



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

No. 19, October 2010

### a) Global price review

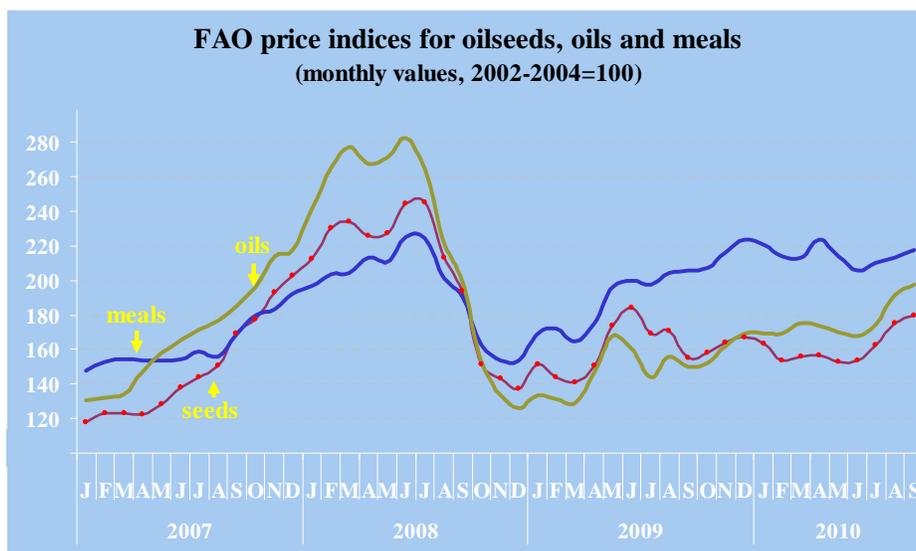
September has seen an increase in prices for oilseeds and derived products for the third consecutive month, with price levels moving well above historical averages. At 180, 218 and 198 points for oilseeds, meals and oils respectively, the FAO price indices for September have moved closer to the values of the corresponding period in 2008, the year of the exceptional price peaks.

The further appreciation in the oilseeds market concerns all three major players, soybean, rapeseed and sunflower. For the two latter crops, the global shortage in supplies in 20/11 is confirmed. For soybeans, by contrast, supplies are currently forecast to be relatively ample; however, marked price strength in the global grain markets has spilled over to soybeans. But price firmness is also the result of continued strong export demand for soybeans (notably from China) and nervousness regarding South America's 2011 crop (as dry weather is delaying plantings and could negatively affect

growing conditions) as well as next year's plantings in the USA, where soy could lose some acreage to maize.

The prospect of a general supply tightness developing in the global vegetable oil market during 2010/11 explains the continued strengthening in prices for this group of products. Firm crude oil prices and steady demand for biodiesel are also contributing to the current price firmness. More specifically, in the case of palm oil, the most widely traded oil, renewed concern about lower than expected production (due to heavy rainfall), the ensuing delay in stock recovery, and steady export demand has supported prices in September.

As to meals, soya meal, the most widely consumed oilmeal, seems to have followed appreciating bean prices in addition to responding to reports of further losses in feedgrain crops. The prospective fight for acreage in the USA (between soy and maize) has also started to support prices.



\* 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 during **September 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

### **BELARUS - export restrictions for rapeseed:**

After the introduction of a variable export duty for rapeseed in June 2010, in September, rapeseed oil fell subject to a six-month export ban. Reportedly, an extension of the ban to rapeseed is also being considered. The measure has been justified by this year's shortfall in rapeseed production following adverse weather conditions. The shortfall comes in a period of rising demand caused, inter alia, by growing production of rapeseed-based biodiesel.

### **CANADA - support to biodiesel**

**production:** As part of the *Ecoenergy for Biofuels* programme, the government is set to provide support to a private producer of biodiesel and glycerol who uses animal fat and waste cooking oil as feedstock. The end-product shall be sold on the domestic market as well as exported to the United States. The investment is expected to help reducing GHG emissions while promoting a sustainable environment.

### **CHINA - soybean:**

- **Public production support:** The soybean industry in Heilongjiang expects the government to introduce additional measures in support of soy farmers in the coming months. In the country's main soybean province, production growth has come to a standstill in recent years in spite of several government measures supporting the sector, notably public purchasing and storing schemes and import restrictions. Despite these efforts, the region's crushing capacity utilization rate is reported to have dropped to 20-30%. The steady expansion of imports of competitively priced soybeans in coastal provinces explains most of this development.

- **Oversees investment:** Reportedly, Chinese investors and public authorities in

Argentina's southern province Rio Negro are conducting negotiations regarding the development of 200,000 ha of soybeans.

**LIBERIA - oil palm development:** A major public-private partnership has been launched to develop the oil palm industry. Participating parties are committed to environmentally and socially sustainable methods of production and to work with smallholders. The investment is seen as a central growth pillar in rebuilding the country's economy and reducing poverty.

### **MALAYSIA - biodiesel production:**

Reportedly, the government's recent decision to postpone by one year the introduction of B5 (i.e. mandatory blending of transport diesel with 5% of palm oil-based fuel) caused domestic production of biodiesel to virtually stop. At the current price level for crude palm oil and in the absence of subsidies, margins are reported to be insufficient to justify biodiesel production. Opportunities on the export market are also very limited due to (i) increased wariness of some buyers to purchase palm oil-based diesel based on environmental considerations, and (ii) the availability of competitively priced biodiesel from other countries.

### **RUSSIAN FEDERATION - export**

**restrictions for sunflower:** According to press reports, the government is giving consideration to the introduction of restrictions on sunflowerseed and oil exports in response to the prospective fall in domestic production following recent adverse weather conditions. By limiting the outflow of oilseeds, the government would aim at preventing local market prices from rising. The restrictions considered are a temporary export ban or the introduction of duties.

### **UNITED STATES - soybean relief**

**payments:** USDA announced that it is going to provide assistance to producers of

soybeans and other crops who suffered quality and yield losses in 2009 due to high moisture conditions. Reportedly, soybean farmers that experience at least five percent loss will be eligible for a relief payment of USD 15.62 per acre planted or intended for planting in the 2009 season.

**Jatropha - genome sequencing:**

Reportedly, a group of scientists has succeeded in sequencing the genome of *jatropha curcas*, a biofuel crop that has attracted interest in many countries. The non-edible crop grows on marginal land with minimum inputs, supposedly not competing with food production. However, under the said conditions, yields tend to be low and erratic, also because to date seeding material was often derived from wild populations. The identification of the plant's genetic sequence is expected to speed up the development of proper varieties with high yield potential, better drought tolerance and other desirable traits.

**Soybean high in oleic acid:** Reportedly, researchers in the United States have developed - through traditional breeding techniques - a soybean whose content of oleic acid is 80% as opposed to 20% in conventional material. The level of

monounsaturated oleic acid has been increased at the expense of saturated fats, supposedly creating a healthier oil. Thanks to its specific fatty acid composition, when used in the food industry, the oil remains stable at high temperatures and does not require hydrogenation - a process that creates trans fats, which were shown to be unhealthy. In order to launch the new variety at commercial level about three years will be required.

**Sustainable palm oil:** Reportedly, United States food manufacturer *General Mills* decided to stop buying palm oil from companies suspected of using environmentally harmful practices. The food company is committed to procure, by 2015, all of its palm oil from responsible and sustainable sources. Global Mills is following the footsteps of other global food companies.

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	<u>International Prices (US\$ per tonne)</u>					<u>FAO Indices (2002-2004=100)</u>		
	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
2009/10	429	924	807	389	221	162	173	215
<b>Monthly</b>								
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
2010 - May	406	864	813	353	226	153	170	214
2010 - June	408	860	794	342	194	154	168	206
2010 - July	426	911	811	361	225	162	174	211
2010 - August	457	1002	901	389	245	175	192	213
2010 - September	468	1036	910	398	277	180	198	218
<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><b>Note</b> : 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><b>Sources</b>: FAO and Oil World</p>								