



## *OILSEEDS, OILS & MEALS* MONTHLY PRICE AND POLICY UPDATE \*

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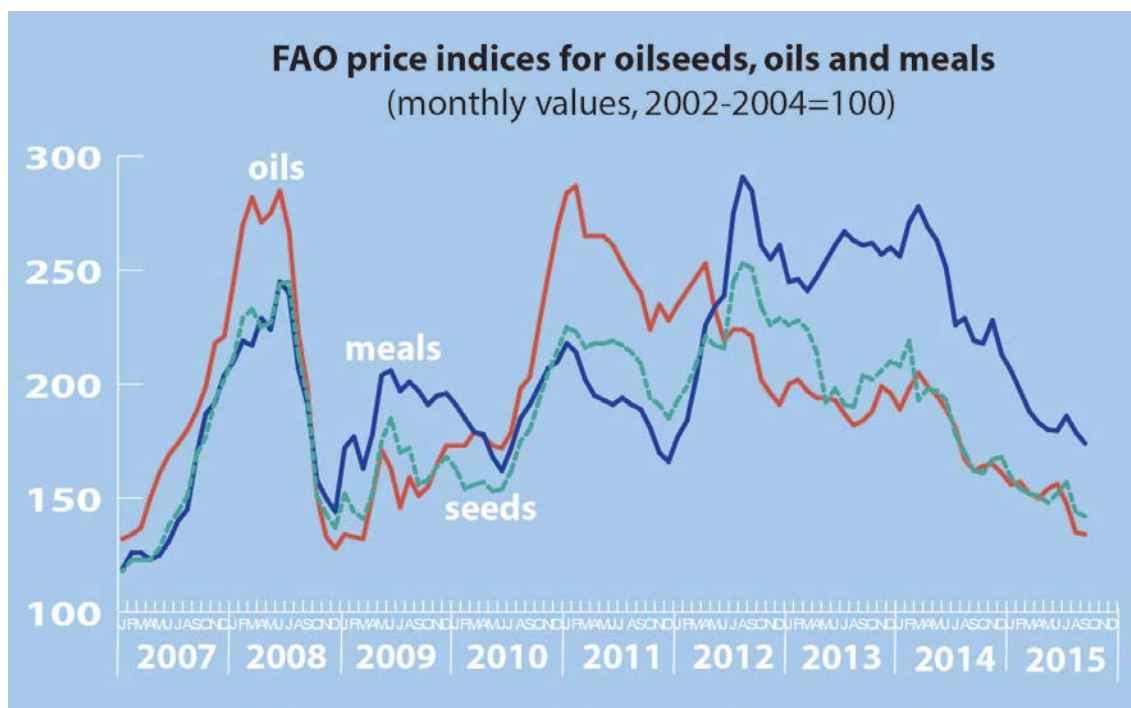
### a) Global price review

For the second consecutive month, the three FAO price indices for oilseeds, oils and meals fell in September 2015, although at a slower pace compared to August. The indices for oilseeds and oilmeals dropped by respectively 2 and 5 points (or 1 and 3 percent), whereas the oils index was only marginally below the previous month (0.5 percent). All three indices continue to fare at multi-year lows, reaching their lowest value since March 2009 in the case of oilseeds and oils, and since December 2011 in the case of meals.

The fall in the oilseeds and oilmeals indices was mainly caused by soybeans, the prices of which

weakened on expectations of abundant availabilities during the 2015/16 crop season. Good harvest progress in the United States and prospective high plantings in South America are behind the forecast of near-record global soybean production this season. Furthermore, strong soybean crushings in South America translated into abundant export availabilities of soymeal, which exerted downward pressure on international meal prices. Meanwhile, prices of rape and sunflower seed strengthened somewhat, preventing the oilseeds index from falling more pronouncedly. The firming of international rapeseed quotations reflects a slowdown in

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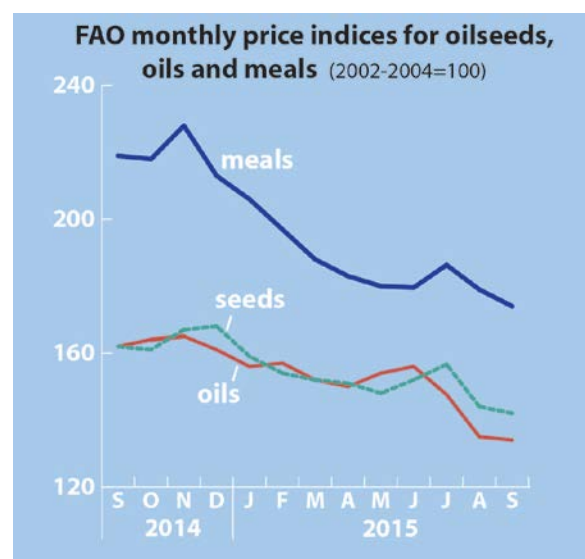
\* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market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

Australia and China. Sunflowerseed prices remained high on concerns of lower than earlier anticipated output in Ukraine and the Russian Federation, as well as poor harvests in the European Union and Turkey.

The further weakening of the vegetable oils index was mainly on account of palm oil, the prices of which dropped further, reflecting abundant export supplies, especially in Malaysia, where shipments have been sustained by production gains and a weak currency. It is noteworthy, however, that, towards the end of September, palm oil values strengthened on reports that the El Niño weather pattern had caused severe dryness in Sumatra and Kalimantan, two key palm oil producing regions, probably compromising future palm productivity. The prospect of cutbacks in palm oil production,

combined with persistently high import demand in India, could underpin prices in the coming weeks.



## b) Selected policy developments and industry news

**CHINA – GMO policy:** Following reports that farmers in Heilongjiang Province are illegally growing genetically engineered soybeans, China's Ministry of Agriculture announced a nationwide investigation over the suspected illegal cultivation of GM-crops. China, the world's top buyer of GM-soybeans, does not allow the cultivation of GM-crops on its territory and forbids sales of GM-soybeans from whatever origin to the local food industry. Heilongjiang, China's main soybean growing region, has a reputation for producing protein-rich non-GM beans for local soy-food producers, and its GM-free beans also enter the export market. Recently, the government also ordered investigations over the destination of imported GM-soybeans (*see MPPU Sep. '15*). The above moves address rising public concerns that illegal GM-products enter the country's food chain.

**EUROPEAN UNION / TUNISIA – olive oil trade:** The European Commission proposed to raise the tariff rate quota for imports of olive from

Tunisia into the EU. Under the proposal, Tunisia's annual duty-free access to the EU would be increased from the current 35 000 tonnes to 91 700 tonnes in 2016 and 2017. The initiative is aimed at supporting Tunisia's economy. Olive oil is Tunisia's top agricultural export commodity to the EU and the olive sector is reported to employ one fifth of the country's agricultural workforce. To come into force, the Commission's proposal still requires formal approval by the European Parliament and the Council.

**EUROPEAN UNION – biodiesel anti-dumping duties:** The EU extended its anti-dumping duties on biodiesel imports from the United States for a further five years, until 2020. The duties were introduced in 2009 to counter public support measures enjoyed by US producers (*see MPPU Sep. '09*). While the US biodiesel industry argued that the EU's punitive measures were no longer justified, the EU Commission claims that the risk of harm to the EU industry persisted and therefore chose to extend the duties (*see also MPPU Nov. '14*). The leading feedstock used for biodiesel production in the United States is soybean oil.

**EUROPEAN UNION – GMO policy:**

EU officials reported that 19 out of the bloc's 28 member states requested opt-outs from the cultivation of a GM-maize variety, which the European Commission had earlier cleared for EU-wide cultivation. The requests to opt-out, which also concern several pending applications (including one GM soybean event), conform with a newly adopted law that permits individual member states to ask for exclusion from any approval request for GM-crop cultivation on their respective territory (*see MPPU Apr. '15*).

**HONG KONG – edible oils/fats standards:**

The Hong Kong Special Administrative Region of the People's Republic of China announced the introduction of new safety standards and certification requirements for edible oils and fats. Applying equally to locally manufactured, exported and imported products, the measure is specifically aimed at preventing the recycling of used cooking oils and other substandard fats and oils as ingredients of edible oils/fats.

**INDIA – import policy:** India's government has raised the import tariffs for vegetable oils by 5 percentage points. The new ad-valorem tariffs for crude and refined oils stand at, respectively, 12.5 percent and 20 percent. The move is directed at containing the ongoing surge in imports of low-priced palm oil which, reportedly, is severely hurting the local refining industry. Swelling imports are also discouraging farmers to expand oilseed plantings, thus compromising the government's goal to turn India self-sufficient in edible oils within the next five years. The hike in duties follows a similar increase implemented in December 2014 (*see MPPU Jan. '15*).

Representatives from the private sector claim that the new duties are still too low to prevent imports from rising further in the long run, considering that domestic consumption of edible oils keeps expanding by 5–6% each year. Furthermore, the duty differential between crude and refined oils is said to be insufficient to protect the local refining sector from imports of low-priced refined oils (*see also MPPU Feb. '14*). However, policy makers remain concerned that stronger duty

increases could drive up consumer prices, fueling domestic inflation.

**INDIA – biodiesel policy:** India's state-owned oil marketing companies, which supply more than 95% of the fuel consumed in the country, have issued tenders to purchase biodiesel from local producers. Together with the recent deregulation of domestic biodiesel sales, the move is likely to stimulate domestic biodiesel production and consumption. While the government pursues a 5% biodiesel blend target, it does not subsidize biodiesel production. Also, the introduction of nation-wide statutory blending requirements has been postponed several times amid concerns about domestic biodiesel supplies and regulatory issues (*see also MPPU Apr. & July '15*).

**INDIA – market regulation:** Federal provisions limiting the amount of stocks of edible oils and oilseeds (as well as pulses) that private traders are allowed to hold have been extended for another year until September 2016, including new stock limits for registered warehouses. The authority to regulate trade has been granted to state governments to ensure adequate availability of the concerned commodities in the domestic market. In particular, the provisions aim at preventing hoarding and unscrupulous trading which led to upward spirals in food prices in the past.

**INDONESIA – biodiesel subsidization and oil palm support:** In line with previous government announcements, Indonesian state officials informed that funds collected via the recently introduced levy on palm oil exports (*see MPPU July & Aug. '15*) are ready to be used for subsidizing domestic sales of palm oil-based biodiesel and to replant aging oil palms. As for biodiesel, IDR 2 700 (USD 0.20) will be made available to distributors for each liter sold on the market so as to bridge the existing price gap between conventional diesel and biodiesel. With regard to the replacing of old palms, funds are available for the replanting of 15 000 hectares this year, which should be followed by 100 000 hectares next year.

**INDONESIA / EUROPEAN UNION – biodiesel anti-dumping duties:**

Upon Indonesia's request, the WTO's dispute settlement body has established a panel to examine whether the EU's anti-dumping duties on biodiesel imports from Indonesia are consistent with the existing international trade agreements. The EU's anti-dumping duties were introduced in 2013 for five years and also concerned imports from Argentina (*see MPPU June & Dec. '13*). A separate panel established upon Argentina's request (*see MPPU Jan. & May '14*) is expected to issue its first report before the end of 2015.

**MALAYSIA – market regulation:**

The government announced that it will provide incentives to plantation owners for the replanting of old oil palms with a view to (i) raising productivity levels, and (ii) temporarily reducing national palm oil output and, thus, domestic stocks, so as to boost palm oil prices, which have dropped to six-and-a-half year lows. From 1<sup>st</sup> October to 31<sup>st</sup> December 2015, oil palm estates will have access to payments of MYR 1 000 – 1 500 per ha (USD 238–357), for a total area of 83 000 ha. The government has earmarked MYR 100 million (USD 23.4 million) for the programme, which is expected to reduce crude palm oil production by 250 000 tonnes in 2016. Smallholders are excluded from the initiative as they are covered under separate replanting initiatives launched in 2013 and 2014 (*see MPPU Jan. '13 & June '14*).

**PAKISTAN – olive tree cultivation:**

Pakistan's Agricultural Research Council has provided an update on its efforts to promote olive farming in the country (*see MPPU Nov. '14*). The Council is planning to plant olive tree saplings on 3 200 ha across Pakistan this year, while a total of 20 200 ha are earmarked to be developed over the next five years. Farmers will not be charged for the planting material. Furthermore, eight oil mills of large and medium capacity will be installed and a gene bank and propagation center will be set up. Product promotion and marketing activities will be also launched, in cooperation with private sector stakeholders.

**PERU – land use policy:** To prevent the further clearing of primary rainforest in Peru's Amazon basin, the government intends to put land use decisions – including concessions for oil palm plantations – under federal rather than local authority. The move is meant to allow the implementation of strict land use rules, such as restricting the opening of new oil palm plantations to already deforested or degraded areas. In Peru, oil palm development is reported to have gathered speed since the government decided in 2003 that the production of biofuels, comprising palm oil-based biodiesel, should be a strategic priority.

**PHILIPPINES – biodiesel policy:**

The Philippine Palm Oil Development Council welcomed government plans to increase mandatory blending of diesel with biodiesel from 2 percent to 5 percent, as it would pave the way for the development of the country's nascent oil palm sector, industry officials said (*see also MPPU Feb. '14*). A higher blending rate is anticipated to boost demand for palm oil, a cheaper biodiesel feedstock than coconut oil. Reportedly, for the time being, the transition to the higher blending rate remains conditional on the findings of a commissioned study and the final recommendations of the National Biodiesel Board (*see also MPPU Jan '15*).

**RUSSIAN FEDERATION – import/GMO**

**policy:** Russia's Federal Service for Veterinary and Phytosanitary Surveillance temporarily suspended the importation of animal/fish feed products from selected EU companies, which had consignments containing undeclared GM-soybean lines. While the Russian Federation allows the importation of feedstuffs containing GM material, all GMO content of feeds needs to be formally notified as part of the feed registration process.

**SRI LANKA – import policy:** To provide relief to the domestic coconut industry, the government increased the special commodity levy applicable to edible oil imports by LKR 20/kg (USD 0.14). Effective 25 September, the new levy on crude edible oils amounts to LKR 110/kg (USD 0.78) and that on refined oils to LKR 130/kg (USD 0.93).

### **THAILAND – market regulation:**

The government lowered the reference farm-gate price paid by millers for fresh oil palm fruit to Baht 3.20/kg (USD 0.09), compared to the Baht 4–5 /kg price range in place during the last 2–3 years. The reference price was lowered in response to recent surges in domestic palm oil stocks, which has driven the free market price for oil palm fruit below Baht 3.00/kg. The government regularly holds consultations with farmer representatives, processors and consumers to coordinate measures to stabilize domestic palm oil supplies and prices (*see MPPU July '15*).

**South–South cooperation – The Philippines / Rep. of Fiji:** The two countries signed a memorandum of understanding to cooperate in the development of Fiji's coconut industry. Under the agreement, stakeholders in Fiji will receive assistance from specialized partner agencies in the Philippines in the fields of high-quality planting material, inter-cropping practices, and export-oriented coconut product processing.

### **Research and Development**

- **Biodiesel production:** U.K. researchers devised a technology to increase productivity in biodiesel production by recycling a by-product. Reportedly, crude glycerol – a by-product of the vegetable-oil-to-biodiesel conversion process that employs methanol derived from fossil fuel – can be turned back into methanol, which can then be used as a starting reactant to create more biodiesel. Apart from lowering production costs,

the technology is said to offer significant environmental benefits by sustainably improving the yield of biodiesel in a way that doesn't require additional fossil fuels.

- **Non-GM soybean variety:** In the United States, a new non-GM high-protein soybean variety is ready to be commercially launched under the name of 'UA 5814HP'. The variety, which has a protein content said to range 5% above that of other conventional soybean lines, has been developed in Arkansas to fit the needs of livestock producers, especially the poultry industry. Reportedly, the new product targets an emerging market, catering for growing interest for non-GM soybeans (*see also MPPU July'15*).

**Sustainable sourcing policies:** US consumer and professional products company *Clorox* and Mexico-based bakery firm *Grupo Bimbo* joined the list of companies that committed to responsible and traceable sourcing of palm oil. Likewise, US agribusiness company *Bunge* pledged to eliminate deforestation from across its agricultural supply chains, including soybeans, following on from similar commitments made on palm oil. Reportedly, the companies are working on time-bound action plans to operationalize their commitments, including verification of compliance via regular progress reports.

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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
2013/14	521	949	867	534	324	194	189	253
2014/15	407	777	658	406	270	155	153	194
<b>Monthly</b>								
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
2015 - May	385	781	663	371	290	148	154	180
2015 - June	397	800	670	372	282	152	156	180
2015 - July	413	746	635	389	264	157	148	186
2015 - August	375	729	544	371	270	144	135	179
2015 - September	367	725	533	362	256	142	134	174
<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 meal (44/45% Hamburg fob ex-mill)</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>Sources: FAO and Oil World</p>								