Food and Agriculture Organization of the United Nations

OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

No. 122, September 2019

a) Global price review

FAO's price index for oilseeds continued to fluctuate within a multi-year low range. In August, following two consecutive rises, the index dropped by 3.4 points (or 2.4 percent). The oil meal price index mirrored the downward correction observed for oilseeds, shedding 3.7 points (or 2.4 percent) and marking a 2-year low. By contrast, FAO's price index for vegetable oils rose markedly in August, gaining 7.5 points (or 5.9 percent) and reaching the highest level since October 2018.

The moderate fall in the oilseeds index mainly reflects weakening values of soybeans and sunflowerseed, while rapeseed quotations remained virtually unchanged. After appreciating for two months in a row, international soybean prices eased in August. Ample global stocks, sluggish crushing demand due to poor margins, generally favourable weather conditions in the United States' main producing regions, and spill-over effects from the maize market all exerted downward pressure on soybean prices. Meanwhile, the prolonged US-China trade negotiations continued to cast uncertainty over the international soybean market. In particular, quotations from the US and Brazil displayed diverging trends, as Chinese buyers continued preferring South American over US origins. The forthcoming rise in Brazil's mandatory biodiesel blending rate (which will come into effect on 1 September, boosting uptake of soybean oil and thus domestic soybean crush) also contributed to firmer local soybean values. In the meantime, international sunflowerseed prices dropped to levels not seen for a decade, primarily reflecting a positive production outlook in the Black Sea region following favourable growing conditions. As to rapeseed, international quotations showed notable resilience to the

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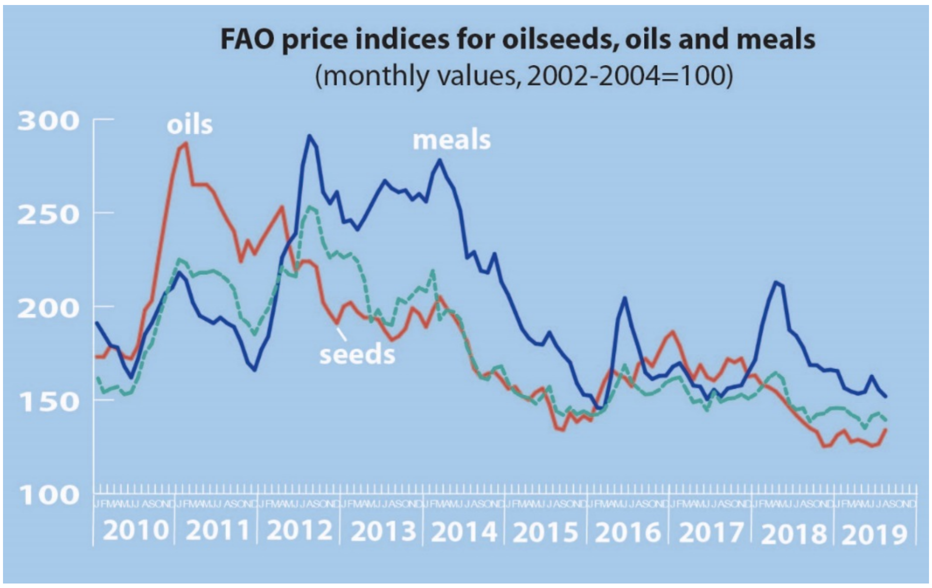


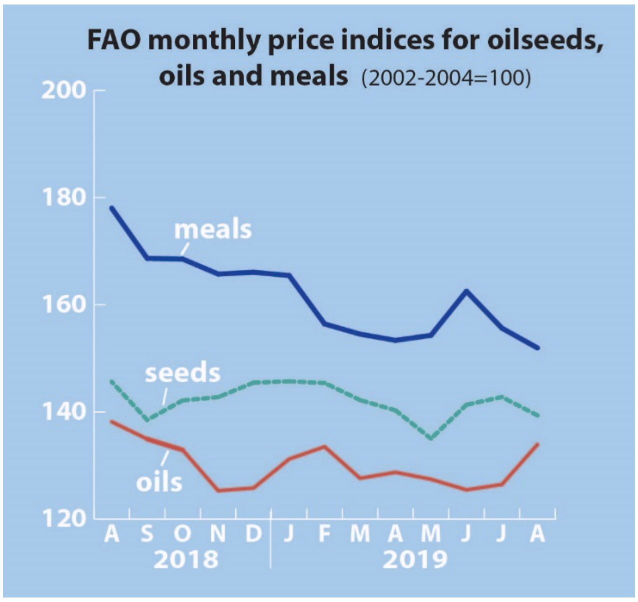
* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market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

general downward trend in prices: in August, rapeseed values extended their stable streak amid further deteriorating crop prospects in a number of European countries.

With respect to oilmeals, in August, FAO's price index largely followed the path of the oilseed index, with soymeal values (– the dominant component in the index –) falling for the second successive month, marking the lowest level since July 2017. While global protein meal demand remained subdued owing to the further spread of African Swine Fever in Asia, higher than expected crushings in Argentina fuelled competition among major soymeal exporters, exerting additional downward pressure on prices.

The sudden gain in the vegetable oils price index mainly reflects firmer values for both palm oil and other edible oils. International palm oil prices recovered markedly, underpinned by a rebound in global import demand and lower than expected inventory levels in Malaysia. Specifically, strong import demand from China and India was linked to, respectively, low domestic vegetable oil supplies following reduced soybean and rapeseed crushings, and higher domestic requirements in view of the upcoming festival season. Moreover, Indonesia reported unfavourable weather conditions in several growing regions, fuelling concerns over future supplies. Nevertheless, the upside momentum of prices was in part contained by the EU's introduction of provisional countervailing duties on imports of palm oil-based biodiesel from Indonesia. With regards to soy oil, international quotations appreciated markedly in August, driven by reports of lower than anticipated crush volumes in the US as well as expectations of robust global demand in both the food and biodiesel sector. In particular the above-mentioned higher biodiesel blending mandate in Brazil raised expectations of higher soyoil demand. Similarly, rising demand for rapeseed oil from biodiesel producers in the EU – amid tight local supplies – bolstered international rapeseed oil prices, which have risen for 5 months in succession, climbing to a 10-month high.



b) Selected policy developments and industry news

UNITED STATES / CHINA – trade negotiations: Following China's introduction of a 25% retaliatory tariff on US-origin soybeans in July of last year *(see MPPU Aug.'18)*, China's imports of US soybeans were confined to purchases by state-owned companies on government orders. When US and China resumed their trade talks in July 2019, China's trade authorities allocated special import quotas – including a temporary waiver of the punitive 25% tariff – to selected private businesses. However, last August, following a new impasse in the trade negotiations, the Chinese Government revoked the said tariff exemptions. Furthermore, on respectively 1 and 23 August, the US and China announced that they would implement additional retaliatory tariffs on each other's exports of selected goods starting 1 September 2019. China's list of affected goods

included both yellow soybeans and other US-origin soybean varieties, which would bear an additional tariff of, respectively, 5 percent and 10 percent.

AUSTRALIA – GMO policy: Aligning its policies with those of the other Australian states, South Australia announced that, from next year, farmers would be given the choice to plant GM food crops, including GM rapeseed varieties *(see also MPPU Sep.'16 & July'17).* According to the local government, a review had found that the existing GM moratorium provided no price premium compared with GM crops grown in the neighbouring states. The moratorium will be lifted across the state, except in Kangaroo Island, where a group of producers has an established market for non-GM rapeseed in Japan.

AUSTRALIA – health policies: The Australian Government is considering to revise the ranking of individual vegetable oils under the country's rating system for packaged foods, which is aimed at guiding consumers to make healthy choices. More specifically, officials are debating proposals to give a top score to olive oil – based on its proven health benefits. Currently, olive oil is rated below rapeseed and sunflower oil due to its slightly higher saturated fat content.

BOLIVIA – export policy: Following the recent liberalization of Bolivia's soybean exports *(see MPPU July'19),* government officials expect the country's annual soybean shipments to range between 1 and 1.6 million tonnes. Under the new legislation, traders are required to apply for certificates in order to export, thus allowing the Government to track the volume of shipments and enforce the rule that limits exports at 60 percent of domestic output. Reportedly, industry officials urged the government to also consider liberalizing exports of soymeal and crude/refined soyoil.

BRAZIL – biofuel policy

- Biodiesel blending rate: The Brazilian Government has raised the mandatory national blending requirement for biodiesel. From September 2019, transport diesel must contain 11% of biodiesel, compared to the 10% requirement in place since March 2018 *(see MPPU Mar.'18).* The country's Mines and Energy Ministry also published the results of engine tests that clear the path for an increase in the blending requirement to 15% (planned for 2023). Addressing concerns raised by car manufacturers, the country's oil industry regulator ANP also issued a resolution that will require a higher oxidization stability as the biodiesel blends increase so as to avert engine wear. The forthcoming one-percent increase in the blending rate is estimated to lift Brazil's biodiesel production from 4.7 million tonnes (in CY 2018) to 5.4 million tonnes (CY 2019), with soyoil accounting for most of the increase in feedstock demand. According to industry sources, the higher biodiesel volumes will require an additional local crush of 200 000 tonnes of soybeans per month.
- Feedstock sourcing rules: Since 2005, Brazil's social procurement programme (known as 'Selo Combustível Social' or SCS) requires the country's biodiesel producers to source 15–30 percent of their feedstock (depending on the region and product concerned) from small-scale farmers. In August 2019, the relevant legislation has been amended to widen the number of small farmer cooperatives that may qualify as suppliers of raw materials to the biodiesel industry. The revision is expected to permit 40 000 new family farms to participate in the biodiesel production chain. For comparison, in 2018, a total of 61 000 family farms participated in the programme, supplying biodiesel producers with 3.9 million tonnes of feedstock worth BRL 5.1 billion (USD 1.2 billion).

CANADA – export policy: The Canadian Government committed funding for a variety of projects aimed at strengthening, diversifying and expanding the country's grains and oilseeds exports. The investments are expected to help position exporters to take full advantage of new opportunities created through new trade agreements. The projects will be funded through Canada's Agricultural Partnerships Agri-Marketing Program, which supports industry-led promotional activities. At over CAD 4 million

(USD 3.02 million), the Canola Council of Canada will receive the largest allotment, in a bid to promote rapeseed exports.

CANADA – agricultural relief programmes: In August, Canada's Agriculture and Agri-Food Ministry announced that crop producers who have been impacted by low prices, reduced marketing opportunities or falling incomes, would be granted an additional six months to repay outstanding 2018 cash advances linked to the ministry's financial loan guarantee programme (Advance Payments Program). Reportedly, a special Stay-of-Default scheme would provide additional flexibility to repay cash advances, particularly for grain, oilseeds and pulses.

CANADA – transport infrastructure: Canada's Federal Government is set to invest CAD 4.8 million (USD 3.6 milion) to upgrade the infrastructure of the Port of Johnstown, which handles grain from 1 600 farms in Ontario and Quebec that is destined for international markets. Reportedly, the concerned township will match the Government's investment. Under the plan, aging grain spouts will be replaced and the storage capacity of the port's elevators will be increased. The Government also announced significant investments to i) improve rail capacity in British Columbia, ii) expand terminals in the Port of Vancouver, and iii) ensure the continued competitiveness and efficiency of rail transportation networks. The measures are aimed at ensuring that goods move efficiently to market and should help Canadian businesses compete globally.

CHINA – market regulation (government auctions): From mid-June to end-August 2019, auctions of soybeans and rapeseed oil from state reserves led to sales of, respectively, 560 000 tonnes and 125 000 tonnes, achieving average prices of CNY 3 022 per tonne for soybeans and CNY 6 289 for rapeseed oil (respectively USD 424 and USD 882). As to soybean oil auctions, which only resumed in early August, total sales amounted to 23 450 tonnes, at an average price of CNY 5 000 (USD 701). In the case of soybeans, the quantities sold remained well below the amounts offered.

CHINA – agricultural support: According to local media, for the current crop year, the subsidy offered to soybean growers in the country's key growing province Heilongjiang will amount to CNY 270 per mu (USD 573 per ha), including a payment provided for planting soybeans instead of maize – which compares to CNY 320 per mu (USD 680 per ha) granted last year.

CHINA – import policy (trade mitigation measures): Alongside its protracted trade negotiations with the United States, Government efforts to expand the country's import options for oilseeds and derived products continued. In July, China's customs authority approved the importation of soybeans from the Russian Federation *(see also MPPU July'19).* Furthermore, the Commerce Ministry announced plans to remove soybean oil, rapeseed oil and palm oil from its list of products subject to import tariff quota management. In addition, in August, an official delegation visited Argentina to inspect the country's soymeal crushing plants *(see also MPPU Dec.'18)*, hence signalling a departure from past policies: to date, due to China's large domestic crushing capacity, the country's soymeal imports have been negligible and none of it was sourced from Argentina – the world's leading soymeal supplier.

CHINA – health policies: In an effort to prevent adverse effects on human health, China's health authorities released a set of nutritional guidelines including ambitious targets for lowering peoples' dietary intake of oils, salt and sugar by 2030. According to government officials, the oil/fat intake should be reduced by 30–40 percent by introducing consumption limits of 25–30 grams per person per day versus an average level of 42 grams in 2012. Reportedly, adherence to these limits will be encouraged in restaurants, schools, institutions and at household level, while manufacturers of packaged food will be required to display them on labels.

EUROPEAN UNION – GMO policy: The European Commission has approved the importation of new genetically-modified crops for processing and use in food and feed, including one new insect-resistant soybean variety. Moreover, the import permit for a glufosinate-tolerant GM rapeseed variety has been renewed. Any product developed from these imported events will be subject to the EU's labelling and traceability regulations.

EUROPEAN UNION – biodiesel import restrictions: The European Commission imposed countervailing duties of 8–18 percent (depending on the supplier concerned) on imports of biodiesel from Indonesia. According to an investigation conducted by the Commission, Indonesia's biodiesel producers benefit from grants, tax incentives and access to raw materials (notably palm oil) below market prices – a condition believed to inflict a threat of economic damage to EU producers. The new import duties have been imposed on a provisional basis as the investigation continues, with a possibility to determine definitive measures by mid-December. Due to the new duties, Indonesian industry officials lowered their forecast for this year's EU-bound biodiesel shipments from 1.4 to 1 million tonnes. For the record, from 2013 to 2018, imports of biodiesel from both Indonesia and Argentina to the EU had been subject to anti-dumping duties. However, following the removal of the latter, the EU decided to launch fresh investigations, focusing on the alleged biodiesel subsidization in the two countries *(see also MPPU Mar./May'18 & Mar.'19).*

EUROPEAN UNION – environmental policy: The European Commission released a communication setting out a plan of action aimed at contributing to the protection and rehabilitation of the world's forests. The document identifies demand for food, feed, biofuel, timber and other goods – and hence EU imports of commodities such as grains, oilseeds, vegetable oils, beef or paper – as a main driver of global deforestation. Consequently, the approach set out by the European Commission includes the following commodity-related objectives:
i) reducing the EU consumption footprint on land;
ii) encouraging the consumption of products from deforestation-free supply chains; and
iii) enhancing the availability of and access to information on forests and commodity supply chains. In particular, the Commission committed to search for means to strengthen certification schemes for deforestation-free products, and to consider possible demand-side legislative measures and other incentives to minimise the risk of deforestation and forest degradation associated with the bloc's commodity imports. Civil society groups welcomed the initiative and called on the Commission to back it up with actionable commitments, including specifically targeted investments.

INDIA – farm support measures

- Minimum support prices:

In July, the Indian Government significantly raised the minimum support prices (MSPs) for 2019/20 Kharif (summer) oilseed crops, in an effort to incentivize domestic production and thus curb the country's vegetable oil imports. The new per-tonne support prices, including crop-specific bonuses, and the corresponding year-on-year increases (in percent) are as follows: soybeans INR 37 100 (USD 523), 9.1 percent; groundnuts INR 50 900 (USD 718), 4.1 percent; sunflowerseed INR 56 500 (USD 797), 4.9 percent; sesameseed INR 64 850 (USD 915), 3.8 percent; and nigerseed INR 59 400 (USD 838), 1 percent. While also the MSPs for pulses saw substantial increases, the support price for rice – the main Kharif crop – has been raised by only 3.7 percent. Reportedly, specialized agencies designated by the Central Government will continue to undertake procurement of oilseeds from small and marginal farmers. Furthermore, under the Government's income support programme PM-KISAN, all small and marginal farmers will be entitled to receive an annual sum of INR 6 000 (USD 85).

- Procurement: According to media reports, the Government of Tamil Nadu has begun procurement of 50 000 tonnes of copra from farmers under the national Price Support Scheme.

For 2019, the procurement prices for milling copra and ball copra have been set at, respectively, INR 95 210 and INR 99 200 per tonne (USD 1 343 and 1 399) – up 27 percent from last season's level. The enhanced rates are expected to help stabilize copra prices in the market.

INDIA – biodiesel policy: According to media reports, India's Central Government launched a scheme allowing state-owned fuel companies to procure biodiesel made from used cooking oil (UCO) across 100 Indian cities. Reportedly, UCO-based biodiesel will initially be procured at a guaranteed price of INR 51 per litre (USD 0.72), switching to respectively INR 52.70 and INR 54.50 (USD 0.74 and 0.77) in the second and third year. The programme includes a mobile phone application for the collection of UCO and a 'Repurpose UCO' sticker to be displayed by participating hotels, restaurants and eateries.
The launch of a formal chain for the collection and recycling of UCO is aimed at both lowering the country's mineral oil imports and reducing human health hazards that arise from the repeated use of cooking oils. In order to meet the government's separate 2030 target of blending regular diesel with 5 percent biodiesel across the country, the annual biodiesel requirement is estimated around 4.4 million tonnes.
Assuming that 1.25 million tonnes of UCO are collected yearly from bulk consumers (i.e. roughly 5 percent of total domestic edible oil consumption), approximately 1 million tonnes of biodiesel could be obtained – thus meeting nearly one quarter of the overall requirement.
It is important to keep in mind that, last year, India's biodiesel production capacity was estimated at no more than 0.6 million tonnes per year, while actual output was reported at merely 165 000 tonnes. *(See also MPPU Aug./Oct.'18 & Jan./Mar./July'19)*

INDIA – import policy

- Palm stearin: With a view to support the country's oil refining industry, the Government withdrew the import duty exemption previously granted for palm stearin and palm fatty acid distillates (PFAD). Since July 2019, imports of the said products are subject to a tariff rate of 7.5 percent. The rates for other soft oils, including palm olein, remained unchanged. Palm stearin and PFAD are primarily used in manufacturing oleochemicals and soaps. India's refiners produce considerable volumes of palm stearin and other palm products by refining imported palm oil, and the modified tariff rate is expected to help local processors market these products competitively.
- Malaysian refined palm oil:

In August, the Government introduced a 5 percent 'safeguard tariff' on imports of refined palm oil from Malaysia, thus ending the preferential treatment Malaysian exporters enjoyed since the beginning of 2019 *(see MPPU Jan.'19)*, which resulted in a surge of India's palm olein imports, allegedly harming local refiners. The safeguard measure has resulted in a harmonized total import duty of 50 percent for refined palm oil from all origins, while imports of crude palm oil will continue to be taxed at 40 percent.

- Palm oil import cess:

According to the media, the Indian Government is considering to introduce a cess on all vegetable oil imports, with a view to set up an 'Oilseed Development Fund' tasked to boost the country's stagnating oilcrop production. Reportedly, the proposed cess would be collected from importers in the form of a 5 percent tariff surcharge.

INDONESIA – internal market regulation: Indonesia's National Drug and Food Control Agency (BPOM) ordered retailers to remove food and cosmetic products carrying 'palm oil-free' labels from their shelves. BPOM reckons that the term's use constitutes misleading labelling in that it could lead consumers to perceive products labelled 'palm oil-free' as being superior.
The move reflects efforts to protect the image of palm oil and safeguard the commodity's competitiveness. Industry officials welcomed the measure, claiming that trade policies and industry initiatives introduced in a number of countries have led to negative consumer sentiments about palm oil, increasingly threatening global trade in the commodity. *(See also MPPU May & July'19)*

INDONESIA – biodiesel policy:
Local media confirmed that the Government is considering to further increase the biodiesel content of domestic transport diesel *(see MPPU July'19).* Reportedly, the mandatory blending rate could be increased to 30 percent next January (from 20 percent at present) and further to 50 percent towards the end of 2020.
Besides contributing to efforts to curb the nation's energy imports, the plans are aimed at boosting domestic palm oil uptake at a time of uncertain palm oil export prospects. The shift to B30 is estimated to require a more than 50% increase in domestic biodiesel production, potentially absorbing an additional 3.5 million tonnes of palm oil in 2020. Market observers pointed out that the anticipated level of domestic palm oil consumption could lead to shortages on the global market.

INDONESIA – environmental policies and land governance

- Moratorium: Indonesia's President made permanent a temporary moratorium – first introduced in 2011 – on concessions to clear primary forest and convert peatland for any type of plantation development or logging activity. Based on official data, the 8-year old moratorium has contributed significantly to slowing deforestation and peatland conversion across the country. Notwithstanding, a number of civil society organizations voiced doubts about the measure's effectiveness, pointing to alleged gaps in the moratorium such as i) the lack of protection for degraded (or 'secondary') forests, and ii) recurrent revisions – by local administrations – in the moratorium's regional boundaries.
Critics also pointed out that for the moratorium to be effective, its geographic scope ought to expand beyond new permits to include existing concessions, and to address deforestation outside concessions and protected areas. *(See also MPPU Oct.'18)*
- Forest fires: Indonesia's Supreme Court upheld a ruling holding the government liable over forest fires and the resultant haze that covered a large part of the country in 2015, causing health issues. The court advised the Government to implement stringent measures to prevent fires from recurring. Actually, following the widespread fires of 2015, the Government enacted nation-wide programmes to restore damaged peatland and minimize harmful peatland conversion involving fires *(see MPPU Feb.'16 & Mar.'18).* The Government also imposed fines on companies found to have fires on their plantations. According to civil society groups, despite these efforts, the practice of setting fire to clear land continues to be widely used, also (or especially) by smallholders and often involving carbon-rich peat forests *(see also MPPU July'17, Oct.'18 & May'19).*
- Regulatory violations:
Indonesia's audit agency BKP determined that a large part of the country's oil palm plantations are in breach of a range of state regulations, notably regarding cultivation permits, access to protected areas, the allocation of land to smallholder farmers, the rights of indigenous communities, and national sustainability standards. BKP's findings confirm the results of a recent audit conducted by the country's Corruption Eradication Commission KPK *(see MPPU Dec.'18).* Reportedly, to address the issues raised, the Government is considering legal actions, including fines against non-compliant companies. BKP also recommended the involvement of law enforcement officials to follow up on the audit's findings.

MALAYSIA – palm oil certification:
In Malaysia, where sustainability certification is set to become mandatory for all producers by end-year, the slow uptake of Malaysian Sustainable Palm Oil (MSPO) certification by growers remains a cause of concern to the Government. According to official sources, as of 30 June, only 2.45 million hectares, or 42 percent of the land planted with oil palm, had achieved certification – in spite of a range of financial incentives and training activities offered to farmers, especially small and medium-sized producers *(see MPPU Mar./Oct.'18 & May/July'19).* Government officials reminded producers that sustainability certification is essential to raise the crop's profile in the global

market and warned that, from January 2020 onward, uncertified produce would be i) rejected by factories, especially those producing for export markets, and ii) regarded as second-class palm oil, implying lower prices. Especially the low rate of certification among small producers is giving rise to concern. Reportedly, slow adoption by smallholders is due to cost considerations, concerns over possible tax charges, and issues with land titles and cultivation permits.

RUSSIAN FEDERATION – palm oil taxation: The Government announced that, from 1 October 2019, palm oil sales will be subject to the regular VAT rate of 20 percent, thus ending the current preferential taxation at 10 percent. According to the media, the measure is aimed at supporting the country's dairy industry, given that, in recent years, rising supplies of low-priced imported palm oil has led to reduced demand for locally produced dairy products among food manufacturers.
Worldservicewire

SINGAPORE – food safety:
Partially hydrogenated oil (PHO) is set to be banned as an ingredient in all food products sold in Singapore, whether manufactured locally or imported. The ban will come into force in June 2021, though a number of companies have pledged to make all of their products PHO-free by June 2020. Generated when plant oils are processed to increase their stability and functionality, PHOs represent the primary dietary source of harmful trans-fat in processed foods.

THAILAND – farmer support: In a bid to support oil palm growers affected by depressed farm gate prices, the Thai Government has approved a price support package worth THB 13.4 billion (USD 438 million). Funds will be used to provide – up to a limit of 25 rai (4 hectares) per family – cash compensations to registered oil palm farmers whenever the market price for fresh palm fruit falls under the government's guaranteed level of THB 4 per kg (USD 131 per tonne). The programme is expected to benefit about 300 000 growers between August 2019 and September 2020. Other measures under consideration include the enforcement of B10 (transport diesel containing 10 percent of palm-oil-based biodiesel) by end-year and additional crude palm oil procurement by the country's Electricity Generating Authority. Reportedly, the Government also stepped up its efforts to end palm oil smuggling from neighbouring Malaysia.

TURKEY – import policy: In July, the Turkish Government raised the country's import tariff for sunflowerseed to 20 percent. The duty had been temporarily lowered to 13 percent in June of last year, with a view to support domestic crush operations. The higher duty is set to remain in place until end-January 2020.

UNITED STATES – GMO approvals:
The USDA approved the commercialization of drought-tolerant soybean variety 'HB4' developed in Argentina. The authorization follows approvals in Argentina and Brazil, while approval is still pending in China – the world's leading soybean importer *(see also MPPU May'15 & July'19).* Furthermore, USDA also granted the approval to cultivate a rapeseed variety that produces omega-3 fatty acids and as such can help reduce the aquaculture industry's reliance on fish oil-based feed *(see also MPPU Oct.'18).*

UNITED STATES – farmer relief programmes

- <u>Trade mitigation measure</u>:

The USDA provided further details about its 2019/20 USD 16 billion aid package aimed at compensating – for the second consecutive season – farmers affected by market disruptions due to tariffs imposed by trading partners *(see MPPU Aug.'18 & July'19).* Under the package's market facilitation component, MFP, farmers will receive payments ranging from USD 15 to USD 150 per acre. Diverging from last season's programme, payments will be determined according to geographic location rather than by crop. Reportedly, the payouts will be broadly distributed in a bid to reach all affected farmers and have been capped at USD 500 000 per person or legal entity. While this year's programme

covers 29 commodity groups, including soybeans and other oilseeds, only crops planted by 1 August 2019 will be eligible. A first tranche of payments has been scheduled for mid-to-late August. The subsequent payments will be decided as market conditions and trade opportunities evolve. According to private sources, soybeans and maize are likely to attract, respectively, 33 percent and 30 percent of the first-tranche payments.

- Bankruptcy protection:

In the recently released 'Family Farmer Relief Act of 2019' the maximum debt producers filing for bankruptcy are allowed to have has been raised from previously USD 4.4 million to USD 10 million. Reportedly, the bill is aimed to help avoid mass liquidations and further consolidation in the agricultural sector as farmers are faced with declines in net farm incomes and an increasingly unpredictable trade environment.

- Crop insurance: The USDA introduced an administrative flexibility to defer the accrual of interest on insurance premiums for the spring 2019 crop year. The measure seeks to ease the consequences of delayed or prevented plantings as well as reduced crop yields caused by severe flooding or extreme drought conditions throughout 2019.

UNITED STATES – biofuel policy:
In July, the Environment Protection Agency (EPA) published draft minimum amounts of renewable fuels that would need to be supplied to the market in 2020 as well as draft blending obligations for biomass-based biodiesel in 2021. For 'biomass-based diesel', EPA proposed to leave the 2021 requirement unchanged from 2020, i.e. at 2.43 billion gallons, while for the 'advanced biofuel' category, under which biodiesel also qualifies, a volume of 5.04 billion gallons was proposed for 2020, up slightly from the current year's 4.92 billion gallons. EPA's deadline for finalizing the volume obligations is 30 November 2019.

UNITED STATES – biodiesel import restrictions: The U.S. Department of Commerce (DOC) completed the 'changed circumstances review' it conducted to assess whether the anti-dumping and countervailing duties applied to imports of biodiesel from Argentina continued to be warranted *(see MPPU Dec.'18)*. The DOC preliminarily determined that recent changes in Argentina's export tax regime have eliminated certain government subsidies provided to the country's biodiesel producers, hence warranting a reduction in the United States' countervailing rates. With regard to the anti-dumping duties, however, DOC found that the circumstances warranting changes did not exist. In case the preliminary findings were confirmed, DOC can be expected to reduce the existing countervailing duty rates from their current average of 72 percent to 10 percent, whereas the present anti-dumping rates of 75 percent would remain in place.

International food standards:
In July, the WHO/FAO Codex Alimentarius Commission approved a number of revisions to its 'Standard for Named Vegetable Oils', concerning, *inter alia*, high-oleic palm oil, virgin palm oil, crude palm kernel oil, palm superolein, and flax/linseed oil. Moreover, the body issued a code of practice for the reduction of 3-monochloropropanediol (3-MCPD esters) and glycidyl esters (GEs) in refined oils and food products made with refined oils. Although Codex standards and codes of practice are not binding, the WTO recognizes them as international reference in trade disputes concerning food safety and consumer protection.

Variable palm oil export dues:
In both Indonesia and Malaysia, palm oil benchmark prices continued to range below the thresholds that trigger export taxation. Accordingly, in August and September, palm oil exports will remain free of tax in both countries. Earlier this year, the Malaysian Government had announced that the country's palm oil shipments would remain tax-exempt until 31 December 2019 to boost exports and allow industry players to expand into new markets. In Indonesia, also the additional levy applied to palm oil exports remains suspended.

Trade agreements

- Indonesia / Mozambique (palm oil): A preferential trade agreement signed by the two countries to promote bilateral trade provides for the gradual removal of import duties on numerous commodities. Products for which Mozambique will lower its tariffs include Indonesian palm oil. According to market observers, Indonesia could use the trade agreement as a way to penetrate markets in southern and western Africa.
- European Union / Mercosur (olive oil): The recently signed EU/Mercosur trade agreement is expected to facilitate agricultural trade between the two blocs *(see MPPU July'19)*. With regard to olive oil, market participants expect the 10% import tariff currently applied by Mercosur countries to be removed once the agreement is fully implemented. Furthermore, the special geographical indication status enjoyed by several EU products would be recognized inside the Mercosur area. In addition, if a pest or disease were to be reported in one part of the EU, then shipments from other non-affected EU regions would be allowed to continue. In turn, Mercosur members would gain improved access to the EU's common market, including the protection of names of traditional Mercosur products. The trade agreement also includes safeguard mechanisms that allow trade partners to bar imports of specific products when these threaten to hurt domestic producers.

Sector development measures

- India – coconut: In Kerala State, the coconut sector will receive support from a three-year project worth INR 247 million (USD 3.5 million). Funded jointly by the Indian Council for Agricultural Research and Kerala's Government, the project is aimed at reviving coconut farming by supporting farmers with scientific protocols for value addition and processing. Project implementation has been entrusted to the Kerala Agriculture University.
- India – oilseeds: A programme to enhance oilseed production has been launched in Punjab State. Jointly funded by the Central and State Governments, the programme will focus on yield improvement measures, such as providing farmers with high quality seeds, enhancing production both vertically and horizontally, and promoting mechanization to minimize post-harvest losses.
- Nigeria – oil palm: To improve the country's foreign exchange earnings, the Nigerian Government is planning a seven-fold increase in the country's palm oil output over the coming eight years. According to media reports, the following measures are envisaged to stimulate the sector's growth: removal of tariff rebates on refined palm oil imports; extended tax holidays for producing and processing companies; and restriction of palm oil imports by large crushers and refiners.

Pesticide regulation (European Union)

- Glyphosate: Sales of glyphosate-based pesticides are bound to be banned as a precautionary measure in a number of EU states. The German Government has announced that sales and use of glyphosate would be systematically reduced from 2020 onward and then banned completely at the end of 2023. The Austrian Parliament also voted in favour of a bill banning the chemical. Moreover, in France, where the Government recently announced that most uses of the weed-killer would be banned from 2021 *(see MPPU July'19)*, in August, some 20 mayors introduced outright bans in their municipalities. At the EU-level, in 2017, the European Commission extended the herbicide's authorization for a period of five years until December 2022, with nine member states voting against the extension *(see also MPPU Dec.'17)*. The process for a further renewal beyond 2022 is expected to start at the end of 2019. Industry experts expect the abovementioned national bans to affect the competitiveness of farmers in the named countries. Exports of agricultural products to the EU could also be affected, unless the European Commission extends the authorization of glyphosate at the EU-level or grants import tolerances for the herbicide to third countries.
- Dimethoate: The European Commission announced that member countries may not renew authorizations of the active substance dimethoate (– an insecticide used on a wide range of plants,

including to combat the olive fruit fly in conventional farming –) beyond July 2020. The decision is based on the European Food Safety Authority's determination that it is not possible to exclude genotoxic risk to humans stemming from exposure to dimethoate residues, while high risks exist for a variety of non-targeted insects and animals.

Pest control – *xylella fastidiosa*:
In order to mitigate the potential threat of *xylella fastidiosa* (the disease associated with the olive tree quick decline syndrome) to countries across the Mediterranean, FAO is supporting preventive measures in Algeria, Egypt, Lebanon, Libya, Morocco and Tunisia. So far, the disease has not been reported in North Africa and the Near East. Applying modern detection technologies, FAO is assisting countries to test imported planting materials – the main pathway for the introduction of the bacteria – in a more accurate, economic and simplified way. The organization also organized a series of training sessions for stakeholders on surveillance, diagnosis and management practices relating to the disease. Furthermore, FAO is assisting at-risk countries in updating their phytosanitary legislation and strengthening phytosanitary measures at ports of entry to prevent the disease's spread through trade. FAO also provides training in the design of contingency plans, in case any detection of the disease occurs.

Overseas investment – China:
Reportedly, China's state-owned grain trading group *COFCO* managed to increase its soybean shipments from Brazil to nearly 11 million tonnes in 2018 – an almost 20 percent rise compared to 2017. The increase, which is closely related to the ongoing Sino-US trade differences, was made possible by past efforts to increase the company's origination capabilities in Brazil. Meanwhile, China's state-owned construction company *CCCC* is considering to bid for a concession to dredge Argentina's Paraná River, the key transport artery for the delivery of maize and soybeans to the country's ports. *(See also MPPU Aug./Dec.'18 & May/July'19)*

Futures markets: The US futures exchange operator *CME Group* announced the launch of Black Sea sunflower oil futures, referring to rising client demand for risk management tools to handle price volatility in the global sunflower oil market. The contract will be settled based on Ukrainian FOB prices. The first listed month will be the November 2019 contract.

Palm oil – RSPO news

- Land rights recognition – Sierra Leone:

RSPO, the globally known standard setting/certification body for palm oil, reported about its collaboration with a small palm oil mill in Sierra Leone that assists its smallholder suppliers in achieving RSPO certification. As RSPO's standards pay special attention to land tenure issues, the mill (with support from civil society organization *Solidaridad*) initiated a process of obtaining the required land rights documentation for concerned smallholders. Reportedly, each land title is signed by the family who owns the plantation, the land user as well as the customary and legal chiefdom authorities.

- Certified palm oil – China:

In July, RSPO hosted its third 'China Forum' focused on expanding the country's market for certified sustainable palm oil. The event was organized jointly with the China Chamber of Commerce of Foodstuffs and Native Products and the World Wildlife Fund for Nature. *(See also MPPU Aug.'16 & May/Aug.'18)*

- Sustainable palm oil – Africa:

In August, RSPO hosted, jointly with environmental advocacy group *Proforest*, Africa's third 'Sustainable Palm Oil Conference' to advance the discussion about long-term sustainable oil palm development in the region.

Palm oil – industry initiatives

- Replanting activities (Malaysia):

Local media reported that Malaysian palm oil companies and the Malaysian Palm Oil Council (MPOC) engaged in concerted efforts towards the rejuvenation of existing oil palm plantations. Reportedly, MPOC has set aside MYR 1.5 million to replace, over the next 10 years, one million unproductive oil palm trees on 2 500 hectares of

land in Sabah state. Reportedly, the replanting project includes the establishment of a wildlife reserve and wildlife food corridors.

- Traceability efforts:

Global consumer goods company *Nestlé* announced that it will trial open blockchain technology to achieve better transparency and independently verifiable sustainability in its palm oil supply chain. Initially, the pilot programme will focus on suppliers in Latin America. The initiative is primarily aimed at sharing reliable information with consumers in an accessible way.

- Environmental benefits of certification:

A life cycle assessment (supported by RSPO and funded by companies buying RSPO-certified palm oil) analysed the environmental profile of certified sustainable palm oil compared to non-certified produce. According to the study, compared to non-certified palm oil produced in Malaysia and Indonesia, certified palm oil has a 35 percent lower global warming impact and a 20 percent lower biodiversity impact from land use changes.

- Palm oil-free certification:

POFCAP, the voluntary international ‘Palm Oil-Free Certification Accreditation Programme’ launched in Australia in 2017, reported that, following the approval of its palm oil-free certification trademark in Belgium, Luxembourg and the Netherlands, its label is now used in 20 countries. Reportedly, to date, POFCAP has certified more than 1 000 products as palm oil-free. *(See also MPPU Sep.’17 & Oct.’18)*

- Lending policies:

Reportedly, three financial institutions have cancelled their loans to a large palm oil company on the ground of sustainability concerns. The banks decided to end their relationship with the concerned company following its withdrawal from RSPO, which was triggered by reports from civil society groups claiming the presence of unsustainable production practices. *(See also MPPU Apr.’16 & Feb./Apr./Aug.’17)*

- Sustainability certification:

A Singapore-based palm oil business has become the first Southeast Asian company to meet the strict standards developed by the ‘Palm Oil Innovation Group’ (POIG), which claims to be the most rigorous platform for sustainably produced palm oil globally *(see also MPPU Apr.’16).*

- National initiatives – Honduras, Peru:

Local media reported that the Honduran palm oil industry (with support from the local government) committed to a de-forestation-free palm oil supply chain. The sector-wide initiative brings together private corporations, smallholder cooperatives and environmental advocacy groups. The stake-holders’ commitments include: minimizing the development of new plantations, applying best practices to raise yields, ensuring crop traceability, and restoring degraded areas. The Honduran Forest Conservation Institute (ICF) will be responsible for monitoring adherence to the commitment. On the same subject, Peru’s palm oil producers association *Junpalma* committed to move towards sustainable and deforestation-free palm oil production – in partnership with the local government and civil society organizations and in close collaboration with indigenous communities.

- Responsible sourcing:

Confectionary group *Ferrero* claims to have achieved full traceability of its palm oil supplies and published the complete list of its suppliers, including their geographical coordinates. In future, the group expects to publish such lists bi-annually. The company also committed to follow RSPO’s stringent High Carbon Stock Approach *(see MPPU Dec.’18)* and to adhere to the standards of the International Labour Organization. Furthermore, *Ferrero* started collaborating with POIG, enlisting a third-party verifier to check its suppliers’ compliance with POIG’s strict sustainability standards.

Palm oil – civil society initiatives/views

- Private company accountability:

A group of 14 civil society organizations launched the ‘Accountability Framework Initiative’ (AFI), consisting of a set of common norms and guidance for independently establishing, implementing, and demonstrating progress at corporate level on ethical supply chain commitments in agriculture and forestry.

One of the initiative's main objectives is to assist private companies make progress – and hold them accountable – on their zero-deforestation pledges and related commitments.

- Jurisdictional certification:

According to civil society observers, the jurisdictional certification approach promoted by RSPO in Kalimantan, Indonesia *(see MPPU July'19)* has led to a number of promising innovations, namely: a facility that provides technical support to smallholders while managing funds received from companies; the implementation of jurisdiction-wide environmental protection plans; mechanisms for resolving land conflicts; and the mapping and registration of independent smallholders.

- Peatland protection:

Reportedly, the Indonesian Government has issued a regulation that restricts the types of carbon-rich peat landscapes that must be protected when plantations are developed – raising concerns among civil society groups about a possible step backward in the government's recent peatland protection efforts *(see MPPU Feb.'16 & Mar.'18).*

R & D – product development

- Rapeseed-based protein:

Two European companies joined forces to work on the development of non-GM rapeseed-based protein for use in a variety of food products – from meat and dairy alternatives to baked goods and beverages. Allegedly, the new protein will combine superior functional properties with a high nutritional profile. On a related subject, in Scotland, researchers are conducting work on possible uses of rapeseed press cake as a food source containing valuable anti-oxidants.
At present, rapeseed cake continues to be used exclusively as animal feed. *(See also MPPU Mar./May'19)*

- Palm oil-based vitamins:

In Malaysia, a phytonutrients company opened a plant specialized in the extraction and purification of carotenes (pro-vitamin A) and tocotirenols (vitamin E) from palm oil, using technology developed by the Malaysian Palm Oil Board.

- Bio-polymers: German researchers are working on how to replace mineral oil with vegetable oil-derived linoleic acid in the production of polymers. The project is concentrating on sunflower and safflower oil (which contain up to 70 percent linoleic acid) as a new source of bio-based polymers intermediates, for further processing into polyamides and polyesters. *(See also MPPU Feb.'11 & Jan.'19)*

R & D – varietal research

- High-oleic groundnut (India):

Two high-oleic groundnut varieties – developed through marker-assisted breeding techniques – are ready for commercial release in India. Featuring an oleic acid content of about 80 percent (as against 40–45 percent in conventional groundnut kernels), the new lines are said to offer improved health benefits and superior functionality, in particular longer shelf life. Reportedly, also the new lines' agronomic performance is significantly superior to that of the local, popular varieties.

- High-yielding rapeseed (China):

Chinese researchers developed a high-yielding rapeseed variety using gene-editing technology. Reportedly, the yield per plant exceeds that of traditional varieties by approximately 30 percent.

- Olive tree cultivars:

Industry experts reported that in Italy and other olive producing countries farmers are showing interest in a large variety of olive tree cultivars. Reportedly, the need for varieties that are more resistant to pests and environmental stress has pushed growers to experiment with new strains and re-introduce ancient lines that had been abandoned amid exclusive attention to high yields.

- Rapeseed genome:

An international consortium of over 30 research institutes succeeded in deciphering the complex polyploid genome of rapeseed, paving the way for accelerated breeding efforts on the crop. Rapeseed is a relatively recent species with a high potential for diversification and adaptation, the researchers pointed out. Reportedly,

the sequencing of the rapeseed genome offers great opportunities to identify genes of agronomic interest for rapid use in breeding programmes.

- Heat-tolerant soybean:

Researchers in the US and Belgium are jointly conducting studies to identify heat-tolerant soybean varieties, in a bid to boost the crop's resilience to weather-related stresses linked to climate change.

R & D – integrated pest management (*xylella fastidiosa*): Field trials conducted in Italy suggest that the *beauveria bassiana* fungus could be beneficial in combatting the meadow spittlebug, a known carrier of *xylella fastidiosa*. The EU-funded research concentrates on the development of sustainable agronomic practices to enhance the resilience of trees to the pest.

For comments or queries
please use the following Email contact:
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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
2019 - July	374	738	498	322	225	143	126	156
2019 - August	363	775	540	315	215	139	134	152

[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