Food and Agriculture Organization of the United Nations

OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

No. 130, May 2020

a) Global price review

In April, FAO's price index for oilseeds contracted slightly, shedding 0.7 points (or 0.5 percent) and marking the lowest level since September 2019. By contrast, FAO's oilmeal index appreciated for the fifth consecutive month, gaining 1.6 points (or 0.9 percent) and posting a 20-month high. In the meantime, the vegetable oils index remained on a downward slope, losing another 7.2 points (or 5.2 percent), though still faring slightly above the level recorded in the corresponding month of last year.

The marginal fall in the oilseed price index represents the combined result of weakening soybean values and firmer quotations for sunflowerseed and, to a lesser extent, rapeseed. International soybean prices declined for the third consecutive month, recording a nine-month low. Main drivers behind the latest drop in soybean values include:

- continued concerns over the impact of the COVID-19 pandemic on global demand;
- COVID-19-related suspensions of operations by a number of meat processing plants in the United States of America (USA), which resulted in reduced feed demand from live-stock producers;
- subdued demand for exports from the USA given strong competition from Brazil, where further currency depreciations continued to boost exports; and
- rapid planting progress in the USA amid favourable weather conditions.

Downward pressure on prices was, however, somewhat contained by concerns over protracted dryness denting harvests in parts of Brazil and Argentina. By contrast, international sunflower-seed values rebounded noticeably in April, in

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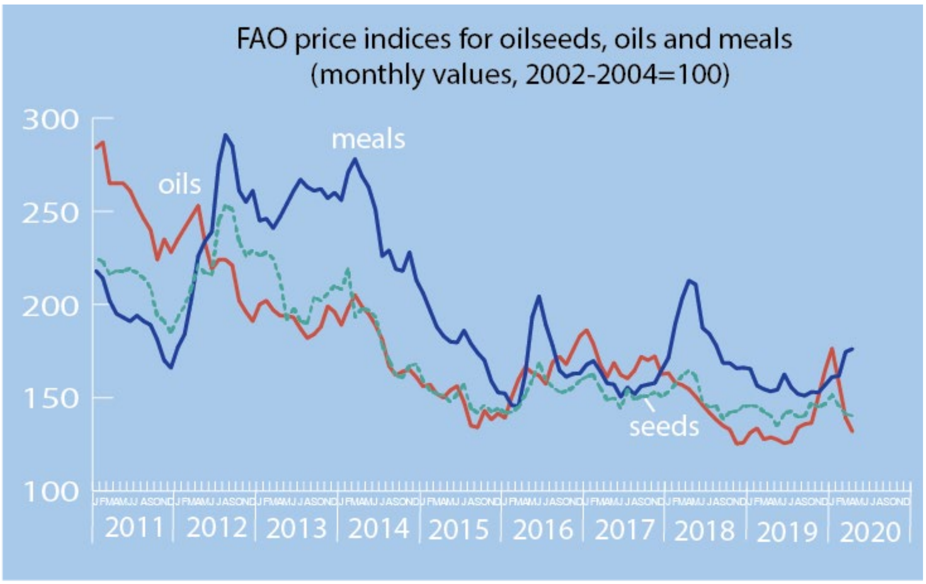


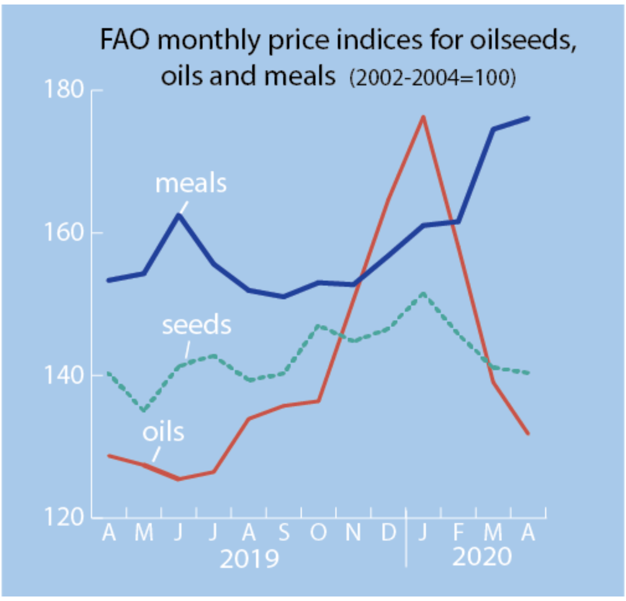
* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market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

response to a COVID-19-related temporary export ban introduced by the Eurasian Economic Union, of which the Russian Federation – the world's second largest supplier – is a member. In the case of rapeseed, after falling markedly in March, international prices recovered somewhat in April. Evidently, the depressing effect of poor rapeseed oil uptake by biodiesel producers (in the wake of widespread movement restrictions under COVID-19) was offset by the prospect of tightening supplies in the European Union (EU) and unfavourable weather conditions reported in some of Canada's key production regions.

The continued strength in the oilmeal price index mainly reflects firmer rapeseed and sunflower meal values, while soymeal prices remained virtually unchanged month-on-month. Sharp drops in rapeseed crushings in the EU – caused by declining demand from biodiesel producers – led to a pronounced rise in rapeseed meal prices, with spill-over effects on sunflower meal, a substitute protein source in animal feed. As for soybean meal, while lower-than-expected harvests in South America and logistics constraints in Argentina bolstered international prices in early-April, the above-mentioned temporary shutdowns of meat processing facilities in the USA eventually pulled down soymeal prices.

The latest drop in the vegetable oil index primarily reflects weakening palm, soy and rapeseed oil prices, whilst sunflower oil values trended upward. International palm oil quotations remained on a downward trajectory, falling for a third consecutive month and marking a seven-month low. The fresh drop in prices was driven by both the protracted trough in international crude oil values and the depressing effect of the COVID-19 pandemic on global demand for palm oil in food as well as energy sectors. Adding to the downward pressure on prices were higher-than-anticipated crop harvests in Malaysia and announcement that Malaysia's ongoing implementation of higher national blending mandates for palm oil-based diesel would be suspended. Subdued demand also weighed on international soy and rapeseed oil prices, with soyoil values also affected by higher than anticipated crushings in the USA. By contrast, world sunflower oil prices rebounded in April, underpinned by firm import demand amid concerns over tightening export availabilities.



b) Selected policy developments and industry news

National COVID-19 responses

The below is a non-exhaustive list of coronavirus-related national policy measures featuring specific reference to oilcrops and derived products, as reported by various official and unofficial sources (NB: non-crop specific policy interventions designed to keep the entirety of agricultural supply chains and food markets functioning are not covered due to space limitations).

1. Measures affecting production, transport and port logistics: in the countries listed below, movement restrictions and other health measures introduced to contain the spread of COVID-19 temporarily affected domestic oilcrop production and/or related downstream activities.

- Argentina: Although the country's agricultural sector and foreign trade were essentially exempt from compliance with nationwide lockdowns, in the second half of March, movement restrictions and sanitation activities imposed temporarily by municipal authorities, together with preventive measures enforced by truckers associations and port workers unions, resulted in momentary disruptions of i) truck movements and grain deliveries, ii) grain/oilseed handling, crushing and storage activities, and iii) vessel docking, unloading/loading operations. The localized, transitory disturbances lasted about 2–3 three weeks, after which domestic grain flows and export operations normalized again.
- Brazil: Distribution, storage and shipment of agricultural commodities and food products were declared as 'essential' by the Federal Government, along with the transportation of cargos more generally. Notwithstanding, in the second half March, a number of municipal authorities enforced quarantine measures that affected grains and oilseeds flows. In particular, two towns in Mato Grosso, the country's largest soybean and maize producing state, placed curbs on industrial activities including agricultural processing facilities, thereby threatening to disrupt the harvesting, processing and movement of grains to markets and ports. However, most such measures were reversed swiftly, after companies agreed to adopt stringent health protocols to protect workers. Reportedly, the ultimate impact on the production and movement of grains was limited, while the enforcement of health protection policies at riverine and coastal ports left export logistics unaffected.
- China: Reportedly, docking operations in Chinese ports, which had slowed down temporarily as a result of stringent sanitary inspection procedures applied to incoming vessels, reverted to normality towards mid-March.
- India: Reportedly, lack of trucks and labour force at ports and refining facilities during the extended nationwide lockdown led to localized disruptions in the country's vegetable oil supply chain.
- Malaysia: On 18 March, to avoid disruptions in palm oil production, the Federal Government agreed to exempt the palm oil sector from a six-weeks nationwide lockdown. However, on 24 March, after several estate workers tested positive for the disease, Sabah, the country's largest palm oil producing state, ordered harvest and milling operations to cease and restricted movement of staff in three out of seven districts. Eventually, the ban was extended to another three districts and prolonged by two weeks, affecting a total of 100 000 workers. After 17 days, plantations and mills that were free of infections were allowed to resume operations at half capacity, provided strict health protocols were applied. Reportedly, on 19 April, a single palm oil plantation complex in Sabah was ordered to close temporarily because of violations of movement control orders and several fresh infections. Lockdowns also led to the temporary shutting of 16 private port jetties used by Sabah plantation companies to export their products. Although the various closures were only temporary, they led to tens of thousands of Indonesian migrant workers returning home. It was unclear how the resumption of operations would be impacted by the

resulting labour shortages. On a separate note, in March, the Federal Government also announced that, for a two-week period, vessels arriving from certain countries would not be accepted at Malaysian ports – a measure said to have hampered the palm oil supply flow out of Malaysia.

- Paraguay: Reportedly, in the second half of March, operations at the country's grain terminals experienced delays due to logistics issues arising from nationwide lockdowns.

2. Producer support measures: COVID-19 related farmer relief packages included oilcrop-specific support measures in the following two cases.

- European Union: On 4 May, the European Commission announced several support measures to enable – based on the schemes available under the Common Agricultural Policy and Common Market Organization – the hardest hit sectors to help re-balance supply and adjust to demand shifts caused by the health crisis. The measures include increased flexibility in the implementation of sectoral market support programmes for selected products, including olive oil.
- United States of America: On 20 April, the Government announced a relief programme worth USD 19 billion to help U.S. farmers cope with the impact of coronavirus. The programme targets farmers who have suffered a five-percent-or-greater price decline due to COVID-19 and face additional significant marketing costs as a result of lower demand, surplus production and disruptions to shipping patterns and the orderly marketing of commodities. The package includes USD 3.9 billion for pay-outs to producers of selected row crops, including soybeans, rapeseed and sunflowerseed. On 19 May, USDA informed that producers would receive a single payment based on 50 percent of a producer's 2019 total production or on unsold inventory as of 15 January 2020, whichever is smaller. For soybeans, rapeseed and sunflower, the applicable payment rates would be, respectively, USD 0.45–0.50 per bushel, USD 0.01 per pound and USD 0.02 per pound. A payment limitation of USD 250 000 per person or entity will apply, for all commodities combined. Furthermore, farmers financially hurt by the epidemic will also be provided access to more flexible federal loans.

3. Import policies: to prevent potential supply shortfalls during COVID-19 emergencies, a number of countries temporarily liberalized imports of oilcrops and derived products, while Sri Lanka also restricted imports in a bid to counter the economic impact of the health crisis.

- Colombia: On 7 April, the government suspended the import tariffs for maize, soybeans and sorghum in a bid to reduce domestic feed production costs and hence consumer prices for meat. The tariff suspension is due to remain in place until end June 2020.
- Mauritania: On 26 March, the Government exempted selected food products, including edible oils, from taxes and customs duties. The exemption was scheduled to remain in force until the end of 2020.
- Pakistan: On 7 April, the government suspended the additional customs duty of 2 percent for imports of soybean, rapeseed, palm and sunflower oil and their respective seeds. The import duty would remain suspended until 30 June.
- Saudi Arabia: The country's Agriculture Development Fund announced direct and indirect loans to facilitate imports of a range of agricultural products, including soybeans.
- Sri Lanka: The Government suspended, from 16 April to 15 July, imports of certain non-essential goods to counter the economic impact of the COVID-19 crisis. Products concerned include oilcrop flours and meals and selected oils. At the same time, commercial banks were directed to facilitate imports of certain commodities, including palm, safflowerseed and cottonseed oil.
- Uzbekistan: On 3 April, the Government reduced import duties on selected consumer goods, including vegetable oils. The measure is scheduled to remain in place until the end of 2020.

4. Export policies: the countries listed below temporarily restricted exports of oilcrops or derived products to prevent domestic supply shortages and stabilize domestic prices amid the COVID-19 emergency.

- Eurasian Economic Union: The customs union comprising Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation banned exports of a number of agricultural products, including sunflowerseeds and crushed and uncrushed soybeans. The measure came into force on 12 April and was set to last through 30 June. Regarding the Russian Federation, unofficial sources reported delays in the issuance of export certificates for sunflowerseed from the last week of March onward.
- Kazakhstan: On 22 March, the Government banned the exportation of selected staple foods, including sunflowerseed and sunflower oil, until 1 September 2020. On 3 April, Government officials announced that, in the case of crude sunflower oil, the export ban would be replaced by and export quota – while the ban would remain in place for refined sunflower oil and sunflowerseed.
- Kyrgyzstan: On 23 March, the Government banned exports of selected food and feed products, including vegetable oil, for a period of 6 months.
- Romania: On 10 April, the Government banned exports of grains, oilseeds and derived products to non-EU markets. The measure was lifted again after one week.
- Serbia: On 14 March, the Government imposed a 30-day export ban for sunflowerseed and derived products.

5. Market regulation: two countries regulated the domestic market of specific oilcrop products in a bid to shield consumers from price rises during the COVID-19 crisis.

- North Macedonia: To protect consumers and prevent market speculation, in March, the Government froze the prices of certain food commodities, including olive oil.
- Thailand: To reduce the retail price of palm oil, on 7 April, the Department of Internal Trade requested entrepreneurs to lower the price for one-litre bottles to THB 39–40 (USD 1.22–1.25), depending on brands. Furthermore, the Commerce Ministry stepped up collaboration with refiners to ensure that palm oil deliveries to factories remained adequate amid nationwide movement restrictions. At the same time, the farmgate price for fresh fruit branches would remain guaranteed at THB 4 per kg (USD 0.13).

6. Biodiesel market: some countries implemented (or considered introducing) changes in their domestic biodiesel policies in response to declines in fuel demand triggered by nationwide lockdowns.

- Brazil: With respect to vegetable oil-based biodiesel, in April, Brazil's National Agency of Petroleum Natural Gas and biofuels (ANP) – which holds auctions to ensure that mandatory blends of diesel with biodiesel are met – announced that, fuel distributors would be requested to withdraw only 80% of the settled volume (rather than the customary 95%), given that domestic demand for biodiesel had dropped significantly.
- European Union: According to media reports, some EU member states considered calling for derogations of biodiesel blending obligations following both the plunge in international petroleum prices and the decline in local biodiesel uptake as road fuel demand collapsed in the wake of national lockdowns.
- Malaysia: The Government decided to temporarily suspend its recently launched B20 programme, which envisaged a gradual, countrywide shift to transportation diesel containing 20 percent palm oil-based biodiesel – compared to the B10 mandate in place since February 2019 *(see also MPPU Mar.'20)*. The decision was prompted by a sharp decline in domestic fuel demand resulting from temporary COVID-19 related movement restrictions and reflects Government efforts to channel public resources towards measures containing the epidemic. Reportedly, the B20 rollout will be paused in those states were the new policy was yet to be implemented and would resume once to be implemented and would resume once the need for COVID-19 related measures ceases.
- United States of America: The USDA announced plans to make available up to USD 100 million in competitive grants for activities

designed to expand the availability and sale of renewable fuels. The measure is expected to benefit ethanol and biodiesel producers that have been affected by decreased energy demand due to nationwide lockdowns.

ARGENTINA – export policy: A revised export duty scheme for selected agricultural commodities has come into force on 5 March, along with the reactivation of the export registration mechanism that had been suspended on 26 February *(see also MPPU Jan. & Mar.'20)*. Citing fiscal policy reasons, the Government raised the duty for soybean, soymeal and soyoil to 33% (compared to the 30% rate in place since December 2019), thus retaining a uniform tax rate for primary and secondary/value-added products. Under the revised duty scheme, larger/commercial farms will be subject to higher duties than smaller-scale farms: the 33% rate will only apply to farmers producing more than 1000 tonnes of soybeans per year; while farmers harvesting between 500 and 1000 tonnes will continue to pay 30%, and producers with an output of less than 500 tons will be charged duties ranging between 20% and 29%. Reportedly, the top duty rate will apply to about one quarter of the country's soybean farmers, who account for three-quarters of total production. As for other agricultural commodities, the export duties for wheat, maize, sorghum, beef and poultry have been left unchanged, while those for sunflowerseed, groundnut and their respective crude oils were lowered from 12% to 7% and those for confectionary sunflowerseed/groundnuts, refined sunflowerseed/groundnut oil and sunflowerseed/groundnut meal from 12% to 5%. The export tax for biodiesel was raised from 27% to 30%.

BANGLADESH – market regulation: With a view keep prices of basic foodstuffs stable during the month of Ramadan, the Central Bank of Bangladesh temporarily capped the interest rate for import financing of essential agricultural commodities – including edible oils – at 9 percent.

BRAZIL – biofuel policy: In line with past announcements, on 1 March, the Government raised the nationwide mandatory biodiesel blend to 12%, compared to the 11% rate in place since September 2019 *(see also MPPU Sep.'19 & Jan.'20)*.

CHINA – market regulation: According to industry sources, since the start of the current year, China's state-owned grain corporation *Sinograin* released 1 million tonnes of soybeans from state reserves to the country's state-owned crusher *Cofco*. Reportedly, the move was prompted by supply concerns amid low levels of commercial stocks following temporary slowdowns in imports. On a separate note, unofficial sources reported that the Government was considering to add up to 10 million tonnes of soybeans to state reserves with a view to i) help shield domestic markets from potential supply disruptions linked to the COVID-19 pandemic, and ii) honour pledges to increase purchases of agricultural goods from the United States of America *(see MPPU Jan.'20 on the US-China 'Phase-one' trade deal)*.

CHINA / CANADA – rapeseed trade: The two countries allowed a phytosanitary agreement regulating the shipment of Canadian rapeseed to China to expire on 31 March *(see also MPPU Nov.'16)*. Notwithstanding, China would continue to accept imports of Canadian rapeseed, provided that a reduced dockage limit of 1% of foreign material is respected – a requirement allegedly linked to concerns about the transmission of blackleg disease through dockage. Since the required dockage limit is lower than the 2.5% standard set out Canada's Grain Commission, processing costs for Canadian rapeseed shippers are expected to rise. At the same time, China's import licenses for Canada's two largest rapeseed suppliers would remain suspended *(see MPPU May'19)*, according to trade officials. Market observers expect bilateral talks aimed at restoring full access for all Canadian exporters to continue – in line with continued Chinese efforts to diversify its oilseed imports amid the ongoing COVID-19 pandemic.

COLOMBIA – food standards:
In February, the Colombian Ministry of Health announced that, from November 2022, warning labels would be required on food products that are high in saturated fats, salt and added sugars. In addition, regulations regarding nutrition-related labels would be made more stringent. Reportedly, the final adoption of the new labelling standards is scheduled for May 2021.

INDIA – agricultural support:
Amid nationwide lockdowns imposed to halt the spread of COVID-19, procurement of Rabi crops by government agencies has begun in the country's major agricultural states on the scheduled date (15 April), despite logistical hurdles including labour shortages. Reportedly, during the first 7 days a total of 111 638 tonnes of oilseeds were procured at minimum support prices. Procurement is expected to continue through 30 June.

INDIA – import policy: In March, the Indian Government decided not to extend the temporary safeguard duty imposed in September 2019 on refined palm oil imports from Malaysia *(see MPPU Sep.'19)*. Malaysia's new Government welcomed the decision and confirmed its interest in strengthening the commercial ties between the two countries. Moreover, in April, the Indian Government eased the strict licensing requirements for refined palm oil imports that it had introduced at the beginning of the current year *(see MPPU March '20)*. According to industry sources, the decision was prompted by concerns that the recently imposed COVID-19 lockdowns could curtail domestic edible oil supplies and drive up consumer prices.

INDONESIA – variable export dues:
In line with recent falls in palm oil reference prices, Indonesia's export tax on crude palm oil for March was lowered to USD 3 per tonne (compared to the USD 18 per tonne rate applied in February). During the months of March and April, the palm oil reference price dropped further, falling below the USD 750 per tonne threshold that triggers export taxation; consequently, during April and May, the tax on crude palm oil shipments will be zero. Furthermore, the export levy of USD 50 per tonne remains in place, given that palm oil reference prices fared above the USD 619 per tonne threshold that activates the levy.

INDONESIA – export policy: With a view not to disrupt the country's palm oil exports, the Indonesian Government decided to revoke rules that would require exporters of palm oil to use exclusively Indonesia-flagged vessels for their shipments. Based on announcements made in 2018, the requirement was due to come into force in May 2020 *(see also MPPU May'18)*.

INDONESIA – coconut replanting support:
The Indonesian Ministry of Agriculture plans to rejuvenate 11 405 hectares of coconut plantations in 10 provinces across the country, with North Sulawesi destined to be the largest recipient under the 4-year programme.

INDONESIA – certified sustainable palm oil:
A Presidential Regulation overhauling the Indonesian Sustainable Palm Oil (ISPO) certification system was published on 13 March, ending a lengthy reform process meant to address a variety of implementation obstacles faced since the scheme's launch in 2011 *(see MPPU Aug.'11, Apr./Dec.'13, Mar.'16, Apr.'17, May'18 & Nov.'19)*. The initiative's declared objective is to create an effective, efficient, fair and sustainable oil palm management system that is able to support national economic development. More specifically, the reform of the existing certification system is directed at i) improving the management of the country's oil palm plantations in line with reformulated ISPO principles and criteria guaranteeing socially, economically and environmentally viable production; ii) raising the acceptance and competitiveness of palm oil products in both the national and international market; and iii) enhancing the reduction of GHG

emissions. Accordingly, reform efforts would concentrate on: introducing more stringent ISPO standards and requirements; raising attention to deforestation and peatland conversion issues; making certification mechanisms more accountable and transparent, while allowing the participation of public, private and civil society stakeholders; and introducing sanctions for business players violating the system's provisions. Furthermore, the new regulation will extend mandatory certification to smallholder growers, which will be given 5 years to achieve certification and are entitled to receive support including financial assistance. In Indonesia, smallholders manage about 40% of the country's total oil palm plantation area. According to observers, to date small producers lacked access to government support, training and high-yielding seedlings and, to make up for the resulting low levels in productivity, they tended to clear new land for planting using slash-and-burn methods – a problem that the revised ISPO scheme tries to address.

ITALY – market regulation (biodiesel):
The Italian Competition and Market Authority (AGCM) fined the country's leading oil and gas company for allegedly disseminating misleading advertising messages to promote the sale of certain biodiesel products. The agency challenged the company's assertions regarding i) the positive environmental impact associated with the concerned products' use, and ii) the fuel's characteristics in terms of fuel economy and GHG emission reduction.

MALAYSIA – variable export tax:
In line with the recent gradual fall in crude palm oil prices, Malaysia's export tax on crude palm oil has been lowered to 5 percent and 4.5 percent in April and May respectively (compared to the 6 percent rate applied in March).

MEXICO – agricultural support:
Mexico's Federal Expenditure Budget for 2020 includes significant cuts in support to agriculture. In particular, the support programmes for large commercial growers – notably the Target Income and Forward Contract programmes – have been replaced by schemes excluding elements of public subsidy elements. On the other hand, support programme earmarked for small and medium producers of selected row crops (including oilseeds) remained in place, with direct payments rates remaining unchanged compared to 2019.

MEXICO – food standards:
New mandatory front-of-package nutrition label requirements are set to be implemented across the country in three stages. Reportedly, from 1 October 2020, food product labels are required to include: i) warnings regarding nutritional content that could affect certain health conditions among the population; ii) cautionary legends; and iii) the prohibition of characters, graphics or pictures intended to promote consumption among children.

PHILIPPINES – agricultural support:
The Government has launched a new public-private partnership to provide assistance to the country's coconut farmers. Under the programme, coconut agribusiness centres serving as one-stop-shops for coconut growers would be set up in each of the country's 67 provinces. The centres will allow partner agencies to channel assistance to small coconut growers, while investors would link up directly with producer groups for the supply of raw materials or finished products.

RUSSIAN FEDERATION – GMO policies:
The Government informed that, from 20 April 2020 through 1 December 2021, imports of GM soybeans and soymeal products used as feed whose registration has expired would not require renewed state registration.

SRI LANKA – import policy: With effect from 10 April, the special commodity levy imposed on imported palm oil was raised from LKR 200 per kg to LKR 300 per kg (USD 1.08 and 1.62 respectively), while the import levy on soyoil and sunflower oil was raised to LKR 275 per kg (USD 1.48).

SUDAN – export policy:
The Sudanese Government banned groundnut exports as of 1 April 2020. Furthermore, local storage of groundnuts for the purpose of influencing prices was prohibited. Reportedly, the measures are aimed at stabilizing domestic consumer prices and maximizing the added value of Sudanese groundnuts.

THAILAND – pesticide regulation:
The Thai Government plans to introduce, from 1 June 2020, zero-tolerance for residues of two agro-chemicals, paraquat and chlorpyrifos, in food ingredients and food products. The new requirement would apply to production, possession, importation and exportation. The use of glyphosate, on the other hand, continues to be allowed, although it remains subject to permission and several restrictions will continue to apply to its use in crop cultivation.

TURKEY – import policy: In a bid to facilitate imports and thus prevent increases in consumer prices of edible oil, the Government temporarily lowered the import tariff for sunflowerseed oil from 36 percent to 30 percent. At the same time, the reference price on which tariffs are applied would be reduced from USD 1 000 to USD 800 per tonne. The measures will remain in place from 1 February to 30 June 2020. Reportedly, the need to secure import flows arose after the Eurasian Economic Union (which includes the Russian Federation, i.e. Turkey's principal supplier of sunflowerseed) decided to temporarily ban sunflowerseed exports on the backdrop of the COVID-19 emergency *(see above)*.

UNITED STATES OF AMERICA – pesticide regulation: The U.S. Environmental Protection Agency (EPA) cleared the use of the herbicide isoxaflutole on genetically modified soybeans, allegedly providing soy farmers with a new tool to control weeds that have become resistant to many other herbicides. Isoxaflutole has been classified as a restricted-use pesticide, meaning that users must receive special training in order to use it. Furthermore, its use will only be allowed in certain parts of the country. The registration is limited to five years, during with time EPA would evaluate any potential weed resistance that may develop.

Sector development measures

- Ghana – coconut: According to media reports, coconut palm has been added to the purview of Ghana's National Tree Crop Development Authority (NTCDA), a body set up under the country's National Tree Crops Development Bill of December 2019. Accordingly, NTCDA will be mandated to develop and regulate production, processing, marketing and export of coconut products. Reportedly, the agency would focus its attention on business development, employment creation and livelihood opportunities along the country's coconut value chain. On a separate note, in February, Trade Ministry officials and representatives of the country's coconut associations and banks paid a visit to an Indonesian supplier of coconut products with a view to develop commercial ties. *(See also MPPU May'19)*
- Morocco – olive tree: The European Bank for Reconstruction and Development (EBRD) pledged to loan up to MAD 55 million (USD 5.6 million) to the Moroccan olive oil sector in a bid to boost its productivity. Reportedly, the funds are earmarked for the construction of an olive oil mill in the Fez-Meknes region as well as other projects aimed at increasing the number of farmers involved in olive tree cultivation. The initiative complements efforts by the Moroccan Government to increase the sector's capacity and output, with special attention given to export oriented operations. *(See also MPPU June'17)*

Peatland conservation: The UN Food and Agriculture Organization (FAO) launched a geospatial on-line tool to help countries preserve critical carbon stores known as peatland. To halt peatland degradation and effectively plan peatland restoration, the agency called for urgent mapping and monitoring activities at national level and offered recommendations on how to manage peatlands. According to FAO, locating and accurately mapping peatlands – via a mix of

satellite and ground-based tools – allows to effectively monitor changes in peatland conditions, notably their water level, thus spotting risks of fires and harmful GHG emissions.
To facilitate countries' access to high-quality imagery, the agency developed a state-of-the-art, open-source monitoring module. Reportedly, the tool is being successfully used in Indonesia, where it provides timely information about soil moisture trends to help detect drainage and monitor restoration efforts. Similar applications are planned in the Congo Basin and in Peru.

Free trade agreement – EU / Viet Nam:
The Free Trade Agreement between the European Union and Viet Nam, which is set to come into force during the course of 2020, is expected to benefit EU olive oil producers: under the agreement, the average tariff of 8.7 percent that Viet Nam applies to olive oil imports from the EU will be eliminated. The southeast Asian country is viewed as a lucrative market due to its large population and steadily rising wages and consumer spending. *(See also MPPU July'19)*

Palm oil – private sector initiatives

- Production sustainability – Guatemala:
The Palm Grower Association of Guatemala (GREPALMA) reported that the number of signatories to its sustainable production principles has grown steadily and now covers three-quarters of the organization's total associated land.
In 2020, the association plans to launch a zero-deforestation agreement involving the public sector. Reportedly, the initiative would include provisions for third party satellite-based verification of compliance.
- Responsible sourcing – Indonesia:
A global trading company with palm oil operations in Indonesia's Papua province committed to a policy of 'No Deforestation, No Peatland, No Exploitation' (NDPE), including pledges to protect the rights of local indigenous communities and to compensate for the deforestation caused by its activities in the region. In recent years, the company faced scrutiny over a local subsidiary's forest clearing activities and disputes with local communities. Reportedly, an environmental advocacy group contributed to the development of the company's new NDPE-policy.
- Withdrawal from forest protection platform:
Citing concerns over governance and financial matters, a global palm oil trading firm chose to resign as a member of the High Carbon Stock Approach (HCSA) organization. Created in 2014, the body developed a methodology that helps agribusinesses identify forest areas that should be protected – as opposed to degraded lands with low carbon and biodiversity values that may be developed. The concerned company informed that, despite its withdrawal, it remains firmly committed to using – across its supply chain – the HCSA toolkit.
- Sustainability concerns: A Norwegian sovereign wealth fund opted to divest from a Peruvian consumer goods company over alleged human rights violations and deforestation activities in its palm oil supply chain.
- Blockchain application: The Malaysian Palm Oil Council (MPOC) started to actively promote the use of blockchain technology to enhance traceability, accountability and transparency across the country's palm oil supply chain – with the ultimate objective to raise the level of trust in Malaysian palm oil. The technology is meant to complement the country's mandatory sustainability certification and standards. Reportedly, a blockchain-based mobile application and web interface will be made available to oil palm growers (–plantations as well as smallholders–) and palm oil processors. Detailed information would be collected to enable stakeholders and consumers to efficiently track palm oil from production to final distribution. *(See also MPPU Sep.'19)*

Palm oil – third party study: UK researchers conducted a study on the desirability and viability of replacing palm oil – on the grounds of production sustainability concerns – with plant oils like rapeseed, sunflower oil, shea butter and tropical oils like coconut oil or microbial single-cell oils derived from algae or yeast. The different options have been reviewed from a technical, environmental and economic perspective, including the option of improving the sustainability of existing oil palm cultivation practices. Allegedly, attempts to raise output of alternative existing crop oils would present their own technical and environmental challenges. The only possible large-scale direct replacement would be single-cell oils, but these are said to require significant further development before becoming commercially viable. On a related note, it appears that a number of start-ups are currently working on synthetic replacements for palm oil. According to media reports, one start-up is developing bio-reactors to convert – via a fermentation process – food waste and industrial by-products into oil-producing yeast.

Palm oil – RSPO news

- Grievance case: A new grievance case has been opened by the Roundtable on Sustainable Palm Oil (RSPO), the global, industry-led certification body. In March, the organization accepted to review third party claims that one of its member companies has been involved in unlawful deforestation in Indonesia's Central Kalimantan province. Reportedly, the complainant used public records and satellite imagery to spot deforestation on the concerned company's plantations and to detect encroachment on protected areas.
- Government cooperation: In response to the European Commission's communication on stepping up EU action to protect and restore the world's forests *(see MPPU Sep.'19 & Mar.'20)*, the RSPO released a position paper on how the group and its members could support the efforts of EU governments to protect forests and promote deforestation-free supply chains. Welcoming the Commission's call for measures allowing to lower the climate impact of European consumers across commodities, including palm oil, RSPO stated that close collaboration with governments is urgently needed. The group sees regulatory actions as an opportunity for governments to be part of the solutions that RSPO is already promoting. Reportedly, RSPO believes that governments have a critical role to play in i) educating the public, ii) ensuring company compliance and due diligence in meeting voluntary industry standards, and iii) creating a level playing field for agribusinesses. Close collaboration across commodity industries and supply chains as well as with governments and NGOs is seen as fundamental in halting deforestation and protecting forests. Offering to collaborate with the Commission and the EU Parliament, the certification body called for the introduction of binding rules to ensure companies act responsibly and follow high standards to address pressing environmental and social issues.
- Trademark use: Pointing to a rise in the use of its trademark on consumer products at the global level, RSPO claimed that the market started to demand RSPO-certified sustainable palm products. Allegedly, mainstream consumers are increasingly taking note of where ingredients are sourced and what impact these have on the environment and human right issues.
- Gender equality: RSPO reported a high number of female field facilitators in a pilot project helping smallholder oil palm growers in Indonesia's Riau province to adopt sustainable management practices while improving productivity. Reportedly, the project supports the active participation of women. Based on an analysis of their role in farming operations, their access to training and capacity building activities has been facilitated and their involvement in farmers groups promoted.

Responsible soy – financing mechanism:
A fund management company launched the Responsible Commodities Facility (RCF), a mechanism aimed at incentivising farmers in Brazil's Cerrado region to grow soybeans on degraded lands such as former cattle pastures – as opposed to clearing forests and other native vegetation. Under the facility, farmers would be offered tailored crop financing and land restoration loans that combine low interest rates and long repayment terms. The Cerrado biome is estimated to include 18 million hectares of degraded land suitable for row crop farming. The new funding facility aims at reaching more

than 600 medium-sized farms over the next 10 years, potentially restoring 1.2 million hectares of that land. To be eligible, farmers would be required to give up their right to legally deforest their land. Reportedly, the new supply chain would be constantly monitored by employing a range of traceability systems, while the sustainably sourced commodities would be marketed through a dedicated selling platform linked to a blockchain registry. The fund would be operated around blended finance, mixing finance from international agencies with private finance and investments. Green bonds issued by RCF are expected to begin trading on the London Stock Exchange later this year. RCF has been developed with support from the UK Government and includes a collaboration agreement with the UN Environment Programme. The facility is expected to act as a delivery mechanism for the Cerrado Manifesto, signed by 50 civil society organizations and nearly 150 consumer good companies to reduce deforestation from soy production *(see MPPU Dec.'18).*

Food safety standards – company initiative: Reportedly, global oils and fats supplier *Bunge Loders Croklaan* set out to significantly lower the presence of 3-monochloropropanediol esters (3-MCPDe) – a group of toxic contaminants formed during vegetable oil/fat refining processes – across its European oil portfolio, in line with apposite EU legislation coming into force in January 2021 *(see also MPPU Sep.'19 & Jan.'20)*. The initiative is meant to ensure that food manufacturers can comply with the forthcoming regulations. Reportedly, the new regulations will impact primarily food companies operating in the bakery, confectionary, and infant food sectors.

R & D – varietal research/pest control

- <u>Canada – rapeseed</u>: Six new rapeseed research projects are expected to receive funding under the agronomic research programme of the industry-owned Canola Council of Canada. Reportedly, matching funds will be made available by the farmer-funded Western Grains Research Foundation. The selected projects will cover various aspects of varietal research and pest control.
- <u>United States of America – soybean</u>: A group of U.S. researchers is working on how to make soybeans become resistant to specific herbicides using the CRISPR gene editing technology. Their work is supported by the North Central Soybean Research Program, an initiative supported by 13 state soybean grower associations. In the United States, varietal traits generated through gene editing techniques are not regulated as GMOs.
- <u>Italy – *xylella fastidiosa*</u>: Italian olive oil producer *Filippo Berio* announced plans to partner with Italy's National Research Council (CNR) on a three-year project on *xylella fastidiosa*, the bacterial disease threatening the country's olive cultivation. Reportedly, research activities would concentrate on varietal resistance, vector control, and soil and plant management techniques. On a separate note, according to research and field trials conducted by Italy's Council for Agricultural Research and Agro-economic Analysis, an organic treatment combined with appropriate agronomic practices can help trees affected by the deadly disease recover. Reportedly, a compound based on zinc, copper and citric acid is able to reach and damage the *xylella* bacterium inside the olive tree xylem. Accompanying farming practices include the removal of weeds and other wild plants hosting vectors such as spittlebug.

R & D – product development

- <u>Omega3-rich camelina seed</u>: Two-year field trials with camelina sativa genetically modified to produce omega3 fatty acids normally sourced from marine oils have shown that it can be successfully grown in the UK, Canada and the United States of America. Allegedly, modified camelina is economically superior to competing strains of modified rapeseed as it features a higher content of omega3 fatty acids when calculated as a percentage of oil yield. The research has been conducted by universities in the UK and Norway, in collaboration with a global fish feed manufacturer. *(See also MPPU July'19)*

- Olive waste recycling: Spanish researchers are developing value-added compostable bio-plastic compounds using olive pit, a by-product normally used for energy production. The project has been set up by a plastics technology institute and a cooperative of olive oil producers, with funding from the Spanish Government, the European Agricultural Fund for Rural Development, and the European Innovation Partnership. The target application for the new compounds is packaging material for olive oil related products. *(See also MPPU Mar.'19)*

For comments or queries
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	International Prices *(US$ per tonne)* [1]					FAO Indices *(2002-2004=100)* [7]		
	Soybeans[2]	Soybean oil[3]	Palm Oil[4]	Soybean Cake[5]	Rapeseed Meal[6]	Oilseeds	Vegetable oils	Oilcakes/ Meals
Annual (Oct/Sep)								
2004/05	275	545	419	212	130	104	103	101
2005/06	259	572	451	202	130	100	107	96
2006/07	335	772	684	264	184	129	150	128
2008/09	437	849	682	409	206	157	146	179
2009/10	429	924	806	388	220	162	177	183
2010/11	549	1308	1147	418	279	214	259	200
2011/12	562	1235	1051	461	295	214	232	219
2012/13	563	1099	835	539	345	213	193	255
2013/14	521	949	867	534	324	194	189	253
2014/15	407	777	658	406	270	155	153	194
2015/16	396	773	655	351	232	151	155	168
2016/17	404	806	729	336	225	154	160	171
2017/18	402	820	648	381	258	152	154	182
2018/19	370	744	523	328	247	142	130	159
Monthly								
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
2020 - January	391	872	840	332	240	152	176	161
2020 - February	376	801	741	334	245	146	158	162
2020 - March	367	722	621	364	255	141	139	175
2020 - April	363	675	573	363	280	140	132	176

[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