

## MONTHLY PRICE AND POLICY UPDATE \*

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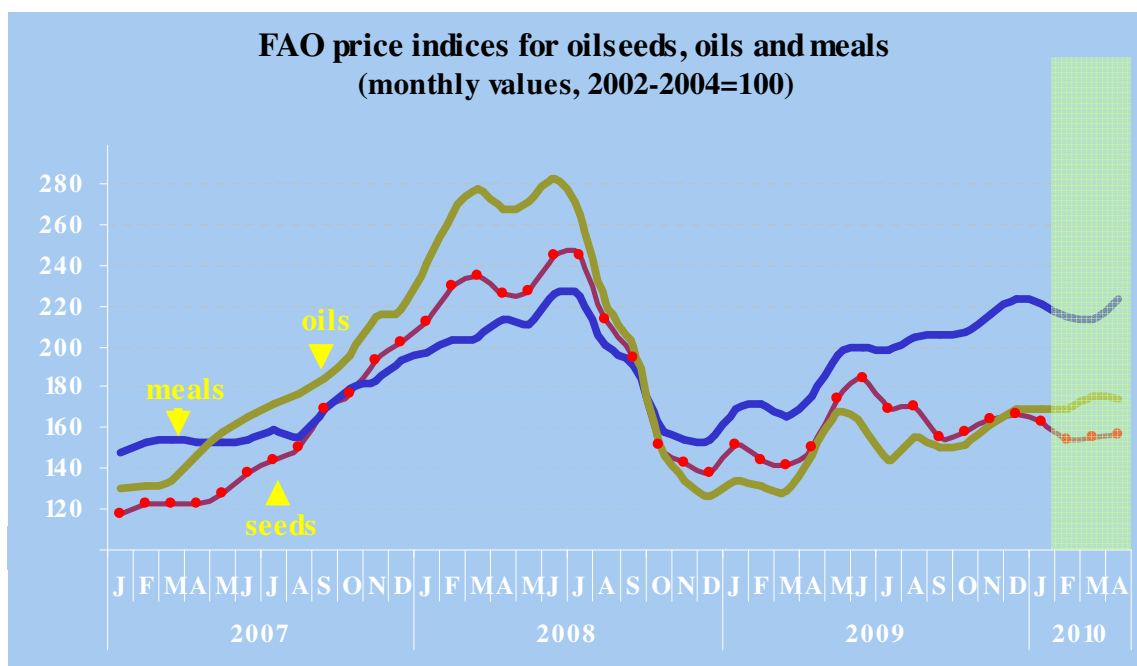
### a) Global price review

In April, world prices for oilseeds and derived products remained firm. At 157 and 174 points respectively, the FAO price indices for oilseeds and oils/fats remained about unchanged compared to last month and thus above the historic average. Meanwhile, the index for oilmeals/cakes gained over ten points, again approaching the exceptionally high level recorded in 2007/08.

The soybean complex with its ongoing harvest in South America is currently dominating developments in the global market. Despite confirmation of a record soybean outturn in South America, the region's current export availabilities fail to match global import demand, causing price firmness. On the export side, South American farmers are reported to be holding back sales in expectation of further price improvements. In addition, continued

logistical difficulties are reported and new strike actions cannot be excluded in Argentina. On the demand side, imports of soybeans and their meals continue to be strong and above expectations, especially in China. Increasingly uncertain crop prospects for rapeseed in a number of countries, including China, the EU, CIS and Australia, combined with strong crush demand also contribute to the current price firmness.

Markets for oils/fats have remained under the influence of the projected slow down in palm oil production growth. Meanwhile, demand for rapeseed oil continues to benefit from the firmness in mineral oil prices. By contrast, for sunflower oil, the supply situation is reported to have eased in recent weeks, mainly on account of strong crushing and exportation in the Ukraine.



\* 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 2010**. Previous issues can be downloaded from the FAO website at URL <http://www.fao.org/economic/est/publications/oilcrops-publications/monthly-price-and-policy-update/en/>

## b) Selected policy developments and industry news

### **CHINA - state purchases of rapeseed:**

Reportedly, government purchases of rapeseed for state reserves will continue this year. The official buying price has been set at CNY 3900 per ton.

**ICELAND - volcano eruption:** The impact of the emission of volcanic ash on agricultural production in Europe and the CIS area is reported to be negligible as the magnitude of the eruption was not big enough to significantly affect regional weather patterns. However, the prolonged disruption of air travel across Europe has significantly affected parts of agricultural trade between Europe and the developing world: producers of horticultural products, cut flowers and other perishable goods in particular in Africa suffered greatly as they entirely rely on air transport and cannot easily divert to other markets. Trade in bulk commodities like oilseeds and derived products rely on shipment by sea and thus have not been affected.

### **EAST AFRICA - oilseed supply**

**shortages:** Reportedly, limited availability of locally grown oilseeds is causing oil crushing and refining plants to work below their installed capacity. Concerned processors use oil palm (Uganda) and sunflower and cotton seed (Tanzania) as raw material. Cooking oil consumption in both countries remains heavily dependant on imported oils.

**EU - environmental sustainability of biofuel use:** A study prepared by IFPRI (on behalf of the EU Commission) states that, at the currently assumed consumption levels - namely biofuels accounting for 5.6 percent of transport fuels in 2020 - the environmental sustainability of biofuels is not significantly reduced when the effects of indirect land use changes (ILUC) are taken into account. Above the 5.6% share, however, ILUC emissions could rapidly

increase, potentially eroding the environmental sustainability of biofuels. For biodiesel, the study assumes that most of the required production increase comes from domestically grown rapeseed. It also claims that the environmental sustainability of palm oil-based diesel remains similar to that derived from rapeseed oil, even when peatland emissions are taken into account. To achieve maximum GHG emission reductions, the study recommends that import demand concentrate on more sustainable sugar cane ethanol. Also, the removal of import tariffs for biofuels is recommended as this should allow production and consumption to shift towards more emission-efficient biofuels, in particular sugar cane ethanol. The study has further fuelled the debate on the suitability of different biofuels and the implication of different targets. Assumptions on future EU production and import volumes and on the related direct/indirect land use changes remain controversial. The EU Commission is expected to issue its own final report on the subject at the end of 2010.

**INDIA - new rapeseed futures:** The *National Commodity & Derivatives Exchange Ltd. (NCDEX)* is reported to have launched a rapeseed futures contract last month in the Northern state of Haryana.

**PERU/CHILE - fishmeal and oil production constraints:** Output from the world's leading supplier Peru is anticipated to decline further in 2010. To protect marine resources during the on-going El Niño weather pattern, the government has limited the 2010 catch in the country's main fishing areas to 2.5 mill tons (compared to an average of 3.8 mill tons in the past five seasons), and the fishing season will be opened only on 13 May (compared to last year's 20 April). The cuts hit world markets at a time when global supplies are already reduced

following the massive, earthquake related damage to fish processing plants in Chile, the second biggest exporter of fish meal and oil.

**GERMANY - biofuel legislation:** In line with the EU Renewable Energy Directive, last year Germany prepared national legislation introducing the need to proof sustainability via an officially approved certifier if biofuels were to be eligible for tax incentives and count towards national targets. Originally scheduled to come into effect on 1<sup>st</sup> July 2010, implementation has now been postponed to 1<sup>st</sup> January 2011. According to private sources, under the regulation rapeseed oil could be considered as a more sustainable biodiesel feedstock than palm oil or soy oil.

**USA - rapeseed meal imports:** While the strict control system regarding possible salmonella contamination in rapeseed meal originating from Canada remains in place, another crushing plant in Canada has been added to the import alert list. The restrictions have lead to a temporary reduction in shipment from Canada as the USA represents Canada's main client for rapeseed meal.

#### **Progress in sustainable palm oil**

- **Use of certificates:** *Unilever* reports to have secured enough certificates of sustainable palm oil to cover the entire requirements of its business in Europe (as well as in Australia and New Zealand). The effort is part of the company's commitment to source all its palm oil from sustainable sources by 2015. *Unilever* uses a certificate trading programme (*GreenPalm*) which allows palm oil producers that follow RSPO's criteria for environmentally and socially sustainable farming to increase their earnings by selling certificates. Until properly segregated supply chains for sustainable produce become widely available, certificates are used as an option to

encourage growers to comply with RSPO requirements and certify their plantations as sustainable.

- **Segregated supply chains:** Global vegetable oil supplier *IOI-Loders Crocklaan Europe* announced the imminent sale of fully segregated, RSPO-certified palm oil. The company claims to be the first supplier in continental Europe. Sales are scheduled to begin once a new refinery featuring the technology and storage capacity that is required to fully segregate sustainable palm oil from all other oils opens in June 2010. The new chain should permit full traceability and would allow manufacturers to claim that a given product only contains certified sustainable palm oil.

- **Indonesian certification initiative:** Reportedly, the agricultural ministry of Indonesia is planning to set up a national certification scheme for sustainably produced palm oil (*Indonesian Sustainable Palm Oil, ISPO*). The scheme, which could become operational before the end of 2010, aims at protecting sales to markets where environmental concerns are important. Details on how the certificates would be granted are not yet available. The initiative follows reports about important buyers like *Unilever* and *Nestlé* suspending purchases from certain Indonesian suppliers on environmental grounds.

#### **Trials with 100% renewable diesel:**

Finnish refining and marketing company *Neste Oil* reports that it started testing diesel fuel based exclusively on renewable raw materials on a range of different cars. Allegedly, the fuel allows a reduction in GHG emissions of 40-80% compared to conventional fossil diesel.

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	<b>International Prices (US\$ per tonne)</b>					<b>FAO Indices (2002-2004=100)</b>		
	Soybeans <sup>1</sup>	Soybean oil <sup>2</sup>	Palm Oil <sup>3</sup>	Soybean Cake <sup>4</sup>	Rapeseed Meal <sup>5</sup>	Oilseeds	Edible/Soap Fats/Oils	Oilcakes/ Meals
<b>Annual (Oct/Sep)</b>								
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
<b>Monthly</b>								
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
2010 - March	410	920	832	381	200	156	175	213
2010 - April	412	900	826	378	205	157	174	224
<p><sup>1</sup> Soybeans (US, No.2 yellow, c.i.f. Rotterdam)</p> <p><sup>2</sup> Soybean oil (Dutch, fob ex-mill)</p> <p><sup>3</sup> Palm oil (Crude, c.i.f. North West Europe)</p> <p><sup>4</sup> Soybean cake (Pellets, 44/45%, Argentina, c.i.f. Rotterdam)</p> <p><sup>5</sup> 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>								