

MONTHLY PRICE AND POLICY UPDATE *

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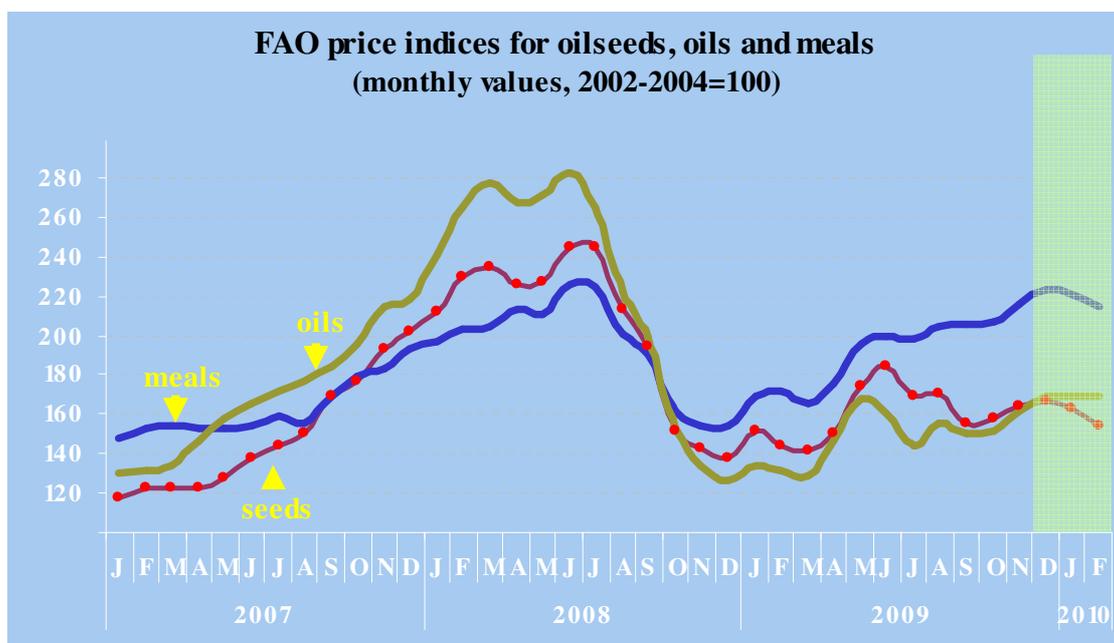
a) Global price review

In February, prices in the oilseed complex moved in the same direction as in January: the FAO price indices for oilseeds and meals both fell further (by, respectively, 9 and 7 points), while the oil price index remained unchanged.

Oilseed prices weakened further in response to the positive outlook for South America's imminent soybean harvest: despite recent, strong rainfalls and the resulting disease pressure, a record crop as well as ample export supplies are expected - after last season's drought affected performance.

Strongly influenced by the soybean market outlook, global meal prices have moved downward as well, also because meal markets could suffer from oversupply given the current and prospective weakness in world demand for meals.

A different picture applies to oils and fats: total oil demand is anticipated to remain firm thanks to rising requirements from both, the food and energy sector. At the same time, world production of high oil-yielding oilcrops (notably sunflower seed and groundnut) is estimated to fall compared to last season and, as a result, global oil consumption may exceed production. Consequently, global inventories are likely to fall at least temporarily, explaining the relative firmness in prices. For palm oil, supplies recently turned tighter vis-à-vis export demand, and below average rainfall in SE Asia may affect oil palm yield potential during entire 2010. As to soya oil, a potential production increase could be limited by the prospects of an oversupply in soya meal.



* 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 **February 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

USA - revised Renewable Fuels

Standard: The new programme (referred to as RFS-2) that came into effect last month sets the target for national consumption of biomass-based diesel in 2010 at 0.65 billion gallons, corresponding to 1.1% of total diesel sales, to which the 0.5 billion gallons that were not consumed last year can be added. Reportedly, 20% of the target may be carried into 2011. The mandate will increase gradually in 2011 and 2012, while subsequent targets will be determined later. Furthermore, starting this year, measurement of GHG emissions during fuel and feedstock production, distribution and use will include emission stemming from indirect land use changes. Biomass-based biodiesel must lead to at least 50% reduction in lifecycle GHG emissions compared to petroleum-based diesel. According to the new RFS-2 standards, soy oil and waste oils, fats, and greases all comply with this requirement. Reportedly, the default GHG emission savings of soy oil-based biodiesel has been set at 57%, which, depending on the production method, can even reach 85%. For domestically produced feedstock no additional certification will be required. As to competing palm oil, it may or may not meet the requirements depending on how it is produced; compliance will be determined based on certification provided by the producer. Overall, under RFS-2, demand for soybeans as biodiesel feedstock can be expected to rise in the long run, likely lifting domestic soybean prices (and hence farmer incomes as well as food costs) and reducing the country's soybean exports compared to the 2006 reference situation.

EU - agricultural support: The EU's latest official notification to the WTO - which covers the period up to 2006 - shows a significant increase in total farm support outlays since 2002. Reportedly,

total support outlays added up to Euro 90.7 billion in marketing year 2006/07, compared to 75.6 billion in 2002, when the level of support reached a fifteen-year low. The rise is due to a surge in "green box" payments, i.e. subsidies that have no, or only minimal effects on trade or production. This surge is only partly offset by a drop in "amber box" (most trade distorting, production-linked) payments and "blue box" (production limiting) payments. Since 2005, oilseed producers - and arable crop producers in general - benefit primarily from green box payments, notably the 'single farm payments' that are decoupled from production and thus exempted from reduction requirements under WTO.

INDONESIA - palm oil exports:

According to official sources, the country plans to limit exports of crude palm oil at 50% of output by 2015 and 30% by 2020 - in an effort to boost the domestic downstream processing sector, thereby creating employment. To attract the required capital for investment, the government would provide fiscal incentives and encourage banks to lend at reduced interest rates. Currently, well over 50% of palm oil exports are in crude form. Reportedly, the industry expressed concern over these plans, pointing out that such policies could induce importing countries to raise tariffs on refined palm products - also in a bid to encourage refining and downstream processing at the local level.

INDONESIA - PAKISTAN, oil palm

trade: Indonesia is reported to be negotiating with Pakistan about its import tariff for palm oil. Currently, due to a preferential trade agreement that Pakistan signed with Malaysia in 2007, Indonesian palm oil is subject to a higher tariff than produce coming from Malaysia. Indonesia aims to have its exports charged with the same tariff enjoyed by Malaysia.

CHINA - sales from state soybean

reserve: Some 200 000 tons will be released from state reserves in a move to free public storage space. During 2008/09 marketing year, total state purchases amounted to 7 million tons. However, according to market sources, the state-set purchase/selling price of 3774 Yuan per ton is both, too low for soybean farmers to sell and too high for soybean processors to buy: rising domestic production costs and competitively priced imports continue to threaten the market for home-grown soybeans.

UKRAINE - sunoil export quota:

Reportedly, the government is considering to reinstall temporary export quotas for sunflower oil. At their current pace, export activities tend to result in domestic shortages, price rises and idle crushing capacity. Monthly shipments could be capped at 159 thousand tons, which compares to recent sales of 200 thousand tons. The last time such quotas were in place was in mid 2008.

Spread of GM oilseeds: According to ISAAA (the International Service for the Acquisition of Agri-Biotech Applications), in 2009, GM soybeans accounted for three-quarters of global soybean plantings (or two-thirds, when FAO data for total area are used). Herbicide tolerant GM soybeans remained the world's principal biotech crop in 2009, occupying over 50% of the global area cultivated with GM crops. Another 5% of the global GM crop area is occupied by biotech rapeseed. Globally, one out of five hectares planted to rapeseed use GM varieties.

BRAZIL - new GM soybean: A herbicide-tolerant soybean jointly developed by private company *BASF* and public research institute *EMBRAPA* has

received approval for commercial cultivation by the relevant national authorities. The first genetically modified crop developed within Brazil will become available in the 2011/12 season.

Meanwhile, the owners will seek approval in key overseas export markets and also initiate work on the crop's adaptation to production and regulatory conditions in neighbouring countries that produce soybeans.

Non-GM, herbicide tolerant plant: In Europe, a patent has been granted for the production of a non-transgenic plant tolerant of glyphosate and other widely used herbicides. Reportedly, tolerance is achieved by using the plant's natural processes and without the introduction of foreign genetic material. This way, farmers would be offered a non-GM alternative that still enables them to maximize yields of key crops. Commercial application, if materialized, could prove interesting in countries where cultivation of GM material is subject to restrictions.

Biodiesel compatible cars ex-factory:

General Motors announced that its new models of heavy-duty diesel pick-ups will have certified B-20 biodiesel capability (B20 is a blend of 20 percent biodiesel and 80 percent conventional diesel).

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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
2010 - February	406	915	804	393	230	154	169	214
<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>								