



OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

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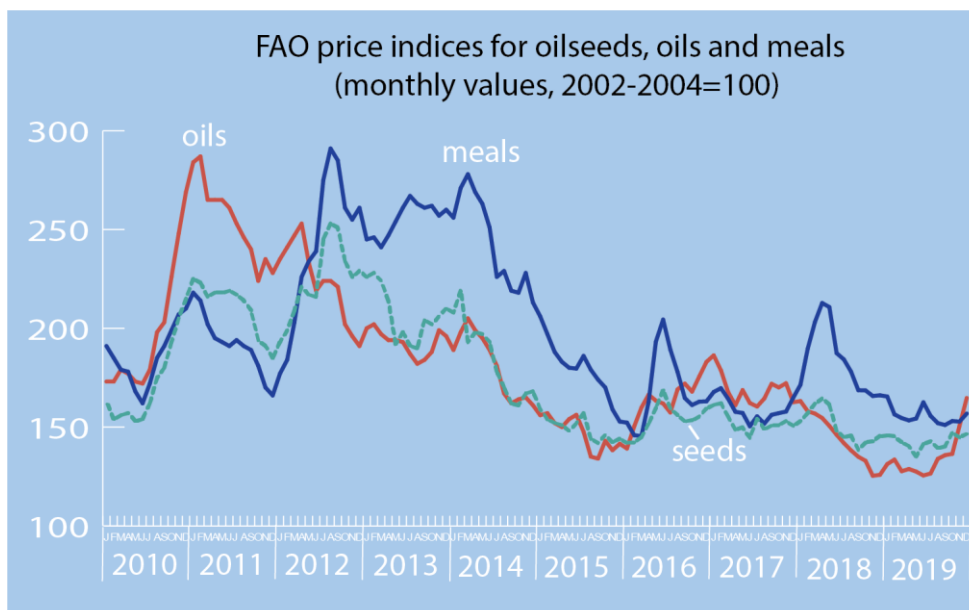
a) Global price review

The month of December saw FAO’s three price indices related to the oilcrops complex appreciate. Month-on-month, the oilseed and oilmeal indices gained, respectively, 1.7 and 4.1 points (or 1.2 and 2.7 percent), but the strongest rise occurred in the vegetable oil segment, with its index rising 14.1 points (or 9.4 percent) – marking the sixth increase in succession and the highest level since November 2017.

The modest rise in the oilseed index mainly reflects firming sunflowerseed and rapeseed values, while the monthly average for soybeans remained virtually unchanged from November. International soybean quotations – the dominant element in the index – started the month on a weakening tone due to slowing US shipments, largely favourable weather conditions in Brazil,

and scant progress in the US-China trade negotiations. Towards mid-December, however, news that the United States and China had reached an initial agreement on a partial trade deal, combined with reports that China had issued fresh tariff-free import quotas for US soybeans, bolstered world soybean prices. Moreover, continued dryness in parts of Argentina, together with the incoming Government’s announcement of increased export duties for grains and oilseeds, raised concerns over Argentina’s export availabilities in 2020. With regard to sunflowerseed, international prices rose for the third month in succession reaching an 18-month high, as persistently strong crushing activities and a vigorous export pace in the Black Sea region resulted in faster than expected drawdowns of inventories – thus offsetting downward pressure

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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 **November** and **December 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/>.

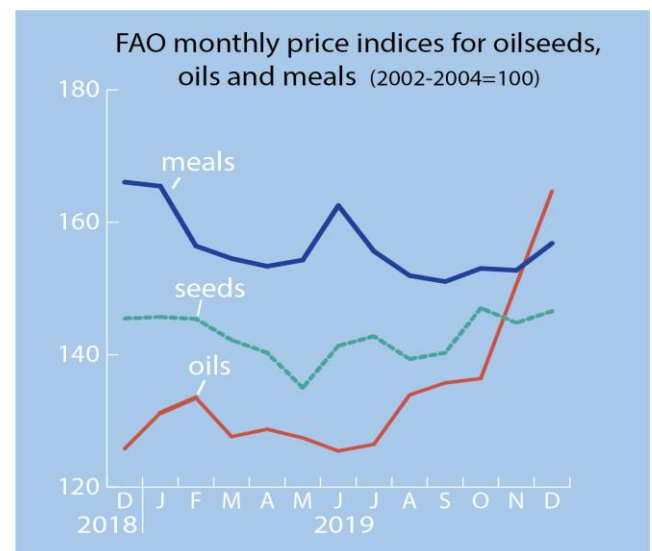
Global price review – cont'd

stemming from record-high global crop estimates. In the meantime, international rapeseed quotations remained on an upward trajectory, as enduring adverse weather conditions in Canada and Australia as well as reports of below-average plantings (for the second year in succession) in the EU pushed prices up to three-year highs. As to oilmeals, FAO's price index rebounded in December, although it remained below the levels recorded in corresponding months of recent years. Last month's increase mainly reflects rising soymeal and rapeseed meal quotations. While the spread of African swine fever across Southeast Asia continued to weigh on global protein meal demand, the possibility of tightening supplies out of Argentina – the world's leading soymeal exporter – provided support to international prices. At the same time, international rapeseed meal prices rose sharply in December, underpinned mainly by reduced crushings in the EU.

The spike in FAO's vegetable oil index was mostly driven by firming palm oil prices, while soy, sunflower and rapeseed oil values also increased. International palm oil quotations rose for the fifth consecutive month, marking the highest level since February 2017. On the supply side, in addition to earlier-than-anticipated seasonal production slowdowns, production in Southeast Asia is forecast to remain subdued during the first half of 2020, owing to the lagged effects of adverse weather conditions and reduced fertilizer applications last year. On the demand side, stagnation in discretionary biodiesel blending (stemming from the recent rebound in palm oil prices) are expected to be outweighed by higher blending mandates taking effect in

Indonesia from January 2020 and increased mandatory consumption in Malaysia later this year – which has given rise to supply concerns in importing countries. In the case of soyoil, international prices firmed in response to both reduced crushing volumes in major producing countries and firm import demand from India and China. Meanwhile, sunflower and rapeseed oil prices responded to, respectively, brisk global import demand and worries over tightening world supplies, along with spill-over support from palm oil.

Looking at the annual averages of the three indices, in 2019, the values for oilseed and oilmeal dropped by, respectively, 7.9 and 28.2 points (or 5.2 and 15.3 percent) from their 2018 levels, driving the respective indices to 13-year and 12-year lows. Meanwhile, the average index for vegetable oils – despite the strong rebound in palm oil prices observed since August 2019 – shed 8.9 points (or 6.2 percent) year-on-year, marking the lowest annual average since 2006.



b) Selected policy developments and industry news

UNITED STATES / CHINA – trade dispute:

Amid on-going trade talks, during the months of November and December 2019, China continued buying soybeans from the United States, as the China's customs authorities issued fresh import quotas to state-run and private companies – including waivers of the retaliatory tariffs in place since July 2018 (*see also MPPU Nov. '19*).

Eventually, on 13 December, the two countries announced that agreement on a “phase one” trade accord had been reached. The deal, which was signed on 15 January 2020 and will take effect in mid-February, includes provisions for China to increase – over the course of two years – its imports of US agricultural goods by at least USD 32 billion compared to the level recorded in 2017. Accordingly, China's purchases of US agricultural goods (comprising both bulk commodities and consumer products) would need to reach at least USD 80 billion during 2020–2021. To meet the said purchasing targets, China would likely continue with its policy of granting temporary tariff waivers – assuming the existing tariffs on US goods remain in force.

Furthermore, China agreed to suspend planned tariff increases, relax its health standards regarding certain food imports, and expedite the approval of GM-crop imports (*see also below item on China*).

The United States, on the other hand, committed to suspend an already planned escalation in tariffs, while reducing existing import tariffs on certain Chinese goods – although the United States' 25% surcharge on about half of all Chinese imports would remain in place. The bilateral agreement includes an enforcement mechanism to ensure that both sides honour their commitments. Reportedly, further phased reductions of the remaining tariffs might be considered, depending on the implementation of “phase one” and progress in future stages of the negotiations. While the new trade deal is expected to offer some respite to global markets, market observers debated how China's purchases of US goods would reach the agreed levels – recalling that, while soybeans used to account for about half of China's US agricultural purchases (by value), China's upcoming demand for US beans may be

affected by both the recent outbreak of African swine fever and the availability of competitively priced Brazilian soy. Attention was also drawn to the point that the almost two year-long trade conflict has spurred China to invest in a number of alternative supply chains (*see MPPU Dec. '18, Jan./Sep./Nov. '19 as well as below item on China*). In addition, it remains to be seen how the bilateral trade deal will be received by the two countries' respective trade partners.

ARGENTINA – export policy:

On 14 December, citing fiscal policy reasons, the newly formed Government removed the export tax limit of 4 ARS for each US dollar in export value that had been in place for selected commodities since September 2018, including oilseeds and derived products (*see MPPU Oct. '18*). As a result, Argentina's export tax on soybeans, soyoil and soymeal exports has risen to 30%, while that for sunflowerseed shipments reached 12% – compared to the prevailing tax levels of, respectively, 25% and 7%.

Subsequently, on 21 December, Argentina's Congress authorized the government to raise, for a period of two years, the export tax on soybeans, soyoil, soymeal and sunflowerseed by an additional 3 percent – to, respectively, 33% and 15%. Reportedly, small farmers would qualify for full or partial reimbursements of the additional 3% tax, depending on their annual production volume. According to industry sources, the higher export duties would lead to lower plantings, with 2020 soybean output possibly falling by 1–1.5 million tonnes compared to earlier forecasts. Meanwhile, the Government has launched consultations with the farm industry on the possibility of reintroducing export tax differentiation, which would be aimed at encouraging the production and export of soyoil and meal as opposed to beans.

ARGENTINA – food standards: Argentina's food and drugs authority suspended the sale of certain coconut oil products originating from Indonesia, citing infringement of national food product regulations.

AUSTRALIA – agricultural relief measure:

In November, the Government of Australia announced that it would offer subsidized loans to farmers affected by drought. In addition, farmers would be able to buy water for growing fodder at discounted rates, while measures to improve rural infrastructure would also be implemented.

BRAZIL – biofuel policy: Further to the recent increase in the country's nationwide biodiesel blending mandate from 10% to 11% (*see MPPU Sep. '19*), in November, the Brazilian Government approved raising the mandate to 12%, effective 1 March 2020. Thereafter, blend levels would rise by a further one percentage point each year, until they reach 15% in March 2023. The new policy is expected to boost local demand for soyoil, the country's main biodiesel feedstock. Industry sources project Brazil's 2020 biodiesel production at 5.1 million tonnes, which would translate into a soyoil uptake of about 5 million tonnes – a level equivalent to nearly two-thirds of Brazil's 2019 supply. Looking further ahead, in 2028, official sources project biodiesel production to reach 9.7 million tonnes, based on current forecasts of national diesel consumption and a biodiesel blending rate of 15%. Meanwhile, Brazil's oil and fuels regulator, ANP, has launched tests with diesel motor fuels containing 20–30% biodiesel.

BRAZIL – transport infrastructure:

According to media reports, the Brazilian Government postponed to the second half of 2020 the auction of two major railway projects of special relevance for grain/oilseed exports – the 'Ferrogrão' project (*see MPPU Jan. '18 & Jan./Mar. '19*) and the FIOL railroad designed to link the country's interior to a port in Bahia State. At the same time, the Government confirmed that plans to repave highway BR-319 (running through the Amazon basin from Porto Velho to Manaus) would go ahead.

CHINA – import policy (trade mitigation measure): Further efforts to diversify or expand the country's sources for feed ingredients have been reported from China (*see also MPPU Sep.*

& Nov. '19). In November, China's customs authorities approved the importation of cottonseed meal – a soymeal substitute – from Brazil. Furthermore, in December, when the country's Tariff Commission set tentative Most Favoured Nations (MFN) import tariffs for selected commodities in the year 2020, the duties for oilcakes/meals other than soymeal were suspended, while those for bovine animal tallow, palm stearin and fish oil capsules were lowered from the prevailing levels. Moreover, on 1 January 2020, China eased its customs regulations on imports of soybean through selected northern border checkpoints, reflecting efforts to smoothen imports from neighbours such as Kazakhstan and the Russian Federation. (*For related bilateral agreements see below section 'Trade agreements and bilateral sector-specific initiatives'*)

CHINA – GMO policy: On 30 December, China approved for importation two GM-crops developed in the United States, including one soybean variety. Furthermore, import permissions for four GM soybean varieties and three GM rapeseed varieties were renewed. The latest approvals, which are valid for a three-year period, expand the opportunities for agricultural imports from the United States (*see also above item on the US-China trade truce*). Separately, the country's Agriculture Ministry revealed plans to issue, for the first time, biosafety certificates for a number of locally developed GM crops – including one GM soybean variety – for domestic cultivation. To date, while research on GM varieties has been gradually derestricted, GM food grains were held back from commercial production due to consumer concerns over perceived health risks (*see also MPPU Mar./May '15, Sep. '16, Jan. '17 & Mar. '19*).

ETHIOPIA – import regulation:

The Ethiopian Government has raised the number of private and state-owned companies that are authorized to import refined palm oil for subsequent distribution to local markets under government-set prices. Reportedly, the selected

companies will benefit from duty-free privileges and preferential access to foreign exchange (*see also MPPU Aug. '15*).

EUROPEAN UNION – market regulation

(olive oil): In November, the European Commission activated a private storage aid mechanism for EU-produced olive oil, in a bid to bring down the bloc's supplies and thus support prices (*see also MPPU Nov. '19*). Private sector operators participating in the programme are required to store their product for at least 180 days.

EUROPEAN UNION / INDONESIA –

retaliatory import tariffs: In December, the European Commission confirmed the preliminary countervailing duties it had imposed last August on imports of palm oil-based biodiesel from Indonesia (*see MPPU Sep. '19*). According to the Commission, Indonesian producers were able to sell their product at unfairly low prices because they benefited from grants, tax breaks and access to raw materials below market price. Reportedly, the Indonesian Government is considering taking legal action against the EU's decision.

FRANCE – palm oil taxation:

As part of the 2020 budget debate, the French Parliament voted in favour of removing tax breaks for palm oil used as biodiesel feedstock, thus rejecting a Government-backed proposal to delay the withdrawal of the tax advantages until 2026. The removal had originally been agreed under France's 2019 budget (*see MPPU Jan. '19*).

GERMANY – pesticide regulation

(glyphosate): German's federal consumer protection and food safety authority decided to extend the approval of glyphosate-containing herbicides by one year, until mid-December 2020, while confirming its plan to outlaw the chemical on 31 December 2023. By end-2023, the Government envisages a reduction in the herbicide's use by about 75 percent (*see also MPPU Sep. '19*).

INDONESIA – biofuel policy:

Further to the shift from B20 to B30 (i.e. diesel with a mandatory bio-content of, respectively, 20 percent and 30 percent) scheduled for 1 January 2020, Government officials announced plans to implement a bio-diesel programme with 40% bio-content between 2021 and 2022, adding that road test using B40 diesel would be conducted during 2020. Furthermore, technical studies on mixing palm oil-based fuel with aviation fuel are planned. Government estimates reported by the media set the country's biodiesel consumption in 2022 at 8.92 million tonnes, which compares to 6.35 million tonnes in 2019. For the time being, due to palm oil supply constraints, a B50 mandate is considered as the upper limit – unless the industry manages to accelerate the replanting of senile palms, eventually achieving yield improvements (*see MPPU Nov. '19*).

INDONESIA – production sustainability (oil palm):

In November, the Indonesian Government renewed its commitment towards sustainable palm oil production by issuing a presidential instruction ordering multiple ministries to coordinate a campaign aimed at: i) improving data management within the oil palm industry; ii) enhancing farmers' capacities; iii) managing and protecting the environment; iv) resolving farm land conflicts; and v) fostering international recognition of Indonesia's palm oil sustainability standard. While civil society groups welcomed the initiative, some claimed that the sector's potential to help reduce overall carbon emissions was overestimated, while others perceived risks that illegal plantations could be legitimized and that new plantations could be favoured over reforestation obligations.

INDONESIA – palm oil export tax & levy:

With crude palm oil reference prices remaining below the USD 750 per tonne threshold that triggers export taxation, the country's tax on palm oil exports remained suspended in December 2019 and January 2020. By contrast, the export levy that kicks in when prices exceed

USD 570 per tonne has been re-activated on 1 January 2020 (NB: due to depressed prices, no levies had been collected since November 2018; even when prices started recovering in November and December of last year, the Government opted to maintain the levy at zero, in a bid to support exports – see *MPPU Nov. '19*). With the January reference price set at USD 730 per tonne, the levy collected on each tonne of palm oil exported will move in the USD 20–50 range.

INDONESIA / EUROPEAN UNION – trade dispute (EU renewable energy policies):

On 16 December, Indonesia formally requested WTO dispute consultations with the European Union regarding measures adopted by the EU and certain member states in the renewable energy sector relating to biofuels (see above items on the EU and France) – notably the classification of palm oil as a ‘high indirect land use change (ILUC)-risk’ biofuel feedstock (see *MPPU Mar./May/July '19*). Indonesia deems the measures adopted by the EU and France to be discriminatory to its palm oil sector and hence inconsistent with existing WTO rules. Government officials claimed that, besides directly hurting Indonesia’s palm oil exports, the EU’s policies could tarnish the image of palm oil products globally, eventually harming all palm oil producing countries.

ISLAMIC REPUBLIC OF IRAN – import measure / consumer support:

To ensure adequate domestic supplies, the Iranian Government decided to subsidize the importation of a number of basic goods, including edible oils and oilseeds. Reportedly, importers will be provided with USD 14 billion in the form of official-rate foreign exchange.

MALAYSIA – palm oil export tax:

Suspended since August 2018 due to declining prices, the tax on crude palm oil exports was eventually re-activated on 1 January 2020. With the palm oil reference price bouncing up to MYR 2 571 (USD 631) per tonne, exports will be taxed at 5%, in line with the recently revised tax scale (see *MPPU Nov. '19*).

MALAYSIA – profit taxation:

With palm oil reference prices rising above the MYR 2 500 (USD 613) per tonne mark that triggers windfall profit taxation, on 1 January 2020, tax authorities resumed collecting 3% and 1.5% tax from growers in, respectively, Peninsular Malaysia and Sabah/Sarawak (NB: Malaysia’s palm oil windfall taxation was introduced in 2008, together with changes in the country’s Cooking Oil Price Stabilization Scheme). Planters cultivating less than 40 hectares will remain exempt from taxation. In response to calls from the industry to withhold the levy’s reactivation, the Government pledged to channel at least 50% of the proceeds back to the oil palm industry. Reportedly, the proceeds would be set aside to subsidize palm oil-based biodiesel production once mandatory B20 consumption enters into force at the end of 2020 (see also *MPPU Mar. & July '19*).

MALAYSIA – export promotion (palm oil):

The Government of Malaysia backed private sector initiatives geared towards greater palm oil market penetration in China, India and the Indian sub-continent. Newly signed collaboration agreements with firms specialized in supply chain management are expected to help Malaysia diversify its palm oil exports. On a related note, the Malaysian Government plans to support research, training and promotional activities on palm oil in Pakistan, with the objective to allay consumer misperceptions about palm oil. In this regard, possibilities to collaborate with the Department of Food Science and Technology of the Karachi University would be explored.

MALAYSIA – production sustainability (palm oil)

- **Certification:** According to official sources, one third of the country’s oil palm plantations have yet to meet the sustainability standard set to become mandatory in January 2020. Reportedly, as of 6 January, 3.65 million hectares out of 5.85 million hectares had obtained MSPO (Malaysian Sustainable Palm Oil) certification. In the processing sector, one quarter of the country’s 452 mills has yet to be certified.

Government officials reiterated that non-compliant growers and mill owners would be penalized, warning that non-certified mills and producers with plantations exceeding 40 hectares could see their licenses revoked.

- **Traceability:** In a bid to make oil palm supplies fully traceable by 2025, the country's sustainability-certification body, MPOCC (Malaysian Palm Oil Certification Council), announced plans to make concession maps accessible to the general public. By fostering transparency about the operations of individual industry players, the Government hopes to demonstrate to the international community that Malaysian palm oil is produced responsibly. On a related note, the Government granted the international industry standards group RSPO (Roundtable on Sustainable Palm Oil) permission to make its members' concession maps public for Peninsular Malaysia and Sarawak. Previously, such permission had been denied, based on ambiguity and legality concerns.
- **Replanting incentive:** To promote output growth via productivity improvements rather than land expansion, the Malaysian Government will assist smallholders to replace old palms with more performant ones. As part of its FY 2020 budget, the Government committed to provide MYR 550 million (USD 135 million) in soft loans to some 650 000 smallholder growers to undertake replanting activities. Reportedly, the loans would carry a 2% interest rate, would not require a guarantor, and would include four repayment-free years.
- **Production cess:** From 1 January 2020, all oil palm growers are required to pay MYR 1 per tonne (USD 0,25) of crude palm oil produced in support of the Government's environmental agenda. Reportedly, proceeds will be used to fund public reforestation and wildlife protection schemes. The initiative is expected to help raise the industry's environmental credentials.

MALAYSIA – food standards:

The Malaysian Government set out to ensure that its palm oil producers meet international standards for toxic contaminants in refined oils and fats (*see also MPPU Sep. '19*). More specifically, the

Government is working on regulations to ensure that palm oil products adhere to specific safety levels for 3-MCPDE (3-monochloropropane-diolester) and GE (glycidylester) that are in place or under consideration in the European Union. The two compounds, which are formed during edible oil refining and are difficult to remove after formation, can be found in high levels in processed palm/palmkernel oil. To pre-empt EU legislation, Malaysia is planning to limit, from 2021, the 3-MCPDE content in refined palm oil and palmkernel oil to, respectively, 2.5 ppm and 1.25 ppm, while setting a 1 ppm threshold for GE in processed palm/palmkernel oil. From 2022, the 1.25 ppm 3-MCPDE limit would also apply to refined palm oil.

MALAYSIA – biofuel policy:

With a view to foster domestic palm oil uptake, Malaysia envisages to start producing palm oil-based jet-fuel within five years, local media reported. To achieve this goal, in its FY 2020 budget, the Government set aside funds to explore the use of palm oil derivatives as aviation fuel feedstock. In the meantime, the Malaysian Palm Oil Board has approached potential investment partners in China, Japan and the United States (*see also MPPU May '19*). While bio-jet fuels will be needed to reduce carbon footprints, their production comes with additional costs and complexities – hence the need for more research and development before moving into commercial production. Meanwhile, demand for bio-jet fuel is expected to expand, considering that the International Civil Aviation Organization ICAO (the UN's standards setting body for civil aviation) is aiming for a significant proportion of sustainable aviation fuel use by 2050.

PARAGUAY – GM-soy approval:

In November, Paraguay – the world's fourth largest exporter of soybeans – joined the list of countries that approved GM-soy variety 'HB4' for commercial use (*see MPPU July '19*). Industry sources reckon that farmer access to the drought and herbicide tolerant variety has the potential to almost double the country's area under soybean cultivation. Reportedly, the variety's commercial

launch will be delayed until China, the world's largest buyer of soybeans, authorizes its importation.

THAILAND – producer support: As part of its FY 2020 budget, the Thai Government allocated THB 4.38 billion (USD 143 million) for assisting farmers in marketing their main crops, including palm oil. Reportedly, the funds will be used to delay the release of crops onto the market, thereby countering price declines after harvest time.

(NB: the package is separate from the commodity-specific price guarantees and subsidy schemes approved in August 2019 – *see MPPU Sep. '19*).

THAILAND – biofuel policy: As a result of the shift in mandatory blending from B7 to B10 (i.e. transport diesel with a bio-content of, respectively, 7 percent and 10 percent) in January 2020, the country's biodiesel industry is expected to absorb 2.2 million tonnes of palm oil – or two thirds of domestic production – annually.

Besides helping to stabilize palm oil prices, the Government's biofuel policy is expected to reduce airborne dust emissions and help the country save on mineral oil imports. Official sources confirmed that domestic sales of B10 and B20 would be subsidized (*see also MPPU July '19*).

UNITED STATES – biofuel policy

- **Blenders tax credit:** In December, the Government signed into law a new budget deal including a historic five-year extension of the USD 1 per gallon tax credit for biodiesel blenders. The tax incentive's retroactive reinstatement – from its expiry on 1 January 2018 through 31 December 2022 – is expected to provide a stable framework for the sector's further growth. For the last six years, the tax credit was allowed to expire, with retroactive extensions granted for one year at a time. Reportedly, at an annual cost of almost USD 2 billion, the 15 year-old programme is among the country's most expensive energy subsidy policies.

- **Mandatory biofuel requirements:** In December, the Environmental Protection Agency (EPA) finalized the volume of renewable fuels that will have to be supplied to the market

in 2020 as well as the blending obligations for biomass-based biodiesel in 2021.

As for 'biomass-based diesel', EPA confirmed that the 2021 requirement would remain unchanged from 2020, i.e. at 2.43 billion gallons. With regard to the 'advanced biofuel' category, under which biodiesel also qualifies, 5.09 billion gallons will be required in 2020 – up from the 2019 level of 4.92 billion gallons (and 170 million gallons above EPA's initial proposal – *see MPPU Sep. '19*).

- **Iowa State – procurement policies:**

From December 2019, Iowa State requires all state agencies, when buying vehicles and diesel engines, to purchase models that have manufacturer support to use diesel with at least 20 percent bio-content (generally known as B20). Introduced by the nation's leading producer of biodiesel, the measure is expected to stimulate support for B20 (and higher blends) among diesel equipment and engine companies across the United States.

UNITED STATES – farmer relief payments (trade mitigation measure):

In November, USDA announced the release of a second tranche of payments under its Market Facilitation Program, which is part of the 2019/20 relief package that was introduced to compensate farmers affected by market disruptions arising from the US-China trade tensions (*see MPPU July&Sep. '19*). Following the release of a first tranche worth USD 14.5 billion in August 2019, under its second tranche, USDA will offer payouts worth USD 3.6 billion. Depending on how market conditions and trade opportunities evolve, a third tranche of payments may follow in early 2020.

Sector development measures

- **Egypt – soybean:** Egypt's Agriculture Ministry informed that it plans to raise the country's area under soybean cultivation from 37 000 feddans (15 500 ha) in 2018/19 to 80 000 feddans (33 600 ha) in 2019/20 – and further to 150 000 feddans (63 000 ha) in 2030. The initiative is aimed at reducing the nation's dependence on vegetable oil imports. According

to ministry officials, insufficiently remunerative prices have prevented farmers from expanding soybean cultivation.

- **India – oilcrops:** With a view to help reduce the country's dependence on edible oil imports, India's Central Government decided to extend a programme promoting the cultivation of oilcrops (including oil palm) and pulses in rice fallow areas to six additional states, taking the number of states participating in the intercropping scheme to twelve. On a related note, the Government is working on a road map for India to attain self-sufficiency in edible oil production. Reportedly, to fund a series of sector development initiatives, the inter-ministerial working group set up to launch a nationwide oilseed mission is considering to levy a 2–10% cess on the country's crude/refined edible oil imports.

- **The Philippines – coconut oil:** The Philippine Government started working on a national action plan to promote growth in coconut oil production and exports. Reportedly, the following strategic issues will be addressed: i) the promotion of virgin coconut oil consumption and exports; ii) ensuring sustainable production practices and setting up appropriate certification for exports; iii) reducing the sector's vulnerability to climate change; and iv) promoting organic production and certification. Reportedly, the action plan will also include a framework for collaboration among different stakeholders in the coconut oil value chain.

- **Samoa – coconut:** According to media reports, the Samoan Government strives to replant up to 90 percent of the country's coconut plantations during the 2020–2024 period. With about 80 percent of the country's coconut palms having passed the productive age, a community-based replanting programme is required to safeguard the country's export-oriented coconut industry, government officials said.

- **Tunisia – olive oil:** According to the media, the Tunisian Government set out to renew its efforts in support of the country's export-oriented olive oil industry. Reportedly, the Export Promotion Fund's coverage of maritime transport costs

(for shipments to countries other than Spain and Italy) would be raised from 30 percent to 50 percent for bulk shipments and from 50 percent to 70 percent for packaged olive oil. Moreover, under the Packing Olive Oil programme, special incentives will be provided to small producers willing to expand their exports, while premiums will be granted for both exports of olive oil in three-litre bottles and sales of organic olive oil. Furthermore, payment ceilings applying to individual producers under the different programmes will be raised and means to renegotiate or defer growers' debts will be explored. On the agronomic side, a plan to combat the *xylella fastidiosa* disease has been adopted. As for domestic consumption, TND 50 million (USD 17.7 million) will be allocated for sales to poor people at preferential rates.

Trade agreements and bilateral sector-specific initiatives

- **ASEAN – coconut/palm oil products:** In October 2019, ASEAN members signed a MoU aimed at strengthening the collective bargaining position of member nations and expanding exports to international markets. Under the agreement, specific trade promotion activities are envisaged for coconut products and palm oil.

- **China / Brazil – soybean meal:** Reportedly, the two countries are in advanced talks about a protocol setting sanitary standards that would allow Brazilian crushers export soybean meal to China (*see also MPPU Mar. '19*). A date for the agreement's signature and implementation has yet to be announced.

- **China / Ukraine – rapeseed meal:** In November, the two countries signed a protocol setting sanitary requirements for exports of Ukrainian rapeseed meal to China. The agreement will be valid for five years. Industry sources expect that the deal would stimulate Ukraine's rapeseed processing and meal sales to China at the expense of EU-bound rapeseed shipments.

- **India / ASEAN – palm oil:** In line with a free trade agreement signed with ASEAN in 2009, India further reduced its tariff on palm oil imports from the bloc, effective

1 January 2020. The duties for crude and refined palm oil have been lowered from, respectively, 40% and 50% to 37.5% and 45%. Considering that India's MFN import duties for competing oils (notably soyoil and sunflower oil) remained unchanged, the new preferential duties granted to ASEAN suppliers are expected to make imports of palm oil more attractive. As for the rates charged on crude and refined palm oil, the new duty structure entails a tax differential of 7.5% compared to 10% previously – a change likely to affect the competitiveness of India's refining industry.

- Uruguay / China – non-GM soybean:

The two countries initiated talks on a technical protocol that would open China's markets to imports of non-GM soybeans from Uruguay. Besides importing large volumes of GM-soy for subsequent crushing into meal and oil, China also purchases limited quantities of non-GM soy for direct human consumption. Allegedly, Uruguay has the potential to supply up to one million tonnes of certified non-GM soy annually.

Sustainable trade – industry initiatives

- Vegetable oil packaging: Global agri-trading firm *Cargill* informed that it managed to reduce the amount of plastic used in its vegetable oil packaging, highlighting plastic packaging reductions achieved in its bottling lines and processing facilities around the world.

- Sustainability-linked lending:

Global agri-trading firm *Bunge* joined the list of agribusiness companies taking loans tied to their environmental performance. According to the company, part of its loan repayments will be subject to premiums/discounts depending on the achievement of specific sustainability targets related to i) GHG emission levels, ii) traceability in its commodity trade, and iii) the promotion of sustainable production practices in its palm and soybean supply chains. On a related note, global agri-trader *Louis Dreyfus* announced the renewal of three regional sustainability-linked revolving credit facilities. (On similar sustainability-linked financing mechanisms see also *MPPU Apr./Aug. '17 & July '19*)

Sustainable palm oil production – RSPO news

- Smallholder certification: In November, RSPO launched a separate standard for palm oil produced by smallholders (see also *MPPU Dec. '18 & May/July '19*). Although smallholders account for about 40 percent of global palm oil output, at present just a fraction of their production is certified sustainable because most small growers find it difficult to comply with RSPO's generic principles and criteria – a situation RSPO hopes to correct through its new, tailor-made standard. Designed for 'independent smallholders' (as opposed to 'scheme smallholders'), the new standard simplifies the generic requirements through a flexible, step-by-step approach, which gradually takes producers to full compliance. RSPO explained that co-operatives of smallholders will be granted three years to achieve certification, during which time participants would start to reap the agricultural and financial benefits of certification. On a related note, RSPO also launched a new training facility that, by adopting a 'train-the-trainer' approach, is aimed at reaching larger numbers of small-scale oil palm farmers through agricultural best practices training.

- Shared responsibility principle:

In November, RSPO also approved 'Shared Responsibility' guidelines and specific obligations aimed at fostering market uptake of sustainable palm oil. The new guidelines focus on RSPO's downstream players (as opposite to grower members), i.e. retailers, consumer goods manufacturers, processors, traders and banks/investors. Members belonging to these categories will be expected to actively participate and work together to increase the demand for sustainable palm oil with mutual accountability across the supply chain. In particular, during a pilot period, buyers and other supply chain actors will be subject to specific volume requirements, comprising annual percentage point uptake targets – a concept introduced to help ensure that all available certified palm oil produced by RSPO's grower members will eventually be met by demand from end users (NB: since the launch of RSPO certified palm oil, available global supplies

consistently exceeded actual demand, forcing growers to accept falling certification premiums).

Sustainable palm oil production – third party assessments

- **Certified sustainable palm oil (CSPO):**

A consultancy firm that carried out a lifecycle assessment comparing RSPO certified palm oil with non-certified palm oil produced in Malaysia and Indonesia claimed that CSPO has a lower global warming impact and a lower nature occupation impact than non-certified palm oil. Reportedly, although promoted by RSPO and crowdfunded by the private industry, the study has been carried out independently.

- **Profitability gains:** A study undertaken by an international conservation charity to investigate the business case for producing, sourcing and financing certified sustainable palm oil claims that palm oil companies with stronger disclosure on the sustainability of their operations clearly outperform those with weaker sustainability disclosure, over a five-year period.

Sustainable soybean production

- **Amazon soybean moratorium:**

In November, Brazil's leading soybean growers association proposed ending the longstanding voluntary moratorium that bans sourcing soybeans grown on illegally cleared land in the Amazon basin (NB: established in 2006 by major commodity traders with support from civil society groups and the Government, the moratorium was renewed indefinitely in 2016 – see also MPPU *June '16, June '17 & Jan. '18*). Reportedly, Brazil's soybean growers contest the moratorium, arguing that the country's Forest Code entitles them to clear up to 20 percent of the concerned area for agriculture – a position shared by the current Government. On the other hand, the country's association of soy crushers and traders (ABIOVE) has come out in defence of the moratorium, warning that the EU's purchases of Brazilian soy would be put at risk if the moratorium were suspended. Reportedly, a number of European food groups and investors joined ABIOVE's position, mindful of their pledges to eliminate deforestation from their supply chains.

- **Cerrado soybean expansion:**

A number of environmental groups called for a duplication of the Amazon Soy Moratorium in Brazil's Cerrado region, arguing that the Amazon basin's successful preservation is contributing to the crop's rapid expansion in the fragile savannah region. The calls met with opposition from Brazil's association representing major grain traders (ANEC), which flagged that under Brazil's Forest Code farmers are allowed to expand plantings within certain limits – a provision that ANEC considers to be at odds with a moratorium. Alternatively, ANEC recommends seeking for ways to reward growers for voluntarily preserving land they could otherwise convert.

On a related note, UK supermarket chain *Tesco*, which sources a large portion of the soy it uses in its agricultural supply chains from the Brazilian Cerrado, announced that it would support an initiative to halt deforestation in the region with a GBP 10 million (USD 13.1 million) grant. Under the five-year project (called 'Funding for Soy Farmers in the Cerrado'), which also enjoys the support of an animal nutrition business and a fish farming company, farmers that plant soy exclusively on existing agricultural land are provided with rewards – thereby removing the need to expand into the native vegetation. Reportedly, *Tesco* also launched a programme with the Worldwide Fund for Nature (WWF) to measure the environmental impact of various food products. (*On past soybean-specific initiatives in the Brazil's Cerrado region see MPPU May/Dec. '18 & Jan./Mar./May '19*)

- **Certified sustainable coconut oil:**

Global consumer goods/food companies *BASF*, *Cargill* and *Procter&Gamble* established, with support from Germany's International Cooperation Agency GIZ, a certified coconut oil supply chain to assist farmers in the Philippines and Indonesia. The scheme is aimed at driving improvements in environmental protection, social equality and economic viability. Reportedly, farmers who have been trained and certified are enjoying higher productivity and income levels. To date, 1 600 growers have been certified against the relevant Rainforest Alliance Sustainable

Agriculture Standard. The certified products are marketed through a transparent supply chain relying on a ‘mass balance’ approach. (See also MPPU Aug. '17 & May/July '19)

Sustainable aviation fuel: At a recent assembly of the International Civil Aviation Organization (ICAO), a vision for a “zero climate impact” international aviation pathway towards 2050 was presented, including the goal of reducing net aviation CO₂ emissions by 50 percent by 2050 relative to 2005 – without limiting the sector’s growth. Central to this vision, which is shared by the International Air Transport Association (IATA), is a gradual shift from conventional aviation fuel to alternative, more environmentally friendly fuels. In this regard, a civil society group claimed that the only technology currently available to produce aviation bio-fuels at commercial scale is the HEFA (hydro-processed esters and fatty acids) process that uses vegetable oils and fats as feedstock. Identifying soybean and palm oil as the most attractively priced and readily available raw materials for HEFA jet fuel, the group predicted a sharp rise in global demand for the two oils over the coming years – drawing attention to potential sustainability issues. In this respect, sustainability criteria currently applied to jet bio-fuels concentrate on: i) net GHG emissions reduction on a life cycle basis, ii) a positive contribution to local social and economic development, and iii) no competition with food and water – although additional criteria are currently under consideration by ICAO’s technical committees. (See also above items on Indonesia and Malaysia)

Overseas investments – China:

China’s state-owned infrastructure company CCCC signed a MoU with Brazil’s Pará State for the construction of a railway that would connect the state’s main port with grain producing areas in the northern half of Mato Grosso (see also MPPU Sep. '19). Once completed, the new rail-link would contribute to the ongoing rise in grain shipments from Brazil’s land-locked centre-west states through a network of new ports in the so-called

‘Arco Norte’ region. (See also MPPU Aug./Dec. '18 & May/July/Sep. '19)

Olive oil standards: The United States’ Olive Oil Producers Association, AOOPA, formally requested the U.S. Food and Drug Administration (FDA) to set and enforce federal grading standards for different types of olive oil. The group claims that the present lack of industry regulation is causing mislabelling of grades, adulteration and other unfair business practices as well as consumer mistrust. Reportedly, at present olive oil trade is subject to overlapping, partly unenforced guidelines set by various domestic and international stakeholders. AOOPA would favour the adoption of the standards currently in place in California (see also MPPU Nov. '19), whereas the North American Olive Oil Association (NAOOA), which represents olive oil importers, recommended following the standards developed by the FAO/WHO Codex Alimentarius Commission. (See also MPPU June '16 on related initiatives by U.S. lawmakers)

R & D – varietal research: Reportedly, in India, researchers succeeded in reliably and repeatedly producing coconut plantlets using tissue culture, a technique that uses parts of plants to re-generate whole plants. Currently, coconut palm is exclusively propagated through seeds, which makes crop improvement programmes time consuming and complex – a situation that could be overcome by tissue culture techniques.

R & D – product development

- **Soyoil-based motor oil:** A U.S. biotech company announced the commercial launch of a bio-based synthetic motor oil using high-oleic soyoil. Reportedly, the product is recognized as a USDA Certified Biobased Product under the agency’s BioPreferred Program.
- **Soy/palm oil-based shortenings:** New shortening products (i.e. fats that are solid at room temperature) using soy and palm oil have been launched in the United States. Reportedly, in addition to being free of partially hydrogenated oils, the new products offer improved versatility

and temperature tolerance to customers in the bakery industry.

- **Asphalt using soyoil:** A team of U.S. researchers developed an asphalt paving material containing high-oleic soybean oil. Allegedly, the new substance improves the performance of asphalt pavements and is both cost-efficient and more environmentally friendly than conventional asphalt.

R & D – pest control (*xylella fastidiosa*):

A study undertaken by researchers in Italy tracks populations on movements of spittlebugs, a major carrier of the *xylella fastidiosa* disease affecting olive trees. The research led to recommendations to help farmers and local governments to curb the spread of the pest. In particular, the study's findings can be used to assess the risk of the

disease's establishment and spread as well as to design effective control programmes in infected areas, notably with regard to insecticide treatments and other agronomic measures, the researchers said.

Futures markets: In November, China's Securities Regulatory Commission approved the launch of rapeseed meal option contracts, which would start trading on 16 January 2020.

ERRATA CORRIGE: On page 5 of the November 2019 issue of MPPU, a food safety measure related to selected edible oil brands has been erroneously attributed to **India**. In fact, the initiative was launched by **Pakistan's** food authorities.

*For comments or queries
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| | International Prices (US\$ per tonne) ¹ | | | | | FAO Indices (2002-2004=100) ⁷ | | |
|---|---|--------------------------------|-----------------------------|---------------------------------|----------------------------------|---|-----------------------|------------------------|
| | Soybeans² | Soybean oil³ | Palm Oil⁴ | Soybean Cake⁵ | Rapeseed Meal⁶ | 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 | 130 | 159 |
| Monthly | | | | | | | | |
| 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 |
| 2019 - November | 377 | 771 | 683 | 318 | 216 | 145 | 151 | 153 |
| 2019 - December | 377 | 814 | 765 | 324 | 237 | 147 | 165 | 157 |
| 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 | | | | | | | | |