



OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

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- short version -

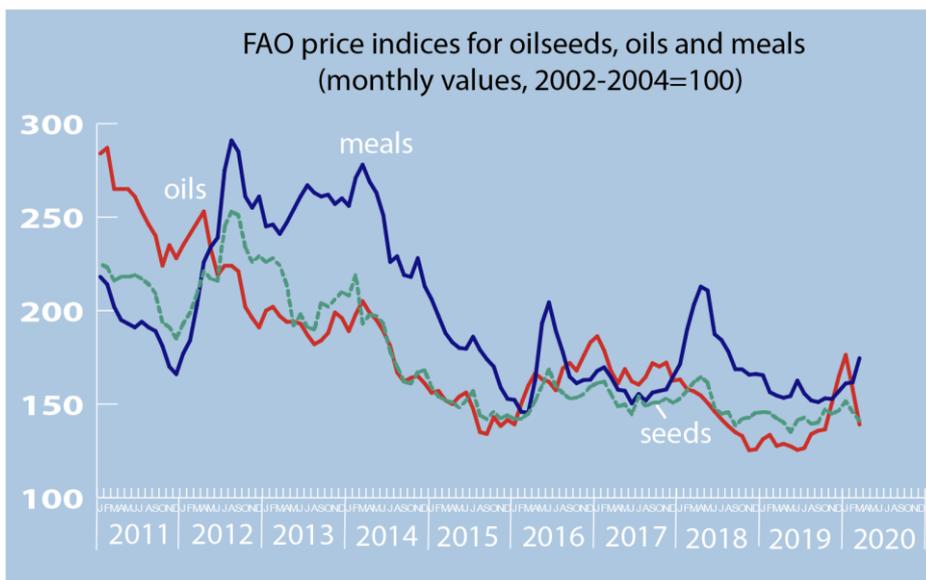
Global price review

In March, FAO’s price index for oilseeds contracted for the second consecutive month, shedding 4.7 points (or 3.2 percent) and falling below the level recorded in the corresponding month of last year. The index for vegetable oils posted an even more pronounced fall of 19.0 points (or 12.0 percent), marking the lowest level recorded since October 2019. By contrast, FAO’s oilmeal price index strengthened further, gaining 13.0 points (or 8.0 percent) month-on-month, which lifted the indicator to a one-and-a-half year high.

The fresh drop in FAO’s oilseeds index mainly reflects weakening prices of soybeans and, to a lesser extent, rapeseed and sunflowerseed. During the course of the month, international soybean quotations have been subject to important swings. In the beginning of March, prices firmed

on confirmation of Argentina’s planned hike in export tariffs for soybeans and derived products and news that China would grant new tariff exemptions for soybeans imported from the United States of America. Concerns over unfavourable harvest conditions in pockets of Argentina as well as, less importantly, Brazil and Uruguay also contributed to the price firmness. However, as the month progressed, prices came under downward pressure. The two main factors weighing on markets were i) rising uncertainties over global demand prospects tied to the rapid spread of the COVID-19 pandemic, and ii) spill-over effects from the steep decline in crude mineral oil prices, which pulled down vegetable oils values. Furthermore, market participants expected South America to harvest a record crop amid overall near-ideal weather conditions, while weak local currencies boosted export availabili-

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* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO’s price indices and spots important policy and market events selected from a variety of sources. This particular issue only reviews price developments observed in **March 2020**. 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/>

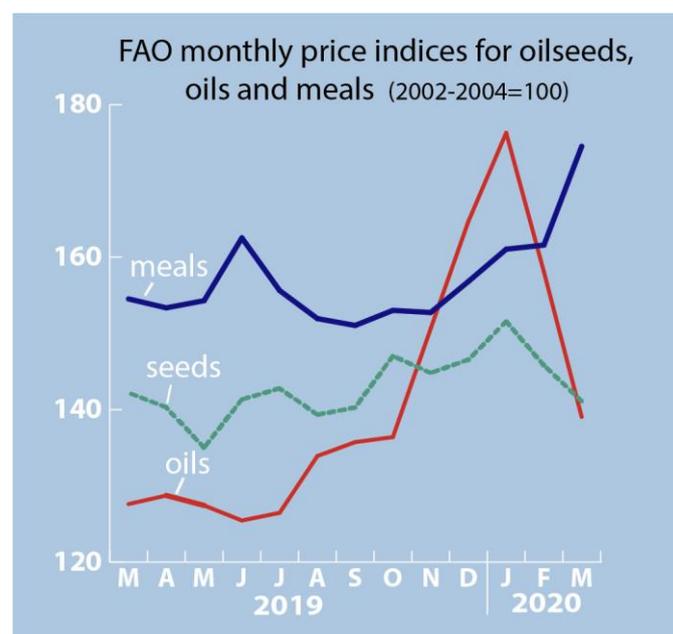
Global price review – cont'd

ties, especially in Brazil. At the same time, Chinese bookings of US cargoes remained negligible, despite the incentives offered to China's importers. Interestingly, towards the end of March, soybeans prices bounced upward again, fuelled by concerns over possible logistics disruptions in Argentina and Brazil amid temporary COVID-19 related lockdowns.

As for rapeseed, international prices dropped significantly, recording multi-year lows. Notwithstanding lingering supply tightness in the European Union, deteriorating global demand prospects weighed on international markets. Temporary lockdowns across the world due to COVID-19 led to significant declines in biodiesel consumption, thus curtailing demand for rapeseed and its oil, one of the major feedstocks for biodiesel. The further contraction in sunflowerseed prices was primarily fuelled by bountiful harvests in the Black Sea region and low crush margins.

The price index for oilmeals, on the contrary, registered its fourth consecutive rise in March, mostly reflecting persistent strength in soymeal prices, although rape and sunflower meal values also appreciated. International soymeal prices climbed sharply, touching levels last recorded in mid-2018, as fears over logistics disruptions in South America (notably in Argentina, the world's top supplier of soymeal) coincided with higher than expected import demand from China. In addition, soymeal uptake firmed in the United States of America, where waning ethanol demand resulted in lower supplies of DDGS (dried distillers grains with solubles) – a co-product from ethanol production that is used as a feed ingredient. As for rape and sunflower meal, international prices firmed on, respectively, improved demand in the EU (driven by concerns over a prospective tightening of supplies) and reduced availabilities in key exporting countries following poor crush margins.

The second consecutive drop in FAO's vegetable oils index was again led by plummeting palm oil prices, whilst soy, rape and sunflower oil values also weakened. Month-on-month, international palm oil quotations dropped by more than 16 percent, fuelled primarily by tumbling crude mineral oil prices and increased concerns over the impact of COVID-19 on global demand. Higher than expected output in Malaysia and sluggish global import demand also weighed on prices. While COVID-19 related lockdowns raised fears over possible demand slowdowns in importing countries, they also caused temporary supply disruptions in producing countries. Malaysia's Sabah state, where one-fourth of the country's palm oil is produced, ordered the closure of numerous oil palm plantations, after some workers were tested positive for the virus. While the remaining vegetable oils generally followed the downward trend in palm oil, soy and rape oil prices were also affected by, respectively, higher than expected crushings in the United States of America and eroding demand for biodiesel in the EU.



For comments or queries please use the following Email contact: FAO-oilcropsmarkets@fao.org

| | FAO price indices (2002–2004=100) ¹ | | |
|-------------------------|--|----------------|--------------------|
| | Oilseeds | Vegetable oils | Oilcakes/ meals |
| Annual (Oct/Sep) | | | |
| 2005/06 | 100 | 107 | 96 |
| 2006/07 | 129 | 150 | 128 |
| 2007/08 | 216 | 246 | 214 |
| 2008/09 | 157 | 146 | 179 |
| 2009/10 | 162 | 177 | 183 |
| 2010/11 | 214 | 259 | 200 |
| 2011/12 | 214 | 232 | 219 |
| 2012/13 | 213 | 193 | 255 |
| 2013/14 | 194 | 189 | 253 |
| 2014/15 | 155 | 153 | 194 |
| 2015/16 | 151 | 155 | 168 |
| 2016/17 | 154 | 160 | 171 |
| 2017/18 | 152 | 154 | 182 |
| 2018/19 | 142 | 130 | 159 |
| Monthly | | | |
| 2019 - January | 146 | 131 | 165 |
| 2019 - February | 145 | 134 | 156 |
| 2019 - March | 142 | 128 | 155 |
| 2019 - April | 140 | 129 | 153 |
| 2019 - May | 135 | 127 | 154 |
| 2019 - June | 141 | 125 | 163 |
| 2019 - July | 143 | 126 | 156 |
| 2019 - August | 139 | 134 | 152 |
| 2019 - September | 140 | 136 | 151 |
| 2019 - October | 147 | 136 | 153 |
| 2019 - November | 145 | 151 | 153 |
| 2019 - December | 147 | 165 | 157 |
| 2020 - January | 152 | 176 | 161 |
| 2020 - February | 146 | 158 | 162 |
| 2020 - March | 141 | 139 | 189 |

¹ FAO's price indices are based on the international spot prices of five selected seeds, ten selected vegetable oils and five selected cakes and meals. The indices are calculated using the Laspeyres formula; the weights used are the average export values of each commodity for the 2002-2004 period.

Source: FAO, based on Oil World data

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