Food and Agriculture Organization of the United Nations

OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

No. 120, July 2019

a) Global price review

In June, FAO's price index for oilseeds rebounded from the multi-year low registered during the previous month, gaining 6.3 points (or 4.7 percent), while the oilmeals index also strengthened by 8.2 points (or 5.3 percent). By contrast, the vegetable oil index dropped to a 7-month low, shedding 2.0 points (or 1.6 percent). All three indices fared below their year-earlier levels.

After reaching a 12-year low, in June the oilseeds index posted an increase, largely reflecting firmer soybean and rapeseed values, while sunflowerseed quotations weakened. Soybean prices recorded a marked rebound of over 6 percent, thus reversing the downward trend observed since the beginning of the year. Although uncertainties regarding the US-China trade negotiations and the further spread of the African Swine Fever epidemic continued to weigh on markets, exceptional delays in soybean plantings in the United States due to widespread flooding and continued rainfall gave rise to concerns, causing higher and more volatile prices. Only towards the end of the month, prices lost upside momentum as weather conditions in the United States started to improve. In view of remaining uncertainties about areas planted in the United States, the USDA informed that it would re-survey crop areas in key producing regions, indicating that results would be published in August. With regard to rapeseed, international quotations firmed, mainly reflecting continued concerns over challenging crop prospects in the EU, Canada and Australia, although persistent trade tensions between China and Canada limited upside pressure. On the other hand, sunflowerseed values contracted in June, as both expectations of ample global stocks and recent improvements in weather conditions across the Black Sea region weighed on prices.

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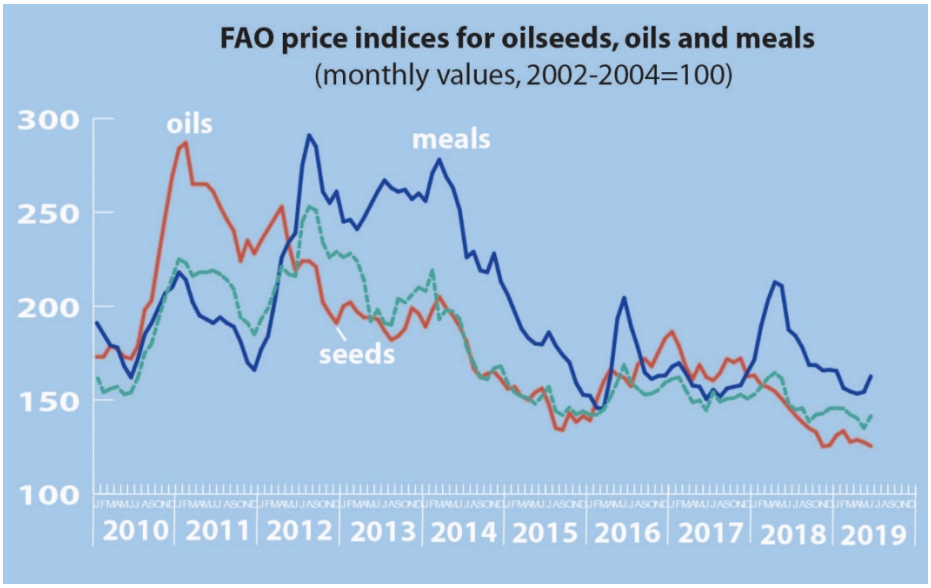


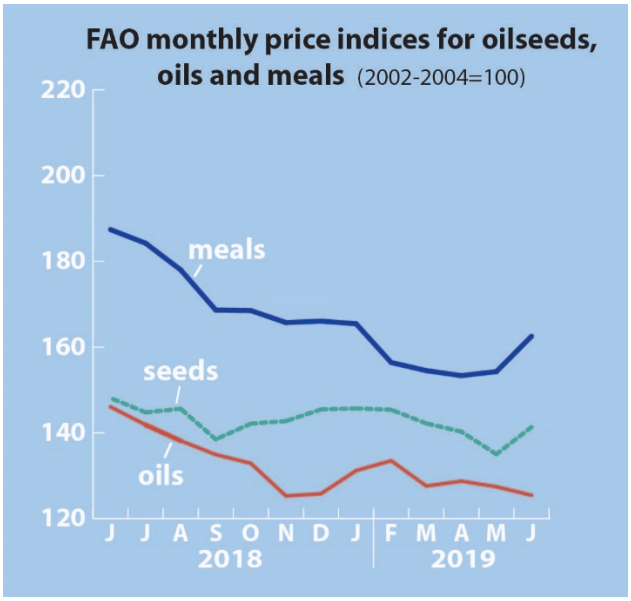
* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market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

As to FAO's oilmeal index, its marked month-on-month rise largely reflects firming soymeal values. International soymeal prices appreciated on lower than expected crushings in the United States and reports of below average soymeal yields in Argentina (respectively the world's second largest producer and the top exporter of soybean meal), together with concerns that rising soybean prices could lower global crush margins and consequently curtail supplies.

With respect to the price index for vegetable oils, the latest drop primarily reflects weakening palm and soy oil values, whilst sunflower and rapeseed oil prices appreciated marginally. In June, international palm oil quotations weakened further, faring 20 percent below the year-earlier level. In addition to a slowdown in global import demand, the prospect of seasonally rising output in the key exporting countries also exerted downward pressure on prices – offsetting support coming from robust domestic demand in some Southeast Asian countries, notably Indonesia.

World soy oil prices also dropped modestly, as slowdowns in import demand coincided with expectations of ample global supplies. By contrast, quotations of sunflower and rapeseed oil continued trending upward reflecting, respectively, robust import demand and renewed concerns over unfavourable crop conditions in major producing countries.



b) Selected policy developments and industry news

UNITED STATES / CHINA – trade negotiations: In May, stalling trade talks between the two countries resulted in both sides introducing additional trade measures affecting their respective imports. On 10 May, the United States raised import tariffs on USD 200 billion worth of Chinese goods from 10 percent to 25 percent, while, on 1 June, China started taxing USD 60 billion of US imports at rates between 10 and 25 percent. Commodities affected by the United States' higher duties include a number of oilcrops and oilmeals, imports of which, however, have been negligible in recent years. Similarly, the new Chinese tariffs apply to a number of US-produced oilseeds and derived products (as well as fishoil/meal and meals of animal origin), which, however, are imported only in small quantities. Eventually, on 29 June, the two sides decided to resume their negotiations. While fresh talks are underway, the United States pledged not to target Chinese exports with new tariffs, while China agreed to purchase undisclosed amounts of US agricultural goods.

ARGENTINA – import policy:
The Government informed that soybeans imported for subsequent re-export in the form of oil/meal would be exempted from a recently implemented increase in the country's 'statistics duty'.

ARGENTINA – agricultural support (relief measure): The Government announced that it would support grain producers in the country's Chaco province who have been affected by

extensive floods in the 2018/19 season. Eligible farms would receive up to ARS 179 360 (USD 4 220) to facilitate the purchase of inputs for the forthcoming crop.

BOLIVIA – export policy/GMO policy:
To assist soybean farmers affected by both adverse weather conditions and the recent decline in international soybean prices, the Government decided to i) de-restrict up to 60 percent (or 1.6 million tonnes per year) of the country's soybean exports, and ii) authorize the cultivation of two new genetically engineered soybean events. The new export regime will replace a permit system that required producers to sell soybeans at regulated prices until domestic demand was satisfied. Furthermore, banks were invited to review and possibly renegotiate the terms of outstanding farm loans. The measures aim at raising the export competiveness of the country's soybean industry, which accounts for 45 percent of agricultural land and dominates the country's agricultural exports.

BRAZIL – agricultural policy:
The Government presented its agricultural support programmes for the 2019/20 season, highlighting that particular attention had been given to the needs of small/medium-sized farms and to the following areas: crop insurance; low-carbon agriculture; technical innovation; irrigation; soil improvement; new credit tools; forest protection; and dairy, pork and poultry production. In the new season, farmers will be granted access to various types of concessional loans adding up to BRL 222.7 billion (USD 59.2 billion). Total government outlays for interest rate subsidies have been set at BRL 10 billion (USD 2.66 billion), only marginally higher than last season. While all the major credit programmes will be expanded, the interest rates for larger producers have been raised. Marketing assistance programmes have also been re-authorized, although with reduced budgetary allocations (in part reflecting lower world market prices). By contrast, outlays for crop insurance programmes are set to expand sizeably for the second year in succession: in 2019/20, these programmes are expected to cover 15.6 million hectares through some 212 000 policies worth a total of BRL 42 billion (USD 11 billion). Finally, producers will be provided with additional options to apply – with governmental assistance – for private loans.

BRAZIL – transport policy: In April, Brazil's Land Transportation Agency (ANTT) raised the government-set truck freight cost by 4.1 percent (on average) to compensate drivers for increases in the price of transport diesel. The agency also announced new efforts to ensure that the minimum rates were enforced. The country's national association of grain exporters continued to maintain that mandatory freight rates were both inefficient and illegitimate.

BRAZIL – market regulation:
CONAB, Brazil's national procurement and supply company belonging to the Ministry of Agriculture, informed that – to streamline its operations – it would reduce the number of public grain storage facilities operated across the country from 92 to 65, adding that the closures were envisaged in locations where ample private storage capacity was available.

CANADA – rapeseed sector support (trade mitigation measure): Further to the support measures introduced in early May *(see MPPU May'19)*, the Government announced an additional CAD 150 million (USD 115 million) in insurance support to Canadian rapeseed exporters. The new aid is aimed at helping companies exporting rapeseed manage uncertainties associated with the exploration of new markets (following recent disruptions in exports to China). Adequate insurance coverage is critical for exporters trying to access fresh working capital from banks. Granted by Canada's export credit agency, additional insurance protection will be used to cover potential defaults on commercial sales contracts.

CHINA – import policy: Following a review of the country's anti-dumping/countervailing duties on imports of distillers grains (DDGS) originating

in the United States *(see MPPU May'19)*, China's Ministry of Commerce opted not to remove the duties in question, citing continued potential damage to domestic producers.

CHINA – market regulation

- Price control and supply management:

In April, the Beijing Municipal Government released an emergency plan to regulate the supply and prices of grains and cooking oil such as soybean oil. Under the measure, municipal authorities will monitor wholesale and retail prices and may resort to price control mechanisms, including the release of grains/cooking oil from state-owned stockpiles.

- Government auctions:

National auctions of soybean and rapeseed oil from state reserves were resumed on 17 June 2019. By end-June, 579 000 tonnes of soybean and 105 000 tonnes of rapeseed oil were sold, achieving average prices of, respectively, CNY 3 057 and CNY 6 277 per tonne (USD 445 and USD 913). While all rapeseed oil on offer found a buyer, in the case of soybeans, 30 percent remained unsold.

CHINA – food standards: China notified the World Trade Organization of a draft national standard on maximum mycotoxin levels in food products. The proposed standard determines maximum levels for, *inter alia*, soybean, groundnuts, sesame and their derived products as well as for vegetable oils and fats.

EUROPEAN UNION – biofuel policy:
New EU regulations defining high/low ILUC-risk (indirect land use change) biofuel feedstocks came into force on 10 June *(see also MPPU May'19)*. While palm oil producing countries condemned the new measure for its allegedly discriminatory and protectionist nature, EU farmer organizations expressed concern that the regulation might not be effective in reducing the use of imported high ILUC-risk biofuel feedstock.

FINLAND – biofuel policy: The Finnish Government joined other Nordic countries in announcing ambitious goals related to climate change, including the obligation to blend aviation fuel with 30 percent renewable fuel by 2030. Feedstock for renewable jet fuel include used cooking oil and animal waste fat. *(See also MPPU Jan.'19)*

INDIA – biofuel policy: India's Central Government authorized nationwide sales of pure biodiesel (B100) for transportation purposes – while barring the sale of ready-made blends of whatever percentage. B100 may not be sold as a standalone ready-for-use fuel, meaning that the onus of blending B100 with conventional diesel rests on the buyer. In this regard, the industry recommends a ratio of 80% diesel and 20% biodiesel. Gas stations selling B100 are required to display warnings that disproportionate blending may cause damage to engines. All biodiesel sold in India needs to be indigenously produced and has to comply with official standards. Reportedly, at the pump, biodiesel currently costs 14 percent less than conventional diesel. *(See also MPPU Oct.'18)*

INDIA – food standards/safety:
Tamil Nadu state authorities warned consumers about the continued presence of adulterated edible oil in local markets. Food safety agencies reported that they discovered groundnut and sesame oil adulterated with lower-priced palm oil. To counter such practices, in December 2018, the Food Standard and Safety Authority of India (FSSAI) amended the country's labelling regulations, determining that packaged vegetable oil blends had to be labelled as such, including mention of both the type of oils included and the percentage of each oil by weight. The new regulation has come into force on 1 July 2019. *(See also MPPU Aug.'18)*

INDONESIA – biodiesel policy:
According to local media, Indonesia began testing transportation diesel with a bio-content of 30 percent, in line with renewed government efforts to further develop the domestic market for

palm oil amid slowing growth in global demand. Reportedly, the Government is considering raising the current mandatory blending requirement of 20 percent to 30 percent, sometime next year *(see also MPPU Jan. & May'19).* Industry experts estimate that a nationwide shift from B20 to B30 would push annual biodiesel consumption from currently 5.5 million tonnes to 8 million tonnes. Reportedly, the Energy Ministry plans to extend the ongoing B30 tests to trains, vessels and heavy machinery in the mining industry.

INDONESIA – variable palm oil export duties: In Indonesia, where palm oil exports are subject to both a tax and a levy, the respective palm oil benchmark prices continued to range below the thresholds that trigger export dues. Accordingly, exports remain tax exempt in June and July, marking 28 months since the export tax' suspension in March 2017. As for the levy charged on palm oil exports, the due will remain suspended until further notice. According to official sources, proceeds collected until the levy was suspended in November 2018 are sufficient to continue financing the government's biodiesel subsidization and oil palm replanting programmes *(see also MPPU May'19).*

MALAYSIA – variable palm oil export tax: In Malaysia, where palm oil benchmark prices have ranged below the threshold that triggers export taxation since September 2018, the Government decided to keep the tax exemption in place until 31 December 2019 – irrespective of price developments. The measure is aimed at improving the export competiveness of Malaysian palm oil and encouraging sales to new markets (notably in Africa, the Middle East and the Russian Federation), while helping to lower the nation's stockpiles. Government officials pointed out that, in addition to facing low prices, oil palm growers are affected by a shortage of foreign workers.

MALAYSIA – certified sustainable palm oil: Concerned about delays in the implementation of Malaysia's mandatory Sustainable Palm Oil standard (MSPO), the Government announced additional support measures to speed up the certification process *(see also MPPU Dec.'17 & May'19).* MYR 100 million (USD 24 million) have been set aside to entirely cover the auditing fees incurred by small and medium-sized estates (defined as holdings cultivating between 40 and 1 000 hectares). In addition, the said estates can now apply for a 50 percent reimbursement – up to a maximum of MYR 10 000 (USD 2 432) – of costs incurred while preparing for MSPO certification. As for organised smallholders (farmers running plantations of less than 40 hectares), support payments have been raised from MYR 10 to MYR 55 per hectare (respectively USD 2.43 and 13.48). Eligible applicants will receive the various payments once they obtained the MSPO certificate.

MALAYSIA – biofuel policy: In view of the increase in the country's mandatory biodiesel blending rate from 10 percent to 20 percent planned for next year, the Federal Government set up an inter-ministerial committee tasked to monitor and ensure that domestic crude palm oil prices remain stable and local biodiesel prices stay competitive. Reportedly, the committee will look into the possibility of setting up a biodiesel stabilization fund. *(See also MPPU Mar.'19)*

MALAYSIA – smallholder support (oil palm replanting): The Federal Government set up a soft loan fund worth MYR 550 million (USD 134 million) to help smallholders replant their unproductive oil palms. Under the scheme, smallholders that replace old palms with higher-yielding plantlets will have access to loans bearing interest rates of 2 percent. The measure reflects concerns that the current depression in palm oil prices could slow down replanting activities among small producers. Malaysian smallholders benefitted from replanting incentives also in past years *(see MPPU Jan.'13, June'14 & Oct.'15).*

NORWAY – biofuel policy: The Norwegian Environment Agency published data on domestic biofuel sales, broken down by conventional (first-generation) fuels and advanced (second-

generation) biofuels. The figures show that, in 2018, overall biofuel sales decreased by 25 percent, primarily reflecting a significant drop in imports of palm oil – a development attributed to the 2017 policy change that banned public procurement and use of high-ILUC-risk biofuel feedstock *(see MPPU July'19).* Reportedly, between 2017 and 2018, Norway's consumption of palm oil-based biofuels dropped by 70 percent, while the uptake of advanced biofuels – produced primarily from imported slaughter waste and used deep-fry oil – increased by 38 percent.

THAILAND – biofuel policy:
In May, government officials presided over the commercial launch of B10 and B20 biodiesel, i.e. transport diesel containing, respectively, 10 and 20 percent of palm oil methyl ester. The Government's declared policy is to promote B10 as the country's main diesel fuel, replacing the current B7 mix by 2021 – in a bid to absorb surplus palm oil production and bolster local prices of fresh palm nuts and crude palm oil *(see also MPPU May'18 & May'19).* The Energy Ministry anticipated that – combined with increased palm oil uptake by state-owned power generating companies – the higher fuel blends will raise domestic uptake of for fuel/energy production to 2.5 tonnes annually, compared to the current level of 1.5 million tonnes. Reportedly, to incentivize consumers to shift to B10 and B20, the new blends will be sold at a discount to both conventional diesel and B7 blends, thanks to adjustments in the country's excise tax structure.

UNITED STATES – farm relief measures
- Trade mitigation measure:

In May, USDA announced a USD 16 billion aid package for farmers affected by market disruptions due to tariffs imposed by trading partners. The measure, which resembles a package introduced last year for 2018 crops *(see MPPU Aug./Oct.'18),* includes: i) a 'Market Facilitation Program (MFP)' that will provide USD 14.5 billion in direct payments to affected farmers; ii) a USD 1.4 billion 'Food Purchase and Distribution Program' earmarked to purchase surplus commodities for distribution through existing social assistance schemes; and iii) USD 100 million for a 'Agricultural Trade Promotion Program' to assist in the development of new export markets on behalf of producers.
As opposed to last year's package, MFP payments for 2019 crops would be provided on a per acre basis (i.e. irrespective of the type of crop planted), so as not to influence planting decisions.
Regarding last year's package, USDA informed that MFP payments to producers totalled USD 8.57 billion as of 7 June 2019.

- Natural disaster assistance:

In June, the U.S. Government announced a USD 3 billion Disaster Relief Act to compensate farmers who were impacted by natural disasters throughout 2018 and 2019. Details of the programme remained to be disclosed.

UNITED STATES – GMO policies:
In June, the Government directed concerned federal agencies (including USDA, FDA and EPA) to ease rules for approving genetically-modified crops and other agricultural biotechnology. The modified review process is aimed at eliminating delays, reducing developer costs, enabling predictability and facilitating the development of genetically-modified plants that do not pose plant pest risks.

Sector development measures
- Egypt – olive tree: The Agricultural Ministry announced plans to boost domestic olive oil production by promoting the planting of 100 million olive trees over the next three years. Reportedly, plots totalling 45 000 acres are ready to be assigned to local and foreign investors. The initiative is aimed at reducing the country's reliance on edible oils imports.
- Nigeria – oil palm: The Government plans to invest, over the next eight years, NGN 180 billion (USD 499 million) to promote the country's oil palm sector and end the nation's dependence on imported palm oil. According to media reports, the government is eyeing an eight-fold increase in domestic palm oil production, aiming at an annual

output of 5 million tonnes from 6 million hectares by 2027. The new policy would include subsidized loans to growers, extended tax breaks for oil palm plantations and processors, increased duties on refined palm oil imports, and restrictions on crude and refined palm oil imports by local crushers and refiners.

- Cote d'Ivoire / Ghana / Liberia / Sierra Leone – oil palm: The governments of Cote d'Ivoire, Ghana, Liberia and Sierra Leone joined forces with NGO *Solidaridad* to implement the Sustainable West Africa Palm Oil Programme (SWAPP). The objective of the 5-year project, which is funded by the Dutch and Swiss Governments, is to promote socially responsible and environmentally sustainable oil palm expansion in the four countries. Concentrating on sustainable growth across the palm oil value chain, the programme aims at improving the livelihoods of smallholder farmers.

Olive oil market news

- EU – fraud case: Collaboration between the national judicial authorities of Italy and Germany lead to the dismantling of an organized crime group trading counterfeit olive oil between the two countries. Reportedly, low quality oil was adulterated with various substances and subsequently sold as extra virgin oil.
- Spain – market regulation: The Agriculture Ministry sought advice from the European Commission regarding the feasibility of Spain's olive oil industry self-regulating the domestic olive oil market. Aimed at stabilizing supplies and prices at national level, the proposed mechanism would include market interventions when surplus/shortage conditions develop. Details will be defined once assurance has been obtained that the measure conforms to the EU's agricultural and competition policies.
- Sourcing policy: A Spanish olive oil company has partnered with producer cooperatives to guarantee the traceability and quality of its extra virgin olive oil. Reportedly, olive oil mills participating in the agreement are required to adhere to protocols related to the environment and to sustainability, including biodiversity preservation, the safeguard of native varieties, responsible labour practices, and the promotion of local communities.
- Blockchain application: A US olive oil business has adopted a blockchain traceability protocol that will allow the company to track its entire supply chain by recording real time information about shipments. The new application will allow controlling product quality by monitoring parameters like temperature, humidity and light exposure.

Herbicide regulation – glyphosate:

The United States has seen a third consecutive jury verdict against the manufacturer of 'Roundup', the glyphosate-based herbicide alleged to cause cancer *(see also MPPU Oct.'18 & May'19).* According to the jury, the herbicide was defectively designed and the manufacturer acted negligently and failed to warn consumers about possible cancer risks (NB: in 2015, the WHO's Agency for Research on Cancer classified glyphosate as 'probably carcinogenic to humans', while regulators in the United States and Europe found that the herbicide was unlikely to pose a carcinogenic hazard to humans).

Meanwhile, in France, starting on 1 January 2021, the use of glyphosate will no longer be permitted. Exceptions could be granted for agricultural production in cases where no alternatives are available, but would be limited in scope and duration, the Agricultural Ministry informed. The measure has been criticized by the farm sector, which flagged possible risks for consumers in terms of food safety, quantity and quality.

On a separate note, the utility of the herbicide seems to be increasingly threatened by the emergence of glyphosate-resistant weeds. In this regard, a scientific study published last year found that almost forty different weed species have evolved resistance to the herbicide – with weeds found in glyphosate-resistant crops (such as soybeans) having the largest economic impact. According to the authors, weed control in major crops is at a precarious point due to over-reliance on glyphosate-resistance traits *(see also MPPU Feb.'11 & Feb./Nov.'14).*

Pest control – *xylella fastidiosa*:
The European Food Safety Authority (EFSA) updated its assessment of the risks posed by x*ylella fastidiosa* to plants (notably olive trees) and crops in the European Union. The agency found that, while chemical and biological control measures may temporarily reduce disease severity, there still is no known way to eliminate the bacterium from a diseased plant in field conditions. EFSA confirmed the importance of control measures, such as those implemented by the European Commission, to prevent further spread and possibly eradicate outbreaks.
In particular it underlined the importance of i) controlling insects known to transmit the pathogen, and ii) minimising the delay between detection and implementation of control measures such as removing infected plants and establishing demarcated areas. Reportedly, the European Commission committed a large part of its 2019 budget for plant health to fight the disease.
(See also MPPU Mar./May/Aug.'18 & Mar./May'19)

Seed policy: Following last year's approval in Argentina *(see MPPU Oct.'18)*, in May 2019, Brazil's National Biosafety Commission (CTNBio) authorized the cultivation of transgenic soybean variety HB4. The new trait is characterized by both drought tolerance and resistance to two widely used herbicides, glyphosate and glufosinate-ammonium.
The variety's commercial distribution will start once approval in key importing countries has been secured. Reportedly, regulatory submissions are currently under consideration in China, Bolivia, Paraguay and Uruguay. In the United States, HB4 has been approved by the Food and Drug Administration (FDA) and is now awaiting authorization by the Department of Agriculture (USDA).

Comprehensive trade agreements

- EU / Mercosur: Ending two decades of negotiations, on 28 June, the European Union and the Mercosur bloc (comprising Argentina, Brazil, Paraguay and Uruguay) reached agreement in principle on a comprehensive free-trade treaty. The agreement will progressively enhance market access for goods and services while promoting cooperation in customs issues, food safety, and sustainable trade. Next steps include the agreed text's legal revision, followed by parliamentary ratification in all participating countries.
Regarding the EU's agricultural trade with Mercosur, the EU agreed to eliminate tariffs on 82 percent of its agri-food imports; for the remaining 18 percent, it will offer import quotas or preferential tariffs, while around 100 farm products will remain excluded from the deal.
The treaty's detailed provisions still have to be analyzed by market participants.
- EU / Viet Nam: On 30 June, the European Union and Viet Nam signed a Free Trade Agreement that will lift tariffs on 99 percent of goods traded, including wheat, rice, maize and soybean products. Upon entry into force, the EU will remove 71 percent of duties on imports from Viet Nam, and Viet Nam will eliminate 65 percent of duties in return. The remainder will be phased out gradually over a period of 7 and 10 years for the EU and Viet Nam respectively. The deal will come into force once it is ratified by lawmakers on both sides.

Bilateral, sector-specific trade initiatives

- Malaysia / China – palm oil:
Malaysia signed an agreement with a Chinese state-owned enterprise to resume construction of Malaysia's East Coast Rail Link. According to government officials, as part of the agreement, China would increase its imports of palm oil from Malaysia. On a related note, the Malaysian Palm Oil Certification Council (MPOCC) signed a MoU with China's Green Food Development Center (CGFDC) to work on the mutual recognition of procedures for palm oil imports from Malaysia.
- China / Russian Federation – oilseeds/meals:
The Russian Federation's Veterinary and Phytosanitary Surveillance Service and China's General Administration of Customs signed a protocol on phytosanitary standards aimed at facilitating exports of a number of products to China – including soybeans, rapeseed and

sunflowerseed meal. In this regard, Russia's Agriculture Ministry expects in particular an increase in soybean shipments, hand in hand with the planned expansion of soybean production in the country's Far Eastern districts *(see MPPU Dec.'18).* According to information from the Russian Union of Oils and Fats, in the longer term, exports of soybeans to China would gradually be replaced with shipments of soybean meal and oil. In general, shipments of oils and fats feature high among the Ministry's export expansion goals.

- The Philippines / Indonesia – coconut products: Government officials from the Philippines and Indonesia signed a number of MoUs intended to enhance trade and investment between the two countries. One of the agreements provides for increased purchases of Philippine coconut oil and other coconut products by Indonesian companies.

Sustainable palm oil production – industry & civil society initiatives

- Deforestation monitoring tool: Global Forest Watch (GFW), an initiative set up by the non-profit World Resources Institute, has launched a forest monitoring tool to help companies involved in commodities trade monitor deforestation within their supply chains. The new application consists of interactive maps that provide detailed, up-to-date tree cover change information. Reportedly, the platform enables users to: i) monitor deforestation and fires both on individual farms and across portfolios of suppliers, ii) verify compliance with environmental laws and company commitments, and iii) engage with and request action from non-compliant suppliers.
- Comparison of standards: The International Union for the Conservation of Nature (IUCN) conducted a review of different palm oil sustainability standards focusing on two benchmarks, biodiversity protection and the level of assurance. The six voluntary standards analysed are: RSPO (Roundtable on Sustainable Palm Oil), SAN (Sustainable Agricultural Network), International Sustainability and Carbon Certification - EU and Plus (ISCC), ISPO (Indonesia Sustainable Palm Oil), and MSPO (Malaysia Sustainable Palm Oil).
- RSPO – wage guidance: RSPO launched a guidance document for the oil palm industry on the payment of a 'decent living wage' (DLW) to workers employed in RSPO-certified units. To assist members in calculating DLWs, benchmark estimates have been provided for several regions in the following countries: Indonesia, Malaysia, Colombia and Ghana.
- RSPO – jurisdictional approach: The RSPO has opened a public consultation period on its so-called 'jurisdictional approach' to certification. Aimed at extending the geographical reach of certification beyond that of individual producers, jurisdictional level certification will be piloted in the State of Sabah (Malaysia), the district of Seruyan in Kalimantan (Indonesia) and across Ecuador's national territory *(see also MPPU July'15, Feb./Dec.'17 & Aug./Oct.'18).* Building on RSPO's environmental and social principles, the approach focusses on ensuring widespread stakeholder engagement, smallholder inclusion and strong government involvement.
- National standards – India, Cote d'Ivoire: India's Sustainable Palm Oil Coalition reported progress on the adaptation of RSPO's Principles and Criteria to the country's context *(see also MPPU Dec.'18).* Reportedly, the initiative focuses on: i) on the definition of smallholders, and ii) the applicability of the RSPO's Principles and Criteria, Independent Smallholder Standard and Group/Supply Chain Certification to the Indian context. Meanwhile, RSPO has endorsed Cote d'Ivoire's national interpretation of its Principles and Criteria. Consequently, certification bodies and RSPO member companies operating in the country are encouraged to start using the adapted standards for new audits.
- Smallholder support/certification: Two palm oil users, cosmetic products company *Estée Lauder* and chemical group *BASF*, partnered with RSPO and civil society organization *Solidaridad* on a three-year project to promote sustainable palm oil production among independent smallholder farms in Lampung, Indonesia. The project's target is to help small farmers achieve RSPO certification. In this regard, RSPO informed that a third and

final public consultation on a draft independent smallholder standard was underway, along with field tests in Malaysia and Indonesia. Simplifications and adaptions to different contexts are expected to facilitate the inclusion of smallholders – while pursuing the dual objective of raising the level of productivity and reducing the risk of land conversion and other unsustainable practices *(see also MPPU May'19).*

- Certification progress – Gabon:

A Southeast Asian agri-business firm reported that it achieved RSPO certification for a plantation it manages in Gabon. Reportedly, the plantation has been developed entirely on grassland, and roughly half of the total land concession will remain protected as high conservation value (HCV) area including forests, wetland and savannah.

- Traceability issues – EU: A survey conducted by a group of EU retail companies suggests that leading EU palm oil importers are unlikely to meet their self-imposed goal of selling exclusively sustainably produced palm oil by 2020. Reportedly, while much of the palm oil imported can be traced to the mills it came from, traceability to the plantation level can be provided for only one-third of traded volumes – making it hard to determine whether third-party suppliers conform to sustainable production principles.

Palm oil – marketing strategies and public debate: UK retailer *Selfridges* announced that it made its own-brand food products free of palm oil as part of the company's sustainability strategy, adding that the move was intended to offer customers the option to buy palm oil-free products until certified palm oil would guarantee zero deforestation. The decision of certain companies to include palm oil-free items in their supply chain *(see also MPPU May'18)* has given rise to intense public debate, with opponents proposing renewed efforts in the promotion of responsibly produced palm oil. Some quarters stressed that, when responsibly managed, oil palm development creates employment, improves incomes and generates investment in services and infra-structure. Furthermore, concerns have been raised that blanket bans fail to recognize that the environmental and other effects of palm oil are case-specific and largely dependent on circumstances. Some papers sustain that initiatives excluding palm oil indiscriminately can frustrate efforts to move towards more sustainable forms of production. Moreover, in the longer term, restrictions can be expected to prompt shifts towards other vegetable oils, which, however, could result in a net increase in adverse environmental effects. Such considerations suggest that management/consumer decisions and the public debate about palm oil need to allow for more nuance and take into account a variety of aspects.

Sustainable coconut production:
With a view to establish a platform for sustainable coconut/coconut oil production, cocoa/chocolate company *Barry Callebaut* (for which coconut oil is an important ingredient) partnered with the U.S. Agency for International Development (USAID) to bring together buyers, processors and other private industry actors involved in the coconut supply chain. The forum found that, despite rising global demand for coconut products, smallholder growers continue struggling to achieve a sustainable livelihood because of low yields (due to ageing trees) and poor farming practices. To address these issues, the group proposed to: i) test the effectiveness of replanting projects and productivity schemes, such as intercropping with cocoa; ii) promote initiatives to distribute seedlings; iii) develop farmer financing schemes; and iv) enhance product traceability. Participants agreed to meet annually to share best practices, facilitate coordination among industry players and stakeholders, and develop complementary sustainability programmes.

Sustainable soy

- Industry concerns: Among global soybean players, concerns are on the rise that – as has happened to palm oil – the public image of soy may suffer because also soybean production, when irresponsibly manged, can be associated with land use changes (including deforestation) and loss of biodiversity. The main reason why, to date, soy has not received the same attention as

palm oil on the consumer side is that soybeans are mostly used in feed production – which implies that soy is only indirectly present in food products like meat, eggs and dairy products, making it less visible. According to industry experts, limited consumer awareness is responsible for the current lack of demand for sustainably produced soy. Today, just two percent of the global soybean market adheres to the zero-deforestation/ conversion standards of the Roundtable for Responsible Soy (RTRS), while supplies of certified sustainable soy continue to outstrip demand. To pre-empt the entire soy supply chain from being discriminated on environmental grounds, experts advised industry players to proactively inform the public about responsibly produced soy. Meanwhile, raising awareness on product packaging was discouraged, given that soy content in food products is either minimal or only indirect. *(See also MPPU Feb.'15, June'16, Dec.'18 & Jan./May'19).*

- Responsible sourcing: Global consumer goods company *Nestlé*, which pledged to eliminate deforestation from its global chain by end 2020, estimated that, in 2018, 75 percent of its soy transactions were responsibly sourced, with 78 percent traceable to source. While confirming its objective to achieve 100 percent traceability as well as biodiversity protection and zero deforestation, the company identified a number of challenges, notably: i) a long and complex supply chain where the company lacks direct contact to farmers; ii) country-specific environmental regulations, which, for example in Brazil, allow for legal conversion of native vegetation into cropland *(see also MPPU Dec.'18 & Jan.'19);* and iii) the need to coordinate efforts among all stakeholders (in this regard, *see also MPPU Dec.'18 & Jan./Mar.'19* on recent multi-stakeholder initiatives).
- Responsible lending: According to a study conducted by environmental advocacy group *CDP*, Chinese financial institutions active in the soy sector tend to have limited awareness about land conversion and deforestation risks present in the global soybean supply chain. China's market was analysed because the country accounts for over 60 percent of global soybean imports, with large volumes sourced from regions presenting land conversion/deforestation risks, particularly in Latin America. The study claims that none of the financial institutions analysed had assessed their exposure to deforestation risks, nor acquired the data and tools needed to quantify such risks.

On a separate note, in July 2019, China's state-owned grain trading group COFCO signed an agreement with a consortium of 20 banks for a 3-year USD 2.1 billion loan tied to sustainability performance – allegedly the largest sustainability-linked loan ever secured by a commodity trader. Reportedly, the loan's interest rates will be linked to distinct targets, notably: i) year-on-year improvement in environmental, social and corporate governance performance; and ii) increasing traceability of agri-commodities (as a prerequisite to building sustainable supply chains) – with a focus on directly sourced soy in Brazil (see also below). COFCO's performance will be assessed by an independent third party. (On sustainable financing arrangements concerning both the global soybean and palm oil economy *see also MPPU May'11, Feb.'15 & Feb./Apr./Aug./Oct.'17*)

Overseas investment – China:
Reportedly, China's state-owned grain trading group COFCO is set to renew its efforts to increase the company's origination capabilities in Brazil. According to media sources, the trader plans to invest at least USD 200 million in local transport and storage infrastructure over the next two years, with a view to expand COFCO's shipments by 5–7 percent annually for the next five years. COFCO's latest investment of USD 30 million in four storage facilities in Mato Grosso state is expected to raise the group's total grain storage capacity to 300 000 tonnes. In the 2018/19 marketing year, the company plans to export 5.5 million tonnes of soybeans, of which 85 percent will be destined to China and the remainder to other markets. Besides Brazil, the company plans to increase its presence in Ukraine, Romania and the Russian Federation. *(See also MPPU Aug./Dec.'18 & May'19)*

Biofuel news

- Maritime biofuel: Reportedly, waste cooking oil is being used in a maritime biofuel project launched jointly by a group of consumer good companies and a leading container ship and supply vessel operator. The initiative aims at addressing the problem of harmful emissions related to shipping. Sustainably sourced second-generation biofuels are seen as one possible solution for decarbonizing the sector.
- Used cocking oil certification:

In China, a restaurant chain achieved International Sustainability and Carbon Certification (ISCC) for the recycling of its used cooking oil as biofuel feedstock. Reportedly, the company has set up a comprehensive tracking system covering its restaurants, waste collection companies, used oil storage sites and biodiesel plants.

R & D – product development

- Vegetable oil-based industrial agents:

In Germany, researchers are developing renewable adhesives, coatings and foam resins derived from vegetable oils rich in unsaturated fatty acids. Reportedly, the project is driven by rising demand for agents derived from organic substances rather than petroleum derivatives.

- Specialty rapeseed oil: Commodity trader *Cargill* patented a process for manufacturing rapeseed oil that combines low saturated fat content with acceptable frying stability and improved flavour.
- Olive oil classification: In Spain, researchers developed a new method to classify olive oil using its chemical fingerprint. Allegedly, the new technique reduces the amount of data that must beprocessed and ends the need for sensory analysis, thus making classification faster and less costly.
- Palm oil mill waste: Indonesia plans to adopt a technology developed in Japan that permits to convert liquid palm oil waste (known as palm oil mill effluent or POME) into valuable products such as essential omega3 fatty acids and aquatic/animal feed, thus allowing to address environmental issues while raising economic returns. Reportedly, Indonesia's mills annually produce at least 100 million m^3 of POME, which can be highly polluting when discharged into the environment. *(See also MPPU Dec.'16 & Oct.'18)*
- Omega3 fatty acids: According to research published in the United Kingdom, omega3 fatty acids obtained from genetically modified plant oils – for example camelina oil – are absorbed and processed by humans in the same way as omega3 derived from fish oil. To date, apart from limited use as feed ingredient in aquaculture and in pharmaceutical/cosmetic applications, camelina oil has been primarily blended into civil and military aviation fuel. The oil's introduction into human diets is said to open new market opportunities. *(See also MPPU Feb.'14, Oct.'17 & Oct.'18)*

Futures markets: China's *Dalian Commodities Exchange* announced plans to open several of its contracts – including its soybean, soymeal, soyoil and palm oil futures – to foreign investors in 2019. The move reflects efforts to allow more foreign involvement in the country's futures market, while improving control over the pricing of its major commodity imports, market experts said.

For comments or queries
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	International Prices *(US$ per tonne)* [1]					FAO Indices *(2002-2004=100)* [7]		
	Soybeans[2]	Soybean oil[3]	Palm Oil[4]	Soybean Cake[5]	Rapeseed Meal[6]	Oilseeds	Vegetable oils	Oilcakes/ Meals
Annual (Oct/Sep)								
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
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
2015/16	396	773	655	351	232	151	155	168
2016/17	404	806	729	336	225	154	160	171
2017/18	402	820	648	381	258	153	154	182
Monthly								
2018 - January	404	865	679	361	239	153	163	171
2018 - February	416	848	660	400	265	157	158	190
2018 - March	432	830	684	427	294	162	157	203
2018 - April	441	824	663	447	304	164	155	213
2018 - May	432	787	659	443	282	161	151	211
2018 - June	389	783	631	391	264	148	146	187
2018 - July	378	774	591	382	267	145	142	184
2018 - August	379	763	561	365	282	146	138	178
2018 - September	357	755	545	347	277	139	135	169
2018 - October	369	759	529	347	272	142	133	169
2018 - November	372	735	482	340	276	143	125	166
2018 - December	382	720	494	344	273	145	126	166
2019 - January	381	746	534	343	273	146	131	165
2019 - February	380	766	558	330	263	145	134	156
2019 - March	371	730	527	320	248	142	128	155
2019 - April	365	733	534	318	244	140	129	153
2019 - May	347	738	510	320	234	135	127	154
2019 - June	369	725	505	337	236	141	125	163

[1] Spot prices for nearest forward shipment

[2] Soybeans (US, No.2 yellow, c.i.f. Rotterdam)

[3] Soybean oil (Dutch, f.o.b. ex-mill)

[4] Palm oil (Crude, c.i.f. Rotterdam)

[5] Soybean meal (44/45%,Hamburg f.o.b. ex-mill)

[6] Rapeseed meal (34%,Hamburg f.o.b. ex-mill)

[7] 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.

Sources: FAO and Oil World