



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

No. 124, November 2019

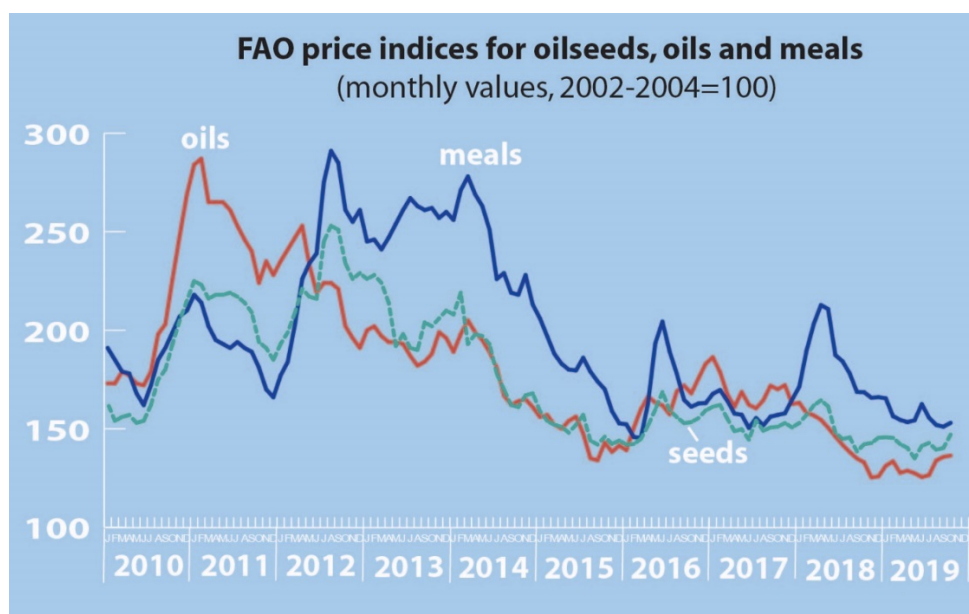
a) Global price review

October has seen FAO's price indices for oilseeds and derived products all appreciating month-on-month. The index for oilseeds rose sharply by 6.8 points (or 4.8 percent), marking the highest level since July 2018, while the oilmeal and vegetable oil indices followed suit, gaining, respectively, 2.0 and 0.7 points (or 1.3 or 0.5 percent). The indices for oilseeds and oils stood above their year-earlier levels, whereas the oilmeal index remained subdued, lingering nearly 10 percent below the level of the corresponding month of last year.

The fresh gains in FAO's oilseed index primarily reflect firm soybean values, while quotations for rapeseed and sunflowerseed also rose. International soybean prices appreciated markedly in October, underpinned by the latest developments of the US-China trade negotiations (*for details,*

see below section on policies), as well as continued concerns over crop prospects in several major producing countries. In the United States, besides further weather-induced harvest delays, USDA surprised the market by lowering its 2019/20 crop estimate and end-of-season stocks more than expected. In the meantime, in Brazil, plantings caught up with the pace of recent years in several of the country's key growing regions, while yield prospects remain subject to the evolvement of weather patterns in the coming months. With regards to rapeseed, quotations rose for the third consecutive month, largely supported by persistent worries over poor harvests in the EU, Canada and Australia. Furthermore, as exportable supplies out of Ukraine are expected to be depleted by the end of the year, the EU – the world's leading importer – will likely need to search for alternative origins, which, however,

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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 **September** and **October 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/>.

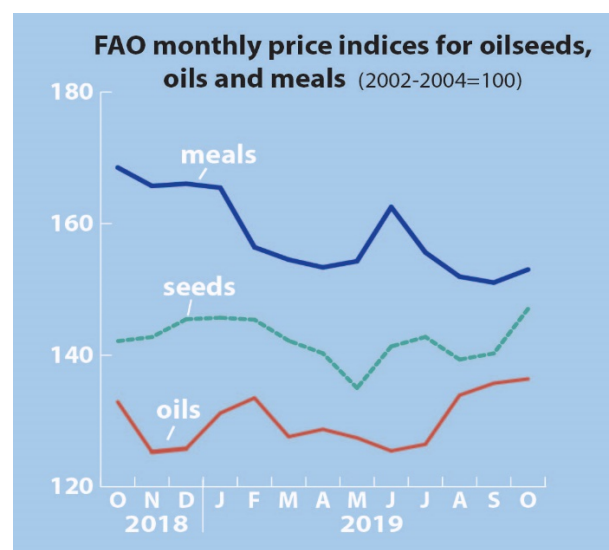
Global price review – *cont'd*

appear to be limited. International sunflowerseed prices rebounded in October after falling for four months in a row. Contrary to record crop estimates in Ukraine and the Russian Federation, production prospects elsewhere turned out to be lower than earlier anticipated, especially in the Balkan region.

The price index for oilmeals rose in tandem with the oilseed index, mainly reflecting a recovery in soymeal values. While global protein meal demand remained subdued, soymeal prices benefitted from spill-over effects stemming from firming soybean markets. In addition, in the United States, market participants expected deteriorating crush margins to result in slow meal production. Meanwhile, in China, soymeal prices were supported by the prospect of rising feed demand resulting from efforts to replenish the country's hog herds.

As to vegetable oils, the further uptick in the price index largely reflects higher palm oil quotations, which more than offset weakening values for sunflower and rapeseed oil. In October, international palm oil prices increased for the third successive month to the highest level in over a year, as firm global import demand coincided with expectations of a forthcoming production slowdown in the leading producing countries. Regarding trade, robust import demand from

China more than compensated a setback in Indian purchases of Malaysian supplies (*for details, see below section on policies*). As for production, the combined effect of prolonged high yields, increasingly dry weather conditions and low fertiliser applications – due to the protracted weakness in palm oil prices – is expected to take its toll on palm oil production of Southeast Asian countries in the coming months. Moreover, news of significantly higher biodiesel mandates in Indonesia next year also provided support to global palm oil prices. By contrast, sunflower oil values fell on active farmer selling in the wake of bumper sunflowerseed harvests in the Black Sea region, while higher than expected crushings in the EU following strong rapeseed imports weighed on international rapeseed oil quotations.



b) Selected policy developments and industry news

UNITED STATES / CHINA – trade dispute:

Trade talks between the two countries resumed in mid-September. The US pledged to postpone an increase in retaliatory tariffs scheduled for October, while China committed to resume purchases of US agricultural goods, including soybeans. More specifically, China's trade authorities successively allocated special import quotas for soybeans – comprising waivers of the

relevant retaliatory tariffs – to a number of state-run, private as well as foreign-owned businesses. According to the USDA, by end-October, soybean sales to China (for delivery in the 2019/20 marketing year) had reached 7.1 million tonnes, which compares with 0.9 million tonnes a year earlier. However, with comprehensive trade negotiations still underway, China refrained from committing to a specific, time-bound volume of US-origin soybean purchases. Reportedly, the two countries started working on a partial ("phase-one") trade deal to

be signed in the coming months. Whether or not such deal could include a full or partial rollback of some of the corrective tariffs introduced by the two countries remains subject to discussion.

ARGENTINA – export policy:

The Agriculture Ministry reduced the time span granted to traders for paying taxes on exports of grains and oilseeds from 45 to 30 days, and determined that exporters of key commodities – comprising soybeans, soyoil, soymeal and sunflowerseed – have to pay export dues within five days after the date of sale, rather than on the date of shipment.

ARGENTINA – biodiesel policy:

Following two prior increases implemented in late 2018 (*see MPPU Jan'19*), Argentina's Energy Secretariat raised the minimum price that oil refining companies are required to pay for biodiesel by a further 6 percent to ARS 35 365 per tonne (USD 593), effective 1 October 2019. As for the freeze on fuel prices introduced last August in a bid to contain inflation, the Government has taken steps to gradually lift the measure, local media reported.

AUSTRALIA – farmer relief measures:

The Government announced an aid package of AUD 100 million (USD 68.1 million) for farmers and communities affected by severe drought in 2019. The assistance also includes payments for water infrastructure upgrades and related projects, as well as measures to simplify and extend the government's Farm Household Allowance programme. Furthermore, the Government committed to soften aid eligibility requirements so as to allow more farmers to benefit from the various assistance programmes.

BRAZIL – production support measures

- **Relief measures:** During the months of September and October, the Agriculture Ministry authorized relief payments under its Harvest Guarantee Programme worth a total of BRL 468 million (USD 111.5 million), with assistance earmarked for some 520 000

smallholder farmers in the country's drought affected northern and north-eastern regions.

- **Production finance:** In October, the Government launched a set of measures aimed at expanding financing for the agriculture sector. The measures will focus on: i) stimulating the provision of production loans by the private sector; ii) reducing interest rates via better guarantees for lending institutions; and iii) enhancing competition across rural credit operations. The new policies envisage the equalization of interest rates between lending institutes and the possibility of issuing securities in foreign currencies. The Government will also set up – with financial participation from farmers – a fund that would allow producers to offer joint guarantees when renegotiating debts.
- **Rural insurance:** In October, the Agriculture Ministry announced an increase in public outlays for its rural insurance premium subsidization programme from BRL 370 million to BRL 420 million (USD 100.1 million).

BRAZIL – market regulation

- **Food standards:** In October, the Agriculture Ministry suspended and removed from the market 33 brands of olive oil found to be adulterated with soybean oil of unknown origin.
- **Seed market:** A global seed company was ordered by a Brazilian court to deposit royalties collected on sales of GM soybean variety 'IntactaRR2Pro' into an escrow account, pending the outcome of litigation over a patent dispute. The decision follows an analogous order issued last year (*see MPPU Aug.'18 & May'19*).

BURKINA FASO – import policy:

In September, the Government announced plans to suspend special import permits for vegetable oils. The measure would be aimed at stimulating domestic oilseed production.

CANADA / CHINA – bilateral trade talks:

The Canadian Government informed that it requested formal bilateral consultations with China at the World Trade Organization (WTO) to resolve quality concerns raised by China over

rapeseed imported from Canada (*see also MPPU May '19*). Reportedly, prior efforts of direct engagement failed to lead to resolution. China's decision, in March 2019, to suspend the import permits for two major Canadian rapeseed suppliers has led to a virtual standstill of Canada's shipments to China. On a related note, trade sources also reported an abrupt drop in Canada's soybean sales to China and linked the decline to stricter inspections by Chinese customs authorities, although – in the case of soybeans – no formal notification was issued by China. To mitigate the adverse effects of reduced marketing opportunities on farmers, the Canadian Government implemented a number of support measures (*see MPPU May/Jul./Sep. '19*).

CHINA – government auctions:

Domestic auctions of oilseeds and related oils from state reserves drew to a close in early-September for soybeans, end-August for soyoil, and mid-August for rapeseed oil. For all three commodities, overall volumes sold fared significantly below last year's levels. Total sales and average prices achieved for the three commodities in 2019 were as follows: 581 000 tonnes of soybean at CNY 3 030 per tonne (USD 432); 28 500 tonnes of soyoil at CNY 5 000 per tonne (USD 713); and 125 000 tonnes of rapeseed oil at CNY 6 289 per tonne (USD 896).

CHINA / ARGENTINA, RUSSIAN FEDERATION, THAILAND, BRAZIL – bilateral, sector-specific trade deals:

In parallel to its trade talks with the United States, the Chinese Government further pursued efforts to diversify the country's import options for oilseeds and derived products through bilateral agreements with third countries (*see also MPPU Sep. '19*).

In particular, in September, China formally approved the importation of soymeal from Argentina, the world's leading supplier of the commodity (NB: Argentinian soymeal was previously denied access to China). Reportedly, before first shipments can take place, concerned Argentinian plants need to obtain final authorization and registration by China's customs authorities. Argentine government officials expect

soymeal sales to China of up to 5 million tonnes in 2020, which compares to lower industry estimates of 2.3 million tonnes. In the month of September, China also authorized purchases of soy, rape and sunflower meal from the Russian Federation (*see also MPPU July&Sep. '19*). Moreover, China signed a MoU with Thailand that is expected to foster China's imports of Thai palm kernel expeller. Subsequently, in October, China signed a sanitary protocol with Brazil to facilitate sales of Brazilian cottonseed meal to China. The two countries also agreed to explore the possibility of trading soybean meal. In addition, Brazil's agricultural research body EMBRAPA and the Chinese Academy of Science signed a MoU aimed at promoting scientific collaboration between the two institutions, including work on the genetic enhancement of soybeans.

EUROPEAN UNION – health policies:

According to a study released by the European Commission, food products sold on the EU market contain too much sugar, fat, salt and too little fibre. The authors, who assessed packaged foods against nutrition standards developed by European public and private sector organizations, maintain that the marketing of foods abounding in saturated fat, sugar and salt counters efforts to promote healthy eating habits and can lead to poor diets, especially in children. They called for a comprehensive reformulation and innovation of food products – including upper limits for salt, fat and sugar – as a key strategy to improve the nutrient balance of the food supply. To address these issues, the Commission released a directive requiring member states to foster the use of co- and self-regulation that limits children's exposure to advertisements for foods and beverages that are high in salt, sugar, saturated fats and trans-fatty acids or otherwise disregard nutritional guidelines.

EUROPEAN UNION – pest control (*xylella fastidiosa*): The EU Court of Justice determined that Italy failed to comply with certain EU-wide requirements to contain the spread of *xylella fastidiosa*, the bacterium that affects olive trees

and other plants, causing their death by desiccation. On a separate note, in France, the first two cases of olive trees infected with the *xylella fastidiosa* pathogen have been reported from two distinct locations in the Côte d'Azur region (*see also MPPU Mar. & May'18*). The country's Agriculture Ministry informed that, to prevent the spread of the disease, the infected trees would be destroyed, while containment measures would be introduced within a 5-km radius of the two reported sites.

EUROPEAN UNION – market regulation (olive oil): The European Commission is considering to activate the temporary private storage mechanism for olive oil, in a bid to assist producers – especially in Spain – to overcome the recent decline in market prices stemming from an EU-wide glut in supplies. The EU's Common Market Organization regulation includes provisions for the said price stabilization mechanism, which was last used in 2012 (*see also MPPU Sep.'09, Oct.'11 & Jan.'12*).

EUROPEAN UNION – food standards: The European Union notified the WTO about newly established maximum residue limits for selected fungicides and insecticides in soybeans and cereals.

INDIA – producer support: In October, the Government announced an increase in the state-mandated minimum support prices (MSP) for winter/Rabi crops, applicable in the 2020/21 marketing year. For rapeseed, the MSP has been raised by 5.4 percent to INR 44 250 per tonne (USD 616). Reportedly, during the month of October, wholesale prices ranged below the new MSP. Market observers expect the higher MSP to result in a further year-on-year increase in rapeseed plantings.

INDIA – import policy: According to media reports, the Government is considering to raise the integrated general sales tax (IGST) on imported refined palm oil from 5 percent to 12 percent, with a view to offset a reduction in import tariffs

on palm oil supplied by members of the ASEAN bloc that is scheduled for January 2020. Under the ASEAN trade agreements, India is required to lower its tariffs on crude and refined palm oil to, respectively, 37.5 percent and 45 percent (compared to the prevailing rates of rates of 40 percent and 50 percent), which will entail a reduction in the duty differential between the two oils.

INDIA – food safety: The Punjab Food Authority declared a large number of fluid and solid edible oil brands sold in the state as unsafe for human consumption, removed them from the market and banned their production and distribution until all applicable food standards are met.

INDONESIA – variable palm oil export dues: Though moving upward, palm oil benchmark prices continued to range below the threshold levels that trigger export taxation. As a result, in October, Indonesia's tax on crude palm oil exports remained at zero, marking the 30th month in succession of tax-free exports. As for the variable export levy, the Government announced that – although the recent improvement in market prices was supposed to trigger the levy's reactivation – the toll on foreign crude palm oil sales would remain suspended until 1 January 2020. Reportedly, the decision is aimed at supporting the country's exports and protecting growers' incomes. Industry representatives pointed out that the levy's prolonged suspension has led to an increase in the share of crude palm oil in the country's overall palm oil shipments.

INDONESIA – production support (oil palm replanting): According to media reports, the Agriculture Ministry decided to lower its annual oil palm replanting target, citing difficulties faced by smallholder growers to prove land ownership – a prerequisite for participating in the government-sponsored programme. Aimed at raising productivity levels instead of adding new plantations, the scheme's original objective was to replace aging trees with plantlets of more performant varieties on 2.4 million hectares of plantation by the year 2025. Based on the new,

reduced annual replanting target of 180 000 hectares, it would take 12–13 years to achieve the official target, industry experts estimated. Reportedly, to tackle the administrative problems encountered, the Ministry has pledged to assist farmers in regularizing their land rights situation. (See also MPPU May'18 & Mar./May'19)

INDONESIA – environmental policies:

An Indonesian court fined an oil palm estate for fires that razed forest land on its concession. Market observers have noted a rise in the number of cases where companies are held liable for fires that occurred on their land – regardless of who started the fires.

INDONESIA – palm oil certification:

According to the media, the Government plans to set up an agency responsible for conducting independent audits of palm oil businesses – in a bid to improve the credibility and, eventually, the markets' acceptance of the country's mandatory palm oil sustainability certification known as ISPO (Indonesian Sustainable Palm Oil). Regarding the certification programme's implementation, the latest official figures put plantations availing of ISPO certificates at 5.5 million hectares, which compares to a total oil palm area of close to 12 million hectares.

INDONESIA – biofuel policy:

The Government confirmed its plan to raise the nationwide biodiesel blending mandate from 20 percent to 30 percent in January 2020. It also released the results of road tests of diesel fuel containing 30 percent of (palm oil-based) biodiesel which indicate that the higher blend is safe for cars. Furthermore, the Energy Ministry published the biodiesel consumption quotas for individual oil refining companies in 2020, which entail a 45 percent year-on-year increase – from 5.83 million tonnes in 2019 to 8.47 million tonnes in 2020.

MALAYSIA – palm oil certification:

The Malaysian Palm Oil Board (MPOB) urged all smallholders, estates and palm oil mills to obtain the Malaysian Sustainable Palm Oil (MPOB)

certification that will become mandatory on 1 January 2020, adding that businesses not complying with the requirement may incur fines and penalties. Reportedly, by end-August 2019, barely 51 percent of the country's total oil palm plantation area had been certified, while among mills the certification rate amounted to 64 percent (see also MPPU July&Sep.'19).

MALAYSIA – market promotion (palm oil):

Similar to a ban introduced earlier this year in Indonesia (see MPPU Sep.'19), the Malaysian Government is set to ban food products carrying “no palm oil” or “palm oil free” labels from the domestic market, in a bid to stem the development of negative perceptions among consumers.

Aimed at protecting the interests of the country's oil palm industry, the ban will complement the “pro-palm oil” campaign launched earlier this year (see MPPU May'19). According to local media reports, in September, the country's leading supermarket chain decided to voluntarily ban “palm oil free” labels from its shelves.

On a related note, the Government announced that, as part of its 2020 budget, MYR 27 million (USD 6.5 million) have been allocated to MPOB in support of the agency's activities promoting foreign palm oil sales and countering alleged anti-palm oil campaigns in importing countries.

MALAYSIA – export policy

• Variable palm oil export tax:

In a bid to stimulate palm oil shipments, the Government announced the following change in the commodity's 6-year old export tax regime: from 1 January 2020 onward, whenever the oil's per tonne benchmark price will fall into the MYR 2 250–2 400 range (USD 541–577), an export duty of 3 percent will apply – as opposed to the current rate of 4.5 percent. In the subsequent tier of MYR 2 401–2 550 (USD 578–614), the rate will increase to 4.5 percent, and then rise at 0.5 percent increments up to a maximum of 8 percent should prices exceed MYR 3 450 (USD 830) per tonne.

• Palmkernel oil export duty:

The Government temporarily suspended the duty exemption granted for crude and refined

palm kernel oil shipments, with a view to stimulate exports of the two commodities and reduce their inventories in the local market. The measures, which will be in place from 1 October 2019 until 30 June 2020, is part of efforts to encourage the palm oil industry to produce and market high value-added downstream products.

SPAIN – market promotion (olive oil):

The Government approved the collection of a cess from local producers and market operators across the olive oil industry (*see also MPPU July'19*). Reportedly, 80 percent of the funds collected will be used to finance promotional activities, while the remainder will be devoted to the assembly and analysis of market data and to R&D activities related to technological innovation. Triggered by a prolonged decline in market prices (*see item above*), the initiative's main objective is to promote the consumption and export of olive oil. The new scheme, which will remain in place until 30 September 2024, provides for the collection of EUR 6 per tonne of olive oil (USD 6.64). A first instalment of EUR 3 is due when olive oil leaves the mill (or storage facilities), while a second payment of the same amount will apply to all olive oil marketed or packaged in the country. The marketing/packaging quota also accrues when olive oil is exported in bulk by mills both within the EU and overseas. On a related note, the Agriculture Ministry also committed to issue, in 2020, a new quality standard for olive oil centred on product traceability and quality.

THAILAND – biofuel policy:

The Government's Oil Fund Office has approved subsidies for the production and sale of diesel fuel containing 10 or 20 percent of palm oil-based biodiesel. The measure is aimed at encouraging the use of biodiesel before mandatory sales will shift from 7 percent-blends to 10 percent-blends on 1 January 2020. Reportedly, B10 and B20 would be subsidized by, respectively, THB 1.80 and THB 2.55 per litre (USD 0.06 and 0.08), while, from January 2020, the litre of B10 and B20 would be priced at THB 26 and 23 (USD 0.86 and 0.76) respectively. Ultimately, the

subsidization policy is expected to help absorb the domestic surplus of crude palm oil.

UNITED STATES – biofuel policy:

The Environmental Protection Agency (EPA) proposed and sought comments on adjustments to the way annual renewable fuel blending obligations will be determined in the coming years. More specifically, comments were invited on a proposed mechanism to offset small refinery exemptions when determining future blending obligations. EPA's proposal would not alter the biofuel utilization mandates it proposed for 2020 and 2021 (*see MPPU Sep.'19*). Representatives of the renewable fuel industry criticized the proposal because it would link the calculation of biofuel obligations to exemption levels recommended by the U.S. Energy Department rather than using actual exemption levels.

UNITES STATES – farmer relief measures:

The USDA announced that all farmers subscribed to the federal crop insurance scheme who in 2019 had a prevented planting indemnity related to flooding or excess soil moisture would be automatically granted a 10–15 percent “top-up” payment (*see also MPPU Sep.'19*).

UNITED STATES – import policy (EU trade dispute):

The U.S. Trade Representative published a list of products imported from the European Union that would attract corrective tariffs as of 18 October 2019, in retaliation for subsidies – ruled illegitimate by the WTO – that the EU granted to its aviation industry (*see also MPPU May'19*). The list includes virgin and non-virgin olive oil produced in Spain and sold in containers of up to 18 kg, which would face an additional import tariff of 25 percent. Olive oil imported from other EU countries would not be affected. Combined with the recent decline in global olive oil prices (*see above*), the corrective tariff could threaten the subsistence of a large number of farm households in southern Spain, according to market observers. In recent years, the United States consumed about 320 000 tonnes of olive oil annually, of which roughly 60 percent originated from Spain.

UNITED STATES – food standards (olive oil):

The Olive Oil Commission of California (OOC) announced new mandatory labelling requirements for large-scale producers. The new standard is aimed at better informing consumers about the provenance and quality of olive oil produced in the state. With regard to shelf life, the European Commission will allow producers to choose a ‘best before’ method to estimate shelf life from among several scientifically cleared protocols. On a separate note, the OOC informed that it set aside funding to support research on pests and diseases affecting olive production as well as projects on improved cultivation practices and quality enhancement measures.

VIET NAM – GMO policy:

The Agriculture Ministry approved the importation of two new GM herbicide-tolerant soybean events, thereby providing assurance to producers in exporting countries that trade in these varieties can continue.

INTERGOVERNMENTAL – food standards:

Under the auspices of the Pan American Health Organization (PAHO), the countries of the Americas agreed to develop an action plan aimed at banning, from 2025, harmful trans fats from the food supply chains of their respective territories. Reportedly, planned actions would include the establishment of regulatory enforcement mechanisms. PAHO reiterated that the elimination of trans fats from industrial food production was a necessary, feasible and effective policy measure with significant long-term health benefits. The organization also called on the food industry to contribute to the on-going regulatory efforts by voluntarily avoiding the use of partial hydrogenation of oils and removing partially hydrogenated oils/fats from their products. Reportedly, regulations limiting or prohibiting trans fats are currently in place in Argentina, Canada, Chile, Colombia, Ecuador, Peru, the United States and Uruguay, whereas in Bolivia, Brazil and Paraguay regulations are currently at the formulation stage.

Sector development measures

- Pacific island nations – coconut:

Supported by the Pacific Community (SPC) and the Australian Centre for International Agricultural Research, government agencies in Fiji, Papua New Guinea, Samoa, the Solomon Islands and Vanuatu joined forces to launch a 5-year project for the safeguard and deployment of coconut diversity in support of coconut-based livelihoods across the region.

- Pakistan – olive tree:

The Government confirmed its plans to promote olive tree cultivation in the country in a bid to curb the nation’s edible oil import bill, while at the same time promoting climate change adaptation efforts. Reportedly, the plan envisages the planting of 50 million olive trees, concentrating on smallholder farmers in drought-stricken areas in Punjab, Baluchistan, Sindh and Khyber-Pakhtunkhwa. Also included in the plan are the construction of rainwater-harvesting ponds and the introduction of efficient irrigation methods.

- The Philippines – coconut:

The Philippine Coconut Authority (PCA) engaged in the identification of new potential areas for coconut palm cultivation, with a view to increasing the country’s output of non-traditional, high-value coconut products. Reportedly, the agency is concentrating on shoreline areas in various provinces as well as public lands earmarked for property development. In addition, PCA is working on a comprehensive coconut industry roadmap that would include palm rejuvenation schemes, the provision of innovative production technologies to farmers, market development studies, and other research and development activities.

Cocommunity

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- United States – rapeseed: USDA’s National Institute for Food and Agriculture has approved funding for research and extension activities aimed at enhancing rapeseed production and profitability in the north-central part of the country. In particular, the grant will be used to develop new winter rapeseed varieties adapted to

the Great Plains and to advance production and pest management of the crop in the upper Midwest.

Oil palm development – third party studies

- **Dietary impact assessment – Indonesia:**

A study on the nutritional and dietary impact of oil palm plantation development on farm households in Indonesia suggests that oil palm cultivation positively affects household dietary diversity, calorie consumption and the intake of fruit, vegetables and micronutrients both in transmigrant and local communities.

- **Industrial plantation development – Africa:**

Data gathered by a group of NGOs suggest that, in Africa, industrial oil palm development – as opposed to traditional, small-scale production systems – slowed down significantly in recent years. Reportedly, land concessions awarded for industrial oil palm development in West and Central Africa declined from 4.7 million to 2.7 million hectares over the past 5 years, and only a small part of the existing concession areas have actually been converted into oil palm plantations or replanted with new palms. According to the NGO report, resistance by affected local communities contributed strongly to the observed slowdown. Reportedly, people living inside the concession areas are increasingly concerned about losing access to farmland and forest they relied on for food, fuel and building supplies. According the study, the circumstance that many industrial oil palm plantation projects are faced with acute land conflicts has discouraged companies from pursuing investments.

Palm oil industry initiatives – deforestation

detection: Some of the world's largest palm oil producers and buyers joined forces to finance the development of a radar-based forest monitoring system aimed at detecting deforestation. By spotting forest clearing events in near-real time and with greater accuracy, participating companies hope to more quickly mobilize follow-up actions on the ground, thus contributing to improve sustainability in the palm oil supply chain. Allegedly, the new tool (called Radar Alerts for Detecting Deforestation, RADD) can

detect tropical deforestation several weeks earlier than optical-based systems, thanks to its ability to penetrate cloud cover. Reportedly, RADD-based deforestation alerts will be publicly available, thus allowing companies, governments, civil society groups and concerned stakeholders to use the same information source and standards.

Wageningen University and *Satelligence*, which developed RADD in collaboration with the *World Resources Institute*, expect to refine the technology over the next two years.

Palm oil – RSPO news

- **Supply chain certification:** RSPO, the global industry led palm oil certification body, launched a public consultation process for the review of its Supply Chain Certification Standard (SCCS). The standard covers requirements related to the control of RSPO-certified oil palm products along the supply chain, including flows of certified products and associated claims. Reportedly, main topics addressed during the consultation process included the requirements related to transaction registration, auditable data issues, the capacity and competency of auditors, the certification cycle, and the possible inclusion of shared responsibility requirements.

- **RSPO Principles & Criteria 2018:**

A palm oil mill in Indonesia has become the first mill to be successfully audited against the RSPO's updated, more stringent set of environmental and social standards launched in late 2018 (*see MPPU Dec. '18*).

- **RSPO Impact Report 2019:**

The RSPO's latest 'impact report' describes progress made by the organization's members in relation to: i) the inclusion of smallholders; ii) growth in certified land, especially in Africa; and iii) the avoidance of GHG emissions both by staying away from land clearance and planting on peat soils and setting aside conservation areas in new developments. RSPO also reported combined investments in excess of USD 23 million in restoration projects. In presenting the results, RSPO highlighted the group's efforts to promote a greater inclusion of smallholder growers while ensuring that core sustainability requirements are upheld. As for the uptake of RSPO-certified palm

oil on global markets, the report confirms that sales have risen only minimally in recent years – a development of increasing concern to RSPO and its members.

Olive oil market news

- Global olive cultivation:

According to a study published in Spain, in 2019, the global area used for commercial olive cultivation has decreased for the first time in 22 years, with drops concentrated in Italy, Spain, Greece, Jordan and the Syrian Arab Republic.

The authors have linked the decline to i) recent drops in the prices for olives and olive oil that caused farmers to switch to more lucrative crops, and ii) the ongoing shift to intensive, more efficient cultivation methods that has made smaller groves more profitable.

- EU–Mercosur free trade agreement:

According to market observers, olive oil producers in Europe and South America are eagerly awaiting the ratification and implementation of the recently signed agreement (*see MPPU Sep. '19*), which is set to gradually remove import tariffs and quotas on olive oil trade between the two blocs, while creating the world's largest community of olive oil producers and consumers. Reportedly, exporters in the EU expect to obtain better access to Mercosur's deficit market for olive oil. As for Mercosur countries, industry experts pointed out that Argentina's export-oriented olive oil sector could gain from improved access to EU markets, whereas, in Brazil, producers could be hurt by increased import competition, while consumers would benefit from lower prices.

Selected industry initiatives

- India – palm oil imports:

Linked to recent diplomatic discords between India and Malaysia, a slowdown in India's imports of Malaysian palm oil has been observed in recent weeks, amid advisories by India's Solvent Extractors' Association (SEA) inviting members to refrain from such transactions. Reportedly, importers were concerned over the possible introduction of trade restrictive measures,

although the Indian Government made no announcements to this effect.

- United States – organic groundnuts:

An association for organic groundnuts has been set up in the US state of Georgia. The main objective of the Georgia Organic Peanut Association (GOPA) is to promote and market its members' certified organic groundnuts.

R & D – varietal research

- Edible cottonseed meal (United States):

U.S. scientists developed a cottonseed variety characterized by a very low gossypol content in the seed. Naturally present in the plant, gossypol protects the crop from insects and other pests, but is toxic for humans and animals (except ruminants). Reportedly, in the new, genetically modified variety, the chemical has been suppressed in the seed but retained in the rest of the plant. As a result, in addition to yielding fibre and oil, the new variety also allows to produce a protein-rich meal suitable for a wide range of applications in both human and animal diets. Following its recent clearance for use in food products by the U.S. Food and Drug Administration, the new variety is expected to become commercially available in about five years. Meanwhile regulatory approval will be sought in other countries.

- High-yielding soybean (China):

Reportedly, the Heilongjiang Academy of Agricultural Science has achieved yields of 450 kg per mu (6 tonnes per ha) in trials of a new soybean variety obtained through molecular design and radiation breeding methods. In addition to high and stable yields, the variety is said to be characterized by good adaptability.

- Frost-resistant rapeseed (Canada):

In Canada, a group of scientists developed a genetically engineered rapeseed variety that allegedly can withstand frost without producing green seeds. The presence of green seeds, which typically occurs in late-season, frost-damaged harvests, lowers the commercial value of rapeseed crops as it leads to reduced storability and quality of the oil.

R & D – product development

- **Edible linseed oil (India):**

Traditionally used for a variety of industrial applications, a linseed/flaxseed oil suitable for human consumption – in both pure and blended form – is being developed by the Indian Council of Agricultural Research (ICAR). Reportedly, ICAR researchers succeeded in improving the quality and shelf-life of the oil by lowering its content of linolenic acid, thus making it suitable for cooking. Reportedly, linseed oil offers important health benefits thanks to its high content of omega-3 fatty acids and antioxidants.

- **Tire industry:** After conducting extensive research on the incorporation of soybean oil in the production of rubber compounds for tires (*see also MPPU Oct. '17*), global tire producer *Goodyear* is aiming for a full replacement of petroleum-based oils with soybean oil in its tire production by 2040 and announced an increase in the company's soybean oil uptake by 25 percent in 2020. According to the company, the inclusion of soybean oil allows to improve tire performance

at low temperatures, while raising manufacturing efficiency.

- **Olive oil waste recycling (Palestine):**

Reportedly, in the Gaza Strip, a group of engineers succeeded in turning pomace – the solid, non-biodegradable residue left when olives are crushed for edible oil – into flammable, environmentally friendly pellets that households can use safely as heating material. Olive pomace is generally classified as an environmental pollutant and in some countries is subject to strict disposal regulations.

Palm oil-based biodiesel: In Indonesia, a public-private research partnership is working on a new chemical catalyst said to allow accelerated conversion of palm oil into biofuels. Reportedly, the new technology is currently being tested in a diesel refinery unit, while trials to produce palm oil-gasoline blends and palm oil-based jet fuel are envisaged in a subsequent phase. Supported by Indonesia's Oil Palm Estate Fund, the research draws on funds collected from the industry via a levy applied to the country's palm oil exports.

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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	152	154	182
2018/19	370	744	523	328	247	142	159	130
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
2019 - September	366	765	563	315	201	140	136	151
2019 - October	386	765	579	319	214	147	136	153
¹ Spot prices for nearest forward shipment ² Soybeans (US, No2 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								