

## OILCROPS MONTHLY PRICE AND POLICY UPDATE \*

*No. 63, October 2014*

- short version -

### Global price review

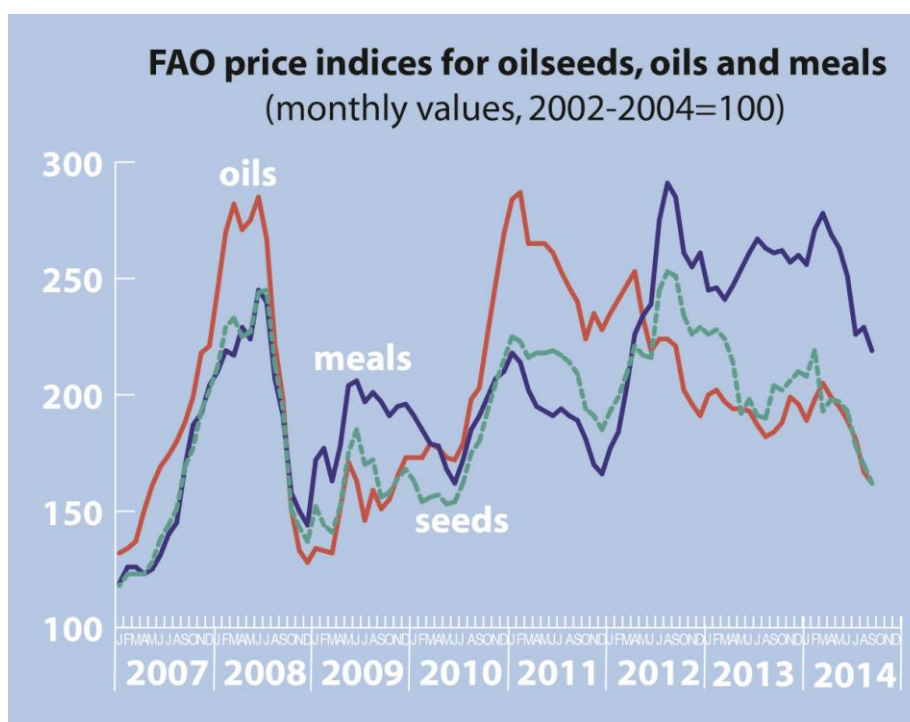
In September, FAO's three price indices for the oilcrop complex have fallen by between 3–5 percent. The indices for oilseeds and vegetable oils declined by 8 and 5 points respectively, thus continuing the slide observed during recent months, while the price index for meals has fallen by 10 points, after the slight rebound observed in August. All three indices continue to fare at multi-year lows, although the meals index remains at a historically high level.

International prices for oilseeds and oilmeals eased mainly on the prospect of large soybean availabilities during the forthcoming 2014/15 season. In the United States, record yields are

expected to boost production, possibly allowing domestic inventories to leap to an 8-year high. Furthermore, given that relative prices continue to favour soybeans over maize, record soybean plantings are expected in Brazil and Paraguay (where sowing operations have just started) and in Argentina (where planting are expected to get underway later this month). The prospect of global soybean supplies climbing to an all-time high this season, caused soybean quotations to tumble to the lowest level in 4 years.

A slowdown in soybean imports by China also contributed to the drop in prices. Weakening import demand is attributed to the combination of ample soybean supplies and flat demand for meal, which has driven processing margins in China

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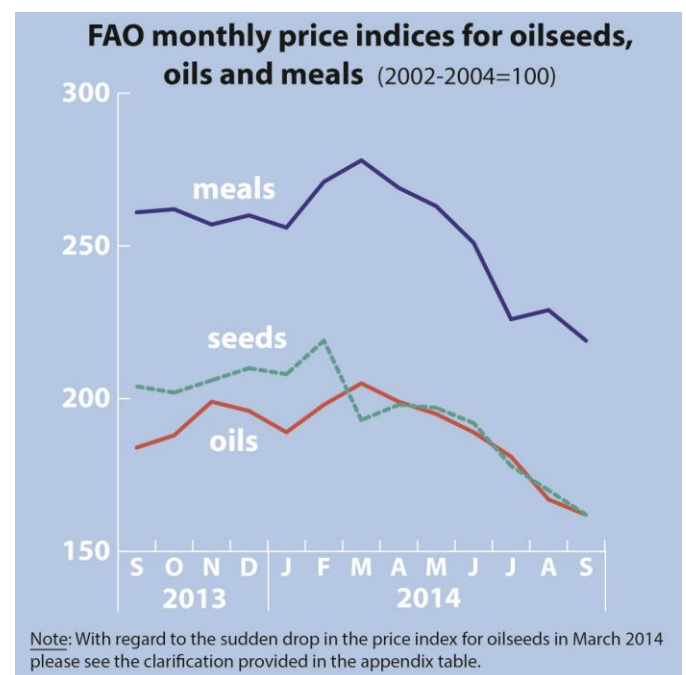
\* The **Oilcrops Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market events selected from a variety of sources. The present issue only comments on price developments in **September 2014**. 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/>.

### Global price review - cont'd

into negative territory. Developments in the world's rape and sunflowerseed markets also contributed to the slide in oilseed prices. Regarding rapeseed, in the EU, output is reported to have outpaced last year's record, while in Ukraine production should be just shy of last year's top level, thus guaranteeing a comfortable supply outlook in the region. As to sunflowerseed, global production is forecast to remain slightly below last season's all time-high, but overall availabilities are still anticipated to be ample – most notably in the Black Sea region.

With regard to the additional drop in the vegetable oil price index, palm oil remains the main driver: abundant palm oil production combined with sluggish import demand continued to keep the level of inventories high in Malaysia and Indonesia, which caused palm oil prices to drop to 5-year lows. Interestingly, in September, palm oil values weakened considerably less than in August (–5% compared to –10%), a development that can be attributed to recent improvements in demand – as consumers started responding to low prices – as well as to efforts by Malaysia and Indonesia to stimulate shipments via temporary export tax waivers. Moreover, some industry officials expect production in Southeast Asia to slow down

in the coming months as palms are expected to respond – with the habitual time lag – to the prolonged dryness experienced in the first half of the current year. With respect to other vegetable oils, the decline in soyoil prices has come to a halt in September, amid reduced soyoil export availabilities in the United States and Argentina – in part due to rising demand from biodiesel producers.



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	<b>International Prices (US\$ per tonne) <sup>1</sup></b>					<b>FAO Indices (2002-2004=100) <sup>7</sup></b>		
	<b>Soybeans<sup>2</sup></b>	<b>Soybean oil<sup>3</sup></b>	<b>Palm Oil<sup>4</sup></b>	<b>Soybean Cake<sup>5</sup></b>	<b>Rapeseed Meal<sup>6</sup></b>	<b>Oilseeds</b>	<b>Vegetable oils</b>	<b>Oilcakes/ Meals</b>
<b>Annual (Oct/Sep)</b>								
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
<b>Monthly</b>								
2012 - October	617	1183	844	555	359	234	202	261
2012 - November	595	1148	816	539	378	226	196	255
2012 - December	603	1153	772	553	396	229	191	261
2013 - January	591	1192	838	512	367	226	200	245
2013 - February	597	1164	862	513	381	228	202	246
2013 - March	588	1117	853	503	367	224	197	241
2013 - April	559	1099	841	521	300	214	194	247
2013 - May	498	1077	849	527	404	192 <sup>8</sup>	194	254
2013 - June	523	1036	858	551	321	198	193	261
2013 - July	514	997	838	568	304	191	187	267
2013 - August	514	995	824	564	277	190	182	263
2013 - September	554	1028	823	557	291	204	184	261
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 <sup>8</sup>	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
<p><sup>1</sup> Spot prices for nearest forward shipment</p> <p><sup>2</sup> Soybeans (US, No2 yellow, c.i.f. Rotterdam)</p> <p><sup>3</sup> Soybean oil (Dutch, f.o.b. ex-mill)</p> <p><sup>4</sup> Palm oil (Crude, c.i.f. North West Europe)</p> <p><sup>5</sup> Soybean cake (Pellets, 44/45%, Argentina, c.i.f. Rotterdam)</p> <p><sup>6</sup> Rapeseed meal (34%, Hamburg, f.o.b. ex-mill)</p> <p><sup>7</sup> 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><sup>8</sup> The drops in the price index for oilseeds seen in May 2013 and in March 2014 are due to structural breaks in the underlying price series for soybeans (US no2 yellow, c.i.f. Rotterdam), the component with the highest weight. For a detailed explanation of the anomalous trend in the soybean reference price, please refer to issues no. 48 and no. 58 of the Oilcrops Monthly Price and Policy Update (MPPU), which can be downloaded at the following link: <a href="http://www.fao.org/economic/est/publications/oilcrops-publications/oilcrops-monthly-price-and-policy-update/en/">http://www.fao.org/economic/est/publications/oilcrops-publications/oilcrops-monthly-price-and-policy-update/en/</a></p> <p>Sources: FAO and Oil World</p>								