



OILSEEDS, OILS & MEALS MONTHLY PRICE AND POLICY UPDATE *

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- short version -

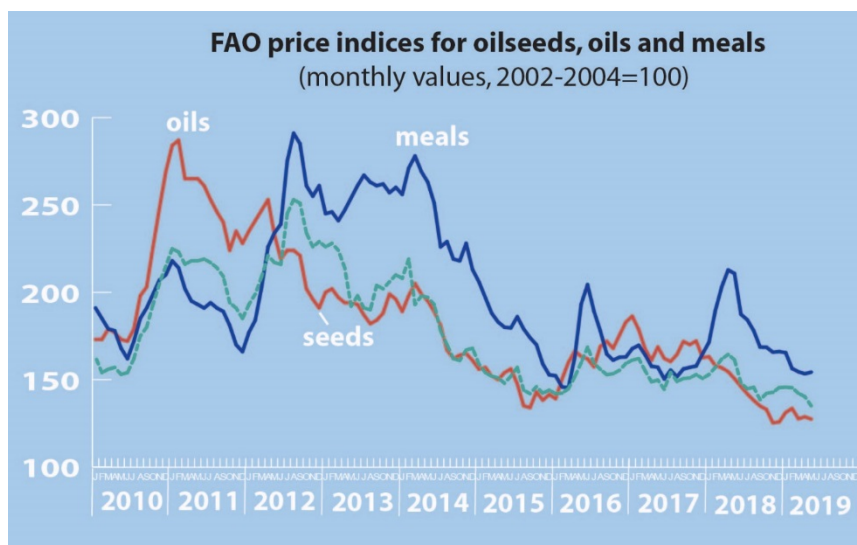
Global price review

In May, FAO's price index for oilseeds dropped for a fourth consecutive month, shedding 5.3 points (or 3.8 percent) and marking the lowest level since June 2007. The vegetable oil index also fell, losing 1.3 points (or 1.0 percent) and staying at historically low levels. Meanwhile, the oilmeal price index inched up by 0.9 points (or 0.6 percent), yet remaining well below the year-earlier level.

The fresh drop of the oilseed index mainly reflects weakening soybean values, while prices of rapeseed remained stable and sunflowerseed values rebounded modestly. International soybean quotations continued to be under downward pressure during most of the month. While factors already mentioned in the past few reports continued to be at play, notably improved harvest conditions in South America and worries that the prolonged impact of the African Swine Fever epidemic would contain Asian feed demand, the

month of May saw a couple of new market developments: first, the trade tensions between the United States and China intensified at the beginning of the month, reinforcing concerns about the United States' burdensome soybean supplies. Correspondingly, Chicago soybean futures tumbled to their lowest level in more than a decade. At the same time, as China placed new orders for Brazilian soybeans, the latter sold at a premium of over USD 20 per tonne relative to US origins. Second, the month of May was characterized by growing uncertainties over new crop plantings in the United States. Given exceptionally wet conditions and widespread flooding this year, delays in maize plantings could result in higher soybean acreage than originally planned. However, with soybean prices falling to historic lows and maize prices gaining strength, farmers are facing difficult choices. In particular, producers insured under the federal crop

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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. This particular issue only reviews price developments observed in **May 2019**. 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/>

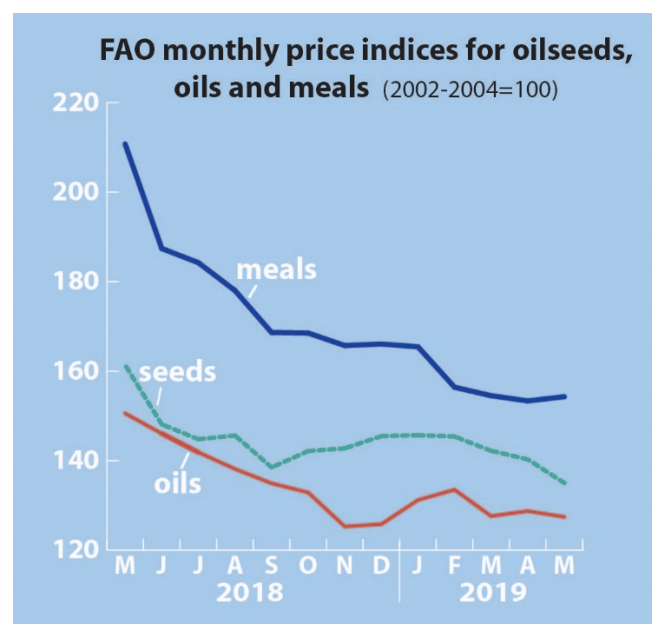
Global price review – *cont'd*

insurance schemes could opt to leave part of their land fallow and receive a ‘prevented planting’ payment. Further complicating the situation are the 2019 ad-hoc farm-aid payments aimed at compensating producers hit by escalating tariffs, which were announced by the US Government in late May. While details of the package are yet to be finalized, officials disclosed that farmers would need to plant to qualify for assistance and that (to avoid influencing planting decisions) payments would not be crop-specific. Moreover, forecasts of further rainfalls raised concerns that farmers might not be able to complete soybean plantings either. Given this exceptionally complex situation, market uncertainty might prevail until a more accurate picture of actual plantings emerges.

International rapeseed prices remained virtually unchanged in May. On one hand, the deteriorating production outlook in the EU and dry weather conditions in Australia lent support to rapeseed prices; on the other hand, prospects of record-high global inventories, especially in Canada, the world’s top rapeseed exporter, weighed on market sentiment. As for the other crops covered by FAO’s oilseed price index, sunflowerseed values saw a moderate rebound, fuelled primarily by robust global import demand.

After the downward trend observed in recent months, FAO’s price index for oilmeals remained about unchanged. Quotations for soymeal, the dominant component of the index, rose fractionally on both, revived imports by the EU and some Asian nations and price upturns in China, where rising demand from the country’s poultry sector coincided with heightened concerns over tightening soymeal supplies due to continued trade tensions with the United States.

With regards to vegetable oils, the fresh drop in FAO’s price index stems from weaker values for palm oil, the index’ leading component, while prices of soy, rapeseed and sunflower oil appreciated somewhat. Continuing to fluctuate around multi-year lows, international palm oil quotations dropped to a 5-month low in May as, despite the recent revival in global palm oil imports, inventory levels in the world’s leading exporters remained elevated in historical terms. Further losses in mineral oil values and the official release of the EU’s regulation regarding the use of individual biofuel feedstock (which may lead to a gradual phase-out of palm oil based-biodiesel in the EU) also weighed on prices. By contrast, soyoil quotations appreciated for a second successive month, sustained by continued strong domestic uptake in the United States. As for rapeseed and sunflower oil, the latest gains in prices were underpinned by, respectively, firm global import demand and concerns over unfavourable production prospects in the EU.



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	FAO price indices (2002–2004=100) ¹		
	Oilseeds	Vegetable oils	Oilcakes/ meals
Annual (Oct/Sep)			
2004/05	104	103	101
2005/06	100	107	96
2006/07	129	150	128
2007/08	216	246	214
2008/09	157	146	179
2009/10	162	177	183
2010/11	214	259	200
2011/12	214	232	219
2012/13	213	193	255
2013/14	194	189	253
2014/15	155	153	194
2015/16	151	155	168
2016/17	154	160	171
2017/18	153	154	182
Monthly			
2018 - January	153	163	171
2018 - February	157	158	190
2018 - March	162	157	203
2018 - April	164	155	213
2018 - May	161	151	211
2018 - June	148	146	187
2018 - July	145	142	184
2018 - August	146	138	178
2018 - September	139	135	169
2018 - October	142	133	169
2018 - November	143	125	166
2018 - December	145	126	166
2019 - January	146	131	165
2019 - February	145	134	156
2019 - March	142	128	155
2019 - April	140	129	153
2019 - May	135	127	154
¹ FAO's price indices are based on the international spot prices of five selected seeds, ten selected vegetable oils and five selected cakes and meals. The indices are calculated using the Laspeyres formula; the weights used are the average export values of each commodity for the 2002-2004 period. Source: FAO, based on Oil World data			

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