

MONTHLY PRICE AND POLICY UPDATE *

No. 9, October 2009

a) Global price review

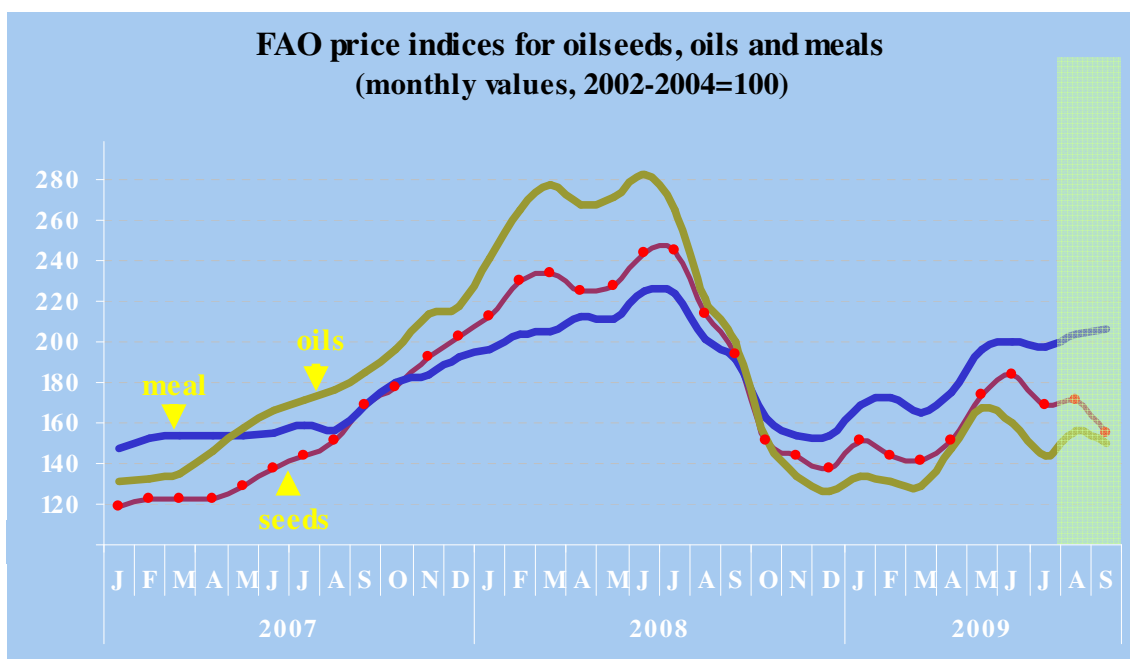
International prices for oilcrops as well as derived products fell during the month of September. At 155 and 150 points, the FAO price indices for, respectively, oilseeds and oils/fats dropped by 16 and 6 points compared to the month of August. These values are still above the depressed level recorded at the start of the 2008/09 season as well as the levels observed prior to the 2007/08 price boom.

The slight increase in the FAO index for meals and cakes reflects a further rise in the world price of fishmeal and relatively stable prices for soybean and rapeseed meal.

The relative firmness in soymeal prices is explained by reduced stocks and thus export availabilities in Argentina and Brazil, which are only partly offset by

larger shipments from USA, China and India. This tightness in the export market is coinciding with steady import demand from main buyers in Europe and Asia. Furthermore, US shipments to the EU have been affected by the Community's zero tolerance policy with regard to unauthorized GM material.

The marked drop in the oilseed price index is mainly related to the prospect of a record soybean crop in the USA, where harvesting of the 2009/10 crop has begun. A slowdown in China's soybean imports also contributed to the price weakening. As to oils and fats, the decrease in the price index appears to have been triggered by renewed growth in Asian palm oil output and stocks and the concomitant slowdown in demand by some importers, including China.



* 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 September 2009. 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

Biodiesel mandatory use: Several countries reported about their plans regarding biodiesel utilization mandates: Coming November, in Canada, Manitoba will be the first province to introduce a mandatory blend (B2). In Uruguay, the introduction of B2 was postponed from January to October 2009 due to delays in setting up the fuel distribution system. Brazil confirmed its plan to move from B4 to B5 in July 2010, i.e. three years ahead of the originally envisaged date; the higher blending level is estimated to push annual biodiesel demand to 2.2 mill tons. In Argentina, mandatory biodiesel use is confirmed to start in January 2010 at the B5 level, implying an annual biodiesel requirement of about 700 thousand tons. The government of Israel has put programmes for the gradual introduction (over the 2009-2011 period) of mandatory blending (B5) on hold along with the planned tax breaks.

GM flaxseed: GM flaxseed that is not authorized for food or feed use in the EU has been detected in Canadian shipments to EU member states. Actually, in Canada, which is the EU's main supplier of flaxseed, no GM variety of flaxseed is presently registered for commercial production. The country decided to suspend all exports of flaxseed to the EU, while concerned authorities have launched comprehensive investigations with assistance from the industry and in close collaboration with EU counterparts.

EU - soybean imports: Traces of unauthorized GM material in soybean shipments originating from the USA led to the rejection of cargoes at EU ports. Consequently, importers are reported to have voluntarily suspended purchases from the USA, a major source of supply for the EU's heavily import dependent feed industry. Reportedly, the increased uncertainty about the European feed

industry's future supply with soybean meal is causing concern among EU Commission officials as to the viability of the bloc's current zero tolerance approach on unauthorized GM material. Pressure for a revision of this policy and for the expeditious approval of new GM varieties seems to be rising.

India - GM crops: First steps towards the cultivation of GM crops have been reported with the approval in principle of, inter alia, herbicide resistant soybean varieties by the Ministry of Agriculture. However, approval from the Ministry of Science and Technology and the Ministry of Environment is still outstanding.

Biodiesel compatible engines: Reportedly, *Ford* has announced the development of a new diesel engine for a pickup model that will be fully compatible with biodiesel up to blending ratios of 20 percent.

China - support to crushers: In an effort to raise sales from state soybean reserves, reportedly the government is considering to offer a subsidy (amounting to USD 30 per ton) to soybean crushers.

India - biodiesel consumption: Reportedly, Indian Railways, a major diesel consumer (that also runs 1800 state busses), decided to get involved in vegetable oil-based biodiesel production to meet its future requirements.

USA - state laws on biofuel use: Reportedly, the implementation of biofuel legislation in individual states is awaiting direction from the federal Environmental Protection Agency as to which type of biofuels will meet anti-carbon pollution standards.

'2nd generation' GM crops: According to a survey carried out in the EU, consumer acceptance of 2nd-generation GM crops featuring output traits that provide benefits such as improved nutritional quality is

better than in the case of 1st-generation GM crops that only provide producer-related benefits.

Improved soybean varieties in SE Asia:

Reportedly, countries belonging to the Greater Mekong Delta Sub-region (Cambodia, China, Laos, Myanmar, Thailand and Vietnam) see good opportunities to develop suitable, high-performance soybean varieties through conventional breeding techniques as opposed to employing genetic modification.

Food industry - use of vegetable fats:

Reacting to feedback from consumers, *Cadbury New Zealand* is reported to have announced that it will stop using palm oil in the production of its dairy milk brand

chocolate and revert to using only cocoa butter.

High lauric acid canola: The development of a canola variety with 60 percent lauric acid content (via genetic modification) is reported from Canada. Potentially, the new variety will compete with coconut and palm kernel, the key sources of lauric oil traditionally used in the global market.

*For comments or queries
please use the following Email contact:
Peter.Thoenes@fao.org*

	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
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
<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>								