

MONTHLY PRICE AND POLICY UPDATE *

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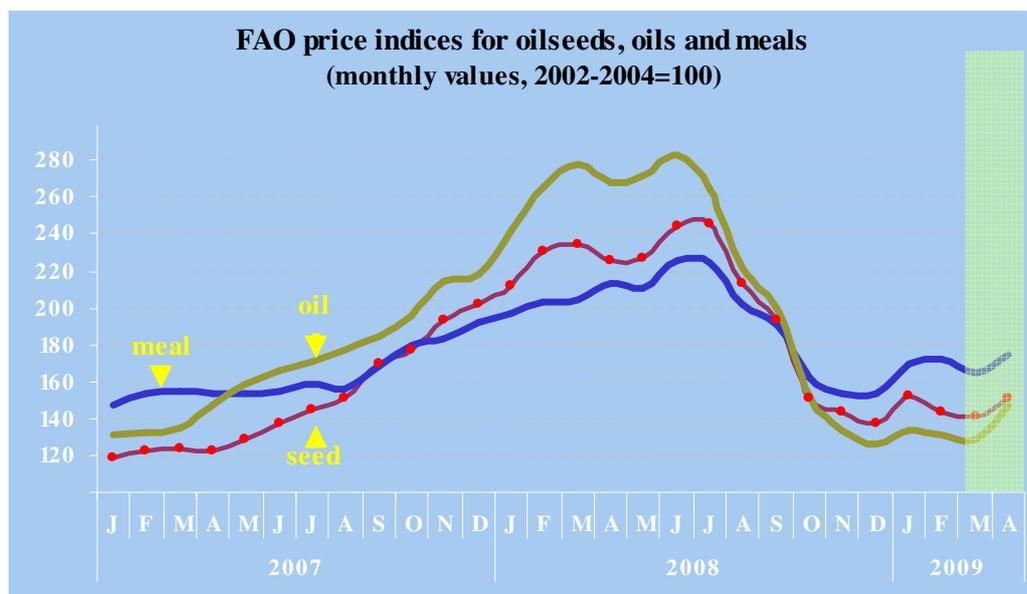
a) Global price review

During April, prices in the oilseed complex moved upward, reversing the recent trend. Oils and fats prices took the lead, increasing as much as 14 percent over March, measured by FAO's monthly price index. Meanwhile, the indices for oilmeals and oilseeds grew by, respectively, 7 and 6 percent.

The firming of prices mainly reflects concern by the trade regarding the ongoing tightening of global supplies, and in particular of old crop (2008/09) stocks. The estimate for Argentina's imminent soybean harvest had to be lowered further based on poor weather, raising serious concern among trade partners. In addition, difficulties in accessing credit and increased production costs have impinged on the 2008/09 oilseed output in numerous countries.

Sustained buying interests have fostered concerns about tight supplies. In particular, China's soybean imports (and, to a lesser extent, rapeseed purchases) continued unabated, exceeding previous levels. Also vegetable oil imports by India continued at a vigorous pace. This situation is leading to a tightening of old-crop stocks in exporting countries. Also, reduced export availabilities in South America, imply an exceptionally strong reliance on US supplies, which has added nervousness to the market.

The particularly marked response in vegetable oil prices is also related to a temporary slow down in palm oil output in Malaysia. To be able to respond to continued strong export demand, the country is forced to substantially reduce its palm oil stocks.



* 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 April 2009.

b) Selected policy developments and industry news

Brazil - mandatory biodiesel use: From January 2008, all diesel sales had to include 2 percent of biodiesel, which created a market for about 800 thousand tons of biodiesel. Biodiesel production capacity is reported to have climbed to 2.6 million tons last year. In order to better use this capacity, the mandatory admixture was raised to 3 percent in July 2008, and currently a further increase to 4 percent is under consideration. The obligatory 5 percent blend envisaged for 2013 has been anticipated to 2010. The main feedstock used for biodiesel production is soybean oil; its share in total feedstock use was close to 80 percent in 2008.

USA, Canada - new oilseeds varieties: GM varieties containing less saturated fats and thus offering a better health profile are gaining ground in North America. In the USA, commercialization of a new high oleic soybean variety is expected later this year. In Canada, high oleic (or low linoleic) varieties are estimated to account for 10-15 percent of the country's rapeseed area. As herbicide resistant and higher yielding strains become available, farmers are increasingly interested in growing these specialty crops.

Argentina - herbicide investigation: The government was reported to have set up an inter-ministerial committee to investigate the environment and health impact of glyphosate, the active ingredient in an approved herbicide that is widely used in soybean cultivation (in Argentina as well as in other leading soybean producers).

USA - soybean rust resistance: Reportedly, US scientist have identified asian rust resistance genes in soybeans, thus opening the way to the development of resistant cultivars via conventional breeding or biotechnological means. Asian rust represents a major threat to soybean

cultivation in many countries. Although fungicide use is effective against the disease, the provision of farmers with resistant varieties would be more sustainable.

China - improved rapeseed varieties: Scientist are reported to have developed - via conventional breeding techniques - new rapeseed varieties featuring an oil content of 55-60 percent, which is 15 percent more than in the varieties currently used in the country. Among domestically grown oilcrops, rapeseed is the leading source of vegetable oil in the country.

Argentina - incentive for using domestic soybeans: With a view to privilege the use of domestically grown soybeans, the government has removed the export tax exemption applied to soyoil produced from imported soybeans. Furthermore, the tax break on soybean imports introduced in 2006 has been discontinued, making imports unprofitable. According to unofficial sources, farmers are currently stockpiling substantial amounts of old crop soybeans and the above trade measure also aims at stimulating farmers to release their stocks.

USA and EU - biodiesel footprint: In the USA, soybean-based biodiesel has been officially estimated to reduce GHG emissions by 22 percent over conventional diesel. This compares to a minimum 50 percent requirement for biodiesel to qualify towards the annual consumption targets. Other feedstock with lower footprint, for example animal fats or waste grease, might be required to meet the mandatory biodiesel target set for 2012. In the EU, the default values for GHG emission savings have been set at 31 percent for soy-diesel, 38 percent for rapeseed-diesel and 19 percent for palm oil-diesel, which compares to a minimum savings requirement of 35 percent (from 2013 onward). Biodiesel producers may claim

greater GHG emission savings, but the onus of proof will be entirely on them.

Germany, Spain – biodiesel capacity:

This year, private sources estimate the biodiesel industries of Germany and Spain to run, respectively, at no more than 60 and 10 percent capacity. The low utilization rate is related to reduced public incentives, limited mandatory blending rates and the drop in crude oil prices that has eroded the price attraction of biofuels.

China - state soybean reserve:

Reportedly, in addition to the 6 million tons of state purchases scheduled since October 2008, state agencies are planning to buy another 1.25 million tons of soybean for temporary reserve. For comparison, total domestic soy output in 2008/09 is estimated at 15.5 mill tons. State purchases are carried out at prices above prevailing market prices and are meant to stabilize domestic oilseed production and prevent further declines in prices as farmers are preparing for the new planting season. The federal government is reported to also plan stockpiling between 3 and 4 mill tons of the 2009 rapeseed output.

Indonesia - palm oil export tax: The government has kept the indicative world price at which the export tax on palm oil will be re-introduced at 700 US\$ per ton. Accordingly, this month the exports of palm oil will remain tax-free. (The NW Europe import price for palm oil has risen markedly last month, but stopped short of Indonesia's trigger price.)

Egypt – subsidized distribution of oil:

Reportedly, over the last seven months, the amount of subsidized oil available to consumers through ration cards has been raised from 350 000 tons to 900 000 tons per year.

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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
Monthly								
2007 - October	445	1007	875	384	272	177	196	180
2007 - November	489	1133	955	397	260	193	214	183
2007 - December	516	1158	943	425	268	203	218	193
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
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)								
<p>Note: 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>Sources: FAO and Oil World</p>								