



OILSEEDS, OILS & MEALS MONTHLY PRICE AND POLICY UPDATE *

No. 70, May 2015

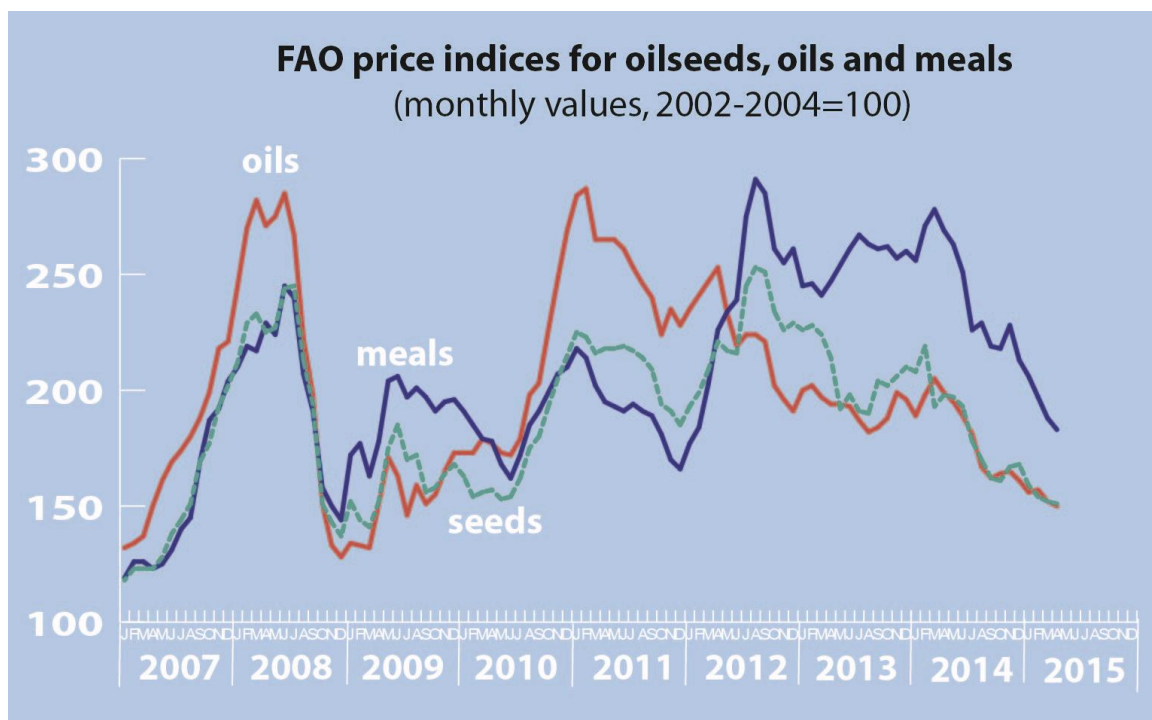
a) Global price review

In April, all three of FAO's price indices for the oilcrop complex have dropped compared to the previous month. Similar to March, the index for meals continued to fall the strongest, namely by 5 points (or about 3 percent), while the indices for oilseeds and oils both eased by only 2 points (or 1 percent). All three indices continue to fare at multi-year lows.

The further easing in the price indices for oilseed and oilmeal has been driven by developments in the soy market. During April, estimates for

soybean crops currently being harvested in South America have again been revised upward, based on higher than expected yield levels in both Brazil (where the harvest is drawing to a close) and Argentina (where harvest operations have greatly benefited from dry weather conditions). Furthermore, in the United States, plantings of the 2015/16 soybean crop are now underway and, provided initial planting estimates materialize and assuming normal weather conditions, a repetition of last year's record output is considered possible. International prices for rape and sunflower-seed, on the other hand, appreciated in response to lower than expected global availabilities of the two oilcrops.

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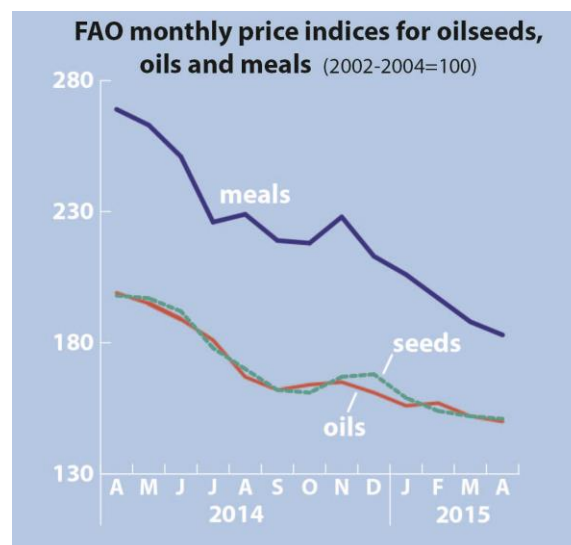


* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market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

The additional drop in the vegetable oil index has been driven by a further dive palm oil prices. Reports of higher than anticipated production in Indonesia and Malaysia (following beneficial rain), combined with news of persistently weak global import demand, led to an accumulation of inventories, pressuring prices. Renewed firmness in international sunflower oil prices prevented the index from falling more pronouncedly. Soy oil prices received support from increased consumer interest, thereby halting the slide in international quotations observed since May 2014.



b) Selected policy developments and industry news

BRAZIL – disease control: In Brazil, a mandatory soybean-free period will come into force once the current soybean harvest is completed. In place since the mid 2000's, the measure is meant to help slow the spread of diseases from one soy crop to the next – notably Asian rust but also corn ear/cotton ball worms. While in the states of Rondônia, Bahia, São Paulo, Paraná and Mato Grosso do Sul cultivation will be banned for the customary June 15th – September 15th period, in Mato Grosso and Goiás the ban has been extended to last from June 1st to September 30th. During these periods, no commercial soybean cultivation will be allowed and all adventitious soybean that may have germinated after the last harvest must be destroyed.

BRAZIL – agricultural support: Reportedly, the austerity measures envisaged by the Brazilian government this year will not affect public outlays and interest rates for agricultural production loans in the 2015/16 crop season. The details of the government's agricultural support package for the new season are expected to be announced soon.

CHINA – GMO policy: Further to the government's recent pledge to improve GMO regulatory mechanisms to address relevant risks

and safety concerns (*see MPPU Mar. '15*), the agricultural ministry has proposed amendments to the rules governing the development of GMO crops for domestic cultivation. Reportedly, the planned changes will not alter the government's pro-GMO stance but will increase the supervision of GM crops under development. Research institutes will have to guarantee that GM products are developed according to safety rules, and public officials at county level will be involved in the supervision of GMO trials.

EUROPEAN UNION – GMO policy:

- **National import preferences:** The European Commission has proposed new legislation that would allow individual member states to restrict or prohibit the entry of GM crops into their territory even if these were approved for use in food and feed by the bloc as a whole. The new law would mirror recently approved legislation that grants member states similar opt-out rights with regard to the cultivation of GM crops (*see MPPU Apr. '15*). Under the proposal, countries may restrict GMO imports on concerns other than those assessed at EU level, i.e. risks to human/animal health or the environment. In fact, the EU's current authorization criteria and procedures would remain in place. The onus of proving that opt-out measures would comply with EU law – including the bloc's internal market principle and the EU's international obligations –

would rest with the concerned country. Reportedly, the Commission's proposal has attracted criticism from various camps. The EU food and feed industries expressed concern that country opt-outs would fragment the EU internal market and disrupt imports, thereby undermining the competitiveness of the union's food, feed and livestock sectors. The proposed law also risks upsetting the EU's trading partners. Especially grain and oilseed imports from the United States, Brazil, Argentina and Canada – where GM varieties play a dominant role – could be affected by the new proposal. Moreover, civil society groups reckoned that, with the EU's current risk assessment process remaining in place, the new rule could open the door to GM crops, without providing the legal basis for national governments to opt out. In order to enter into force, the Commission's proposal still requires the agreement of both the European Parliament and the Council.

- **EU approvals:** The European Commission has authorized the importation of 10 new GMOs – including 6 new soybean strains – for placing on the bloc's internal market for either animal or human consumption, while also renewing 7 existing authorizations – including one for a GM rapeseed variety. The concerned genetic modifications mainly offer protection against pests or resistance to herbicides. The newly approved GMOs have gone through the usual authorization procedure, including a favourable scientific assessment by the European Food Safety Agency (EFSA). The authorizations are in addition to the existing 58 GMOs authorized in the EU for food and feed use and will be valid for 10 years. Any products produced from these GMOs will be subject to the EU's labelling and traceability regulations.

EUROPEAN UNION – olive tree disease

control: The debate on possible measures to prevent the *xylella fastidiosa* disease from spreading beyond Italy's Apulia region continued during April (see also MPPU Mar. '14). In March, the European Commission had proposed to fell at least 1 million trees infected with the bacterium. However, at subsequent meetings of the EU Plant

Health Committee (which includes experts from all member states), no consensus has been reached. Italy resisted the European Commission's proposal, informing that local authorities had identified an eradication zone, marking affected trees for felling. While member countries fearing the contamination of their own olive groves (as well as other fruit plants) have called for stricter measures, others reckoned that a ban on plant exports from the concerned region and setting up a buffer zone where all trees would undergo pesticide treatment would be sufficient. Pending a decision by the bloc as a whole, France has announced a ban on imports of all susceptible plant material from the Apulia region. Importantly, according to EFSA, there is no indication that eradication of trees is a successful option once the disease is established in an area. The agency recommended the continuation and intensification of research activities on the host range, epidemiology and control of the disease outbreak. Research conducted by the University of Foggia (Apulia) suggests that the *xylella* bacterium may only be a secondary cause of death for the olive trees, coming after a fungal contagion which could be curable without resorting to the felling of trees. As far as the contagiousness of the disease for other plants – in particular vine and citrus – is concerned, conclusive evidence is not yet available.

EUROPEAN UNION – biofuel policy:

After consultations with the Council, the European Parliament agreed to limit, by the year 2020, the amount of crop-based biofuels (also called conventional or first generation biofuels) that can be used in the transport sector to 7 percent – which compares to a 5 percent-limit originally proposed by the Commission and to 6 percent previously backed by the Parliament (see also MPPU July '14). Member states would also be required to set national targets for the share of so-called advanced biofuels, i.e. fuels based on waste and residues as well as on new sources of biomass such as seaweed. The draft law aims to accelerate the shift to alternative feedstock for biofuel production, thereby reducing greenhouse gas (GHG) emissions caused by the

growing use of farm land for biofuel crops. Reportedly, in the EU, emissions from transport are responsible for around one quarter of total GHG emissions – second only to the energy sector. The new law would also require fuel suppliers to report the estimated level of GHG emissions caused by ‘indirect land-use changes’ (ILUC), so as to allow the European Commission to publish data on ILUC-related emissions. The Commission would have to prepare a report on the scope for including ILUC emissions data in mandatory carbon accounting. The draft law will now go back to the Council for final approval. If cleared, member states would be expected to comply with the regulation by 2017.

EUROPEAN UNION – marketing support:

New programmes to promote selected agricultural products in the EU and on third country markets have been approved by the European Commission. In part, the move is intended as a proactive response to the import bans imposed last year by the Russian Federation. Costs for the 1–3 year-projects will be shared by the EU and the national private organizations that proposed the activities. Regarding oilcrops, programmes on seed oils, olives and olive oil have been approved for a combined value of EUR 28 million (USD 31.9 million). The geographical focus will be on countries outside the EU, in particular in Eastern Europe and the CIS as well as China.

INDIA – oilmeal export subsidy: As part of India’s new Foreign Trade Policy for 2015–2020, the country’s existing reward programmes for specific merchandise exports have been simplified and merged. Under the new unified scheme, oilmeals, which previously enjoyed a 2 percent export subsidy, will reportedly benefit from a 5 percent reward percentage. The subsidy is payable to traders as a percentage of realized FOB export values and may be settled against other incurred charges.

INDIA – marketing control: The Food Safety Department of Kerala State has banned thirteen brands of coconut oil following the detection of high levels of adulteration or substandard quality.

Late last year, state authorities had intensified tests on coconut oil after complaints by consumers and sector organizations were received (*see also MPPU May ’14 and April ’15*). Reportedly, more than 25 percent of the samples tested were found to be substandard, adulterated or misbranded. In most cases, coconut oil was adulterated with lower-priced palm oil, palmkernel oil or mineral oil. The public has been invited to inform the authorities should the banned brands be found in the retail market. In the meantime, the Central Food Technological Research Institute and India’s Coconut Development Board contributed to the development of a safe, high-quality blend of coconut oil (80%) and sunflowerseed oil (20%). Reportedly, thanks to an advanced blending technology, the best properties of both oils can be harnessed, while helping to prevent adulteration of coconut oil.

INDONESIA – environmental policy:

Official sources informed that a ban on forest clearing that expired in April is going to be extended. An exact timeframe for the renewal was not provided. Introduced in May 2011 for a two-year period, the initial moratorium was subsequently extended for another two years (*see MPPU Aug. ’10 & June ’13*). Meant to prevent deforestation and destruction of carbon-rich peatlands, the moratorium’s extension could affect the expansion plans of mining companies and oil palm plantations.

MALAYSIA – variable palm oil export tax:

Based on recent drops in international palm oil values, the sliding tax on palm oil exports has again been suspended in May. The duty was previously waived from September 2014 to March 2015. In April, when the reference prices rose above the trigger of MYR 2 250 (USD 631) per tonne, the duty had been reinstated at a rate of 4.5 percent.

MEXICO – agricultural support:

The agricultural ministry has offered one-time support payments to farmers in certain states who produced and marketed selected crops, including soybeans, during the 2014 spring/summer crop-

cycle. The measure is meant to compensate farmers who suffered losses due to the sharp decline in commodity prices registered between September 2012 and September 2014. The measure will be funded through the ministry's Marketing and Market Development Program which aims at boosting productivity in the agro-food sector and includes interventions to regulate supply and demand for agricultural products. Crops that in 2014 were supported through the government's Forward Contract Program have been excluded from the payment. For soybeans, a little over 150 thousand tonnes – or roughly 40 % of total domestic production – qualify for the subsidy, with eligible growers receiving a compensation of MXN 250 per tonne (USD 17).

THAILAND – biodiesel: Seven percent mandatory blending transportation diesel with palm oil-based biodiesel has been reinstated in April – reversing a cut to 3.5 percent last January, when the government reduced the blending proportion in response to a temporary shortage in domestic cooking oil supplies (*see MPPU Feb. '15*). The move comes as domestic palm oil production and inventories have grown again, reaching burdensome levels and putting pressure on domestic prices.

TURKEY – import policy: Reportedly, the minimum duty charged on sunflowerseed imports has been lowered to USD 173 per tonne (from previously USD 182), while that on imports of sunflowerseed oil has been raised to USD 540 per tonne (from USD 504).

UNITED STATES – biofuel policy: The Environmental Protection Agency (EPA), which is responsible for setting annual targets for domestic biofuel use, intends to propose ethanol and biodiesel blending requirements for calendar years 2014, 2015 and 2016 by June 1st of this year, eventually finalizing them by November 30th. The same schedule would apply for the announcement of 2017 volume requirements for biomass-based biodiesel. Although EPA is supposed to issue final targets prior to the start of the concerned year, it failed to finalize 2014 targets and has yet to propose targets for 2015.

Trade news – China/India oilmeal trade: Rapeseed meal shipments from India to China are expected to resume during the next few months, with China set to lift a three year-old ban on its imports (introduced after the detection of a hazardous chemical in consignments from India – *see MPPU Feb. '12 & Aug. '13*). Reportedly, a memorandum of understanding resolving all pending issues is about to be signed by the two countries.

Biofuel industry news – South Africa: The plans of a private-public joint venture to set up a large biodiesel plant have been put on hold. The plant was supposed to start production in 2017. Reportedly, delays in the issuance of a regulatory framework for the country's biofuel sector are behind the postponement. Regulations requiring a blend rate of 5 % biodiesel in regular transport diesel – as well as provisions for financial incentives to biofuel manufacturers – were expected to go into effect in October this year. Once implemented, the government's blending target should translate into an annual domestic requirement of 400 000 tonnes of biodiesel. The said investment project was supposed to match that demand, using about 1.1 million tonnes of rapeseed as feedstock.

Sector development initiatives

- **Canada – soybean:** The federal government has allocated CAND 225 000 (USD 187 000) to a public-private partnership promoting the soybean sector. Under the project, Agriculture and Agri-Food Canada and the Canadian Soybean Association will join forces to raise the quality and competitiveness of Canadian soybeans on global markets. Reportedly, one of the key objectives of the research initiative is to identify soybean varieties suitable for the production of soymilk for Asian markets.
- **Pacific region – coconut:** The European Union has allocated EUR 3.5 million (USD 4 million) for the development of the coconut industry in the Pacific. The project will be implemented by the Land Resources Division of the Secretariat of the Pacific Community (SPC). Target actors the private sector, farming communities and other key players like the

banking sector. Reportedly, the initiative will focus on value addition, including the development of niche markets for high income products like virgin coconut oil and coconut water.

- **Caribbean – coconut:** The EU is funding a EUR 3.5 million (USD 4 million) project to boost productivity, quality and value addition in nine Caribbean countries. Jointly implemented by the Caribbean Agricultural Research and Development Institute (CARDI) and the International Trade Centre (ITC), the project aims at improving income and employment opportunities, food security and the overall competitiveness of the coconut sector. In a first phase, key stakeholders will map out country specific value-chain road maps, looking at market options, support services, policy matters and the potential for region-wide cooperation.

- **Malaysia – palm oil derivatives:** The Government of Malaysia is promoting the development of a high-value palm oil-based biorefinery industry in East Malaysia. Reportedly, MYR 2 billion will be invested in the production of palm oil derivatives that can be used to produce plastic and nylon products. Two parallel projects in the region are focusing on the production of bio-compressed natural gas from palm oil and on the conversion of palm oil mill waste into organic fertilizer.

Glyphosate herbicides: The recent classification of glyphosate, a widely used herbicide ingredient, as “probably carcinogenic to humans” by an agency of the United Nation’s World Health Organization (*see MPPU Apr. ’15*) attracted the attention of companies, consumers and policy makers worldwide. In China, the Ministry of Agriculture has been asked to make public the results of the toxicological evaluation that led to the herbicide’s approval in the late 1980s. Reportedly, China has become the world’s top producer of glyphosate after the patents of US-based producer *Monsanto* expired in 2000. Furthermore, in the United States, federal regulators might start testing food products for glyphosate residues. Apparently, tests for glyphosate are currently not included in the

USDA’s regular food testing programmes. The tolerance level for glyphosate in food items has been set at 20 parts per million. Testing for glyphosate is said to be more costly than for other herbicides.

Palm oil sourcing

- **Cargill – palm oil:** Global agri-business and trading firm *Cargill* has assisted a group of Malaysian smallholders to achieve sustainable production certification. Reportedly, the company provided farmers with direct training and support on best agricultural practices, improved farm management practices, health and safety as well as environmental and social impact management. Certification should allow the farmers to participate in the rapidly growing global trade of certified sustainable palm oil. Typically, small independent growers lack the means to comply with the principles and standards of certifying bodies like RSPO (Roundtable on Sustainable Palm Oil) and cannot afford to hire auditing firms, a key requirement to obtain certification. Reportedly, *Cargill* also began testing unmanned aerial drones, which, inter alia, could be used to map and monitor the use of forest land and other areas of high conservation value.

- **ADM – soy/palm oil:** Global supplier of agricultural commodities *ADM* has committed to curb deforestation resulting from the farming of soybeans and oil palm. Although the company buys all of its soy and virtually all of its palm oil from third parties, as a global trader it is said to be well-positioned to push better environmental policies through the supply chain. Reportedly, the company – with help from third-party environmental experts – will begin mapping its supply chain to assess where forests and other areas of high conservation value are at risk.

Soybean news

- **Genetic diversity:** According to a group of US scientists, the lack of genetic diversity in today’s commercially grown soybean varieties leaves the crop vulnerable to diseases and other stress factors. To address the danger of persistently narrowing gene selection they recommend to use the much more variable wild

varieties found in China. Reportedly, the team has identified a series of lines with valuable traits from selected wild soybeans and is offering the material to seed companies for integration into their research and development programmes.

- **Stress tolerance:** Argentina has granted the world's first regulatory approval for an abiotic stress tolerance trait in GM soybeans. Regulatory authorities have tested the new strain, known as HB4, and concluded that soybean containing HB4 is as safe for the environment as conventional soybean. Allegedly, extensive testing undertaken by the industry in Argentina and the United States have shown that HB4 soybeans produce stable and high yields under multiple stress conditions, including drought and other stresses typically found in soybean production areas. While preparing for the variety's commercial launch, the biotechnology companies that developed the

trait intend to work closely with local and global regulatory agencies to obtain additional approvals.

- **Soy-food health claim:** Canada's health authorities have approved a health claim linking the consumption of protein-rich soy food products – such as tofu, yogurt, cheese, textured protein – to lower cholesterol levels, citing evidence showing that consumption of at least 25 grams of soy protein per day helps reduce cholesterol. Food manufacturers are now allowed to include this information directly on packaging. Similar regulations are said to be in place in Brazil, Japan, Malaysia, the Philippines, Indonesia, the Rep. of Korea and the United States.

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	<u>International Prices (US\$ per tonne) ¹</u>					<u>FAO Indices (2002-2004=100) ⁷</u>		
	Soybeans ²	Soybean oil ³	Palm Oil ⁴	Soybean Cake ⁵	Rapeseed Meal ⁶	Oilseeds	Vegetable oils	Oilcakes/ Meals
Annual (Oct/Sep)								
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
Monthly								
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
<p>¹ Spot prices for nearest forward shipment</p> <p>² Soybeans (US, No2 yellow, c.i.f. Rotterdam)</p> <p>³ Soybean oil (Dutch, f.o.b. ex-mill)</p> <p>⁴ Palm oil (Crude, c.i.f. North West Europe)</p> <p>⁵ Soybean meal (44/45% Hamburg fob ex-mill)</p> <p>⁶ Rapeseed meal (34%, Hamburg, f.o.b. ex-mill)</p> <p>⁷ 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>								