said to be rising. Reportedly, conventional varieties offer the following advantages: (i) non-GM seeds can cost up to fifty percent less than GM-seeds as no proprietor technology fees need to be paid; (ii) non-GM soybeans command a premium of USD 0.75–1.50 per tonne thanks to expanding demand from the local poultry industry; (iii) farmers have the

option to save seed for the next growing season; and (iv) farmers can use conventional weed control measures to combat resistant weeds. On the downside, selling non-GM soy carries extra costs as crops need to be segregated throughout the marketing chain – unless the beans are stored on-farm and sold directly to end-users.

- **Royalty payments – Argentina:** In Argentina, royalty payments for GM seed material developed by *Monsanto* remain subject to controversy (*see also MPPU June '13*). The U.S. seed company expects farmers to pay royalties, even when the planted seeds containing its technology come from a prior harvest. Recently, *Monsanto* requested trade companies to inspect soybean shipments for the presence of GM material – a measure deemed illegal by farmers. The position of the Agricultural Ministry is that farmers should have to pay *Monsanto* only once for the seed. Now, in a bid to discourage farmers from selling the genetically modified seeds generated from their crops, the government decided to set up a registry that will track the amount and use made of GM soybean seed reaped from farmers' crops.

*For comments or queries  
please use the following Email contact:  
[Peter.Thoenes@fao.org](mailto:Peter.Thoenes@fao.org)*

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	<u>International Prices (US\$ per tonne)</u> <sup>1</sup>					<u>FAO Indices (2002-2004=100)</u> <sup>7</sup>		
	Soybeans <sup>2</sup>	Soybean oil <sup>3</sup>	Palm Oil <sup>4</sup>	Soybean Cake <sup>5</sup>	Rapeseed Meal <sup>6</sup>	Oilseeds	Vegetable oils	Oilcakes/ Meals
<b>Annual (Oct/Sep)</b>								
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
<b>Monthly</b>								
2013 - October	544	989	866	555	318	202	188	262
2013 - November	556	992	921	541	316	206	199	257
2013 - December	568	979	907	548	336	210	196	260
2014 - January	566	935	871	539	337	208	189	256
2014 - February	594	991	911	571	361	219	198	271
2014 - March	501	1001	959	582	396	193	205	278
2014 - April	516	1005	911	563	375	198	199	269
2014 - May	522	973	896	552	340	197	195	263
2014 - June	514	933	859	531	304	192	189	251
2014 - July	480	886	839	477	272	178	181	226
2014 - August	457	855	755	485	265	170	167	229
2014 - September	433	850	714	463	265	162	162	219
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
<p><sup>1</sup> Spot prices for nearest forward shipment</p> <p><sup>2</sup> Soybeans (US, No.2 yellow, c.i.f. Rotterdam)</p> <p><sup>3</sup> Soybean oil (Dutch, f.o.b. ex-mill)</p> <p><sup>4</sup> Palm oil (Crude, c.i.f. North West Europe)</p> <p><sup>5</sup> Soybean meal (44/45% Hamburg fob ex-mill)</p> <p><sup>6</sup> Rapeseed meal (34%, Hamburg, f.o.b. ex-mill)</p> <p><sup>7</sup> 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.</p> <p>Sources: FAO and Oil World</p>								