



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

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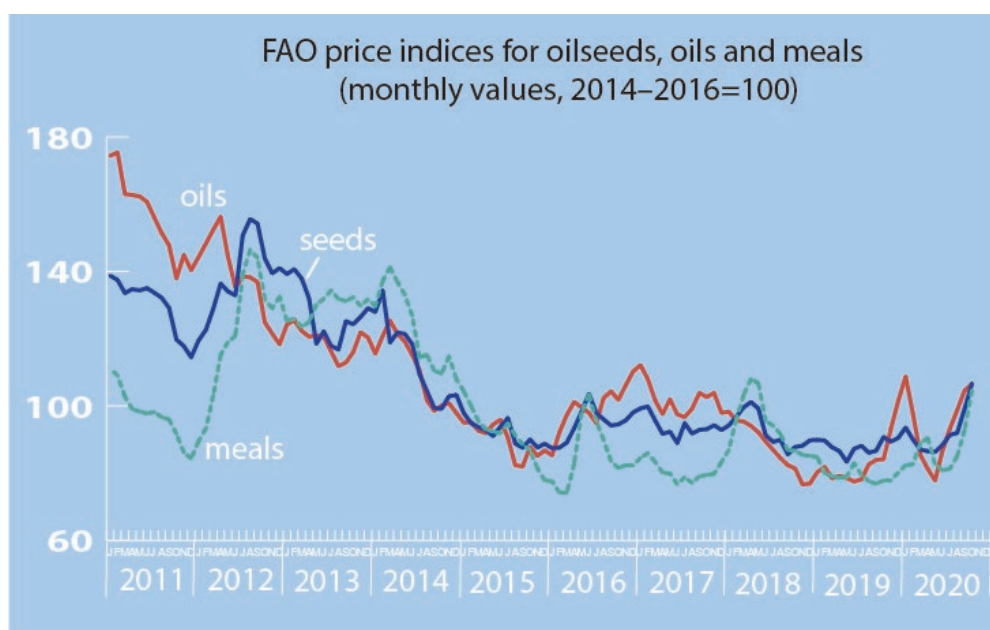
a) Global price review

In October, FAO's price indices tracking the oilcrops complex continued to rise. The oilseed index increased for a fifth consecutive month, gaining 7.6 points (or 7.6 percent) and reaching the highest level since July 2014, while the oilmeal index rose by 11.9 points (or 12.8 percent), marking a two-and-a-half year high. In the meantime, the index for vegetable oils recorded a modest month-on-month increase, gaining just 1.8 points (or 1.8 percent) – though still posting a multi-month high. All three indices continued to fare markedly above their year-earlier levels.

The fresh gain of the oilseed index largely reflected firmer values of soybeans, sunflower-seed and, to a lesser extent, rapeseed. Inter-

national soybean quotations rose for the fifth month in succession, touching the highest point since mid-2016. Besides reflecting continued firm import demand for US soybeans from China, prices responded to concerns regarding the South American market, notably i) dwindling old crop supplies in Brazil; ii) limited export availabilities in Argentina owing to subdued farmer selling; iii) delays in new crop plantings across the region due to protracted dry weather conditions; and iv) worries about potential below-average rainfalls during the growing season because of the La Niña weather cycle. Interestingly, towards end-October, prices retreated somewhat, mirroring both renewed concerns over the impact of COVID-19 pandemic on global demand and seasonal pressure in the United States of America (USA), where

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

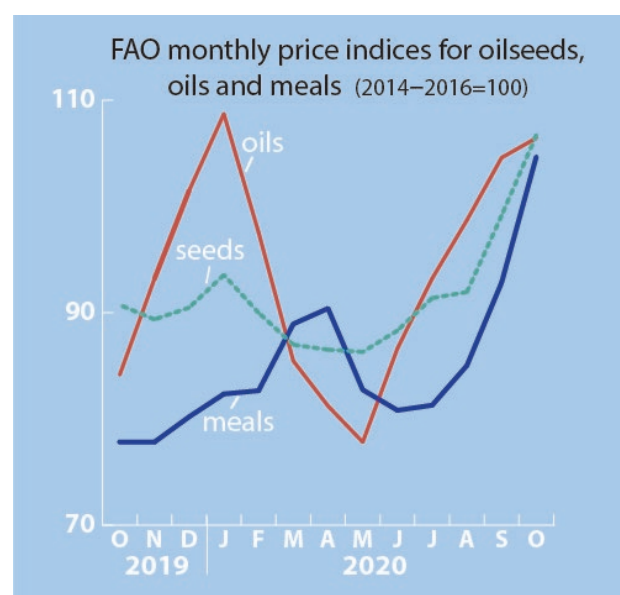
Global price review – *cont'd*

harvesting neared completion. Meanwhile, the premium of Brazilian export prices over USA values widened further. As for sunflowerseed, international prices climbed to the highest level since June 2013 on lower than expected harvests in the Black Sea region and reduced production estimates for the EU following adverse weather conditions in a number of growing regions. In the case of rapeseed, quotations posted a seventh consecutive increase, largely underpinned by concerns about below-average sowings for the 2021 crop in the EU following overly dry conditions.

With regard to oilmeals, the marked rise in the price index in October mostly stemmed from surging soymeal values. On the supply side, tight soybean supplies in Argentina and Brazil continued to constrain meal export availabilities, while, on the demand side, domestic feed demand in China grew stronger than anticipated, propelled by both a steady recovery in the country's hog herd and further expansion in the poultry and aquaculture sectors.

As for vegetable oils, the modest rise in FAO's price index largely reflected firmer palm and soy oil values, whereas those of rapeseed and sunflowerseed oil contracted moderately. International palm oil quotations strengthened for a fifth consecutive month reaching nine-month highs, underpinned by robust global import demand, notably from China and India, and

below-potential production prospects in leading producing countries. Heavy rainfall linked to the La Niña weather cycle hampered harvesting operations in both Indonesia and Malaysia, while migrant labour shortages remained a constraint in Malaysian plantations. In the meantime, soy oil values were supported by continued supply tightness in South America following a slow pace of crushings. By contrast, after rising five months in succession, international rapeseed oil values softened somewhat in October, amid rising uncertainty regarding demand in the EU after the recent deterioration of the COVID-19 situation across the region. As for sunflower oil, quotations dropped from multi-year highs posted in September, as demand gradually shifted to rival vegetable oils in view of their competitive prices.



b) Selected policy developments and industry news

ARGENTINA – export taxation:

In October, the Government reduced the export taxes for soybeans and derived products in a bid to accelerate the pace of exports and increase foreign exchange earnings. While the export tax on soybeans was cut by 3 points to 30 percent, the duty on soyoil and meal was lowered by 5 points to 28 percent – which re-introduces a tax differential between primary and derived products. Furthermore, the duty for soyoil-based biodiesel was reduced by 4 points to 26 percent. The lower rates have come into effect on 5 October 2020. During the ensuing three months, the tax rates will be raised incrementally, returning to 33 percent, 31 percent and 29 percent for soybeans, soyoil/meal and biodiesel, respectively, by 1 January 2021. In an effort to support small farms located outside the country's core production regions, together with the tax rate revisions the Government implemented a temporary tax reduction scheme for small-scale soybean growers that offers compensation payments based on farm size and farm location. The measure is aimed at incentivizing – during the remainder of 2020 – crop sales by smaller scale farmer, which are estimated to account for about one fourth of total production. Trade sources questioned whether the two temporary measures would be sufficient to stimulate a substantial release of soybeans for export, given that producers could prefer holding on to their produce as a hedge against possible future devaluations of the local currency against the US dollar. As for the restoration of the tax differential between soybeans and derived products, the measure could encourage crushers to step up their operations and increase oil/meal exports.

AUSTRALIA – pest control measures:

In October, the Government introduced emergency measures to safeguard the country against the entry, establishment and spread of

the khapra beetle (*trogoderma granarium*) to plant hosts such as rice, wheat and soybeans.

BANGLADESH – market regulation (COVID-19 related):

In October, the Commerce Ministry and importers/processors of edible oils reached an agreement to lower the price of loose non-branded soyoil and palm oil at mill gate by BDT 2 per litre, in a bid to give relief to consumers as local prices of essential food items have risen amid the COVID-19 crisis. Reportedly, the per-litre price of soy and palm oil has been fixed at BDT 90 and BDT 80 (USD 1.06 and USD 0.94), respectively.

BRAZIL – biodiesel policy

- **Blending rate:** Following a number of earlier, brief reductions in the country's mandatory biodiesel blending rate, on 7 October, Brazil's regulatory agency for petroleum, biofuel and gas (ANP) approved a cut in the blending rate from 12 percent to 11 percent from 1 November through December 2020, citing continued concerns about possible shortfalls in biodiesel supplies stemming from reduced domestic soybean availabilities. (*See also MPPU July & Sep. '20*)
- **Market deregulation:** The country's Energy Ministry revealed plans to deregulate the country's biodiesel market from January 2022, moving from the current system of regular procurement auctions (which is in place since 2008) to a regime where – similar to the country's ethanol market – contracts would be freely negotiated between producers and distributors, including limited participation of foreign suppliers. The rigidity of the current auction-trading model is said to raise costs to consumers. The requirement that biodiesel producers source part of their feedstock from local small-scale farmers would remain in place under the new regime.

BRAZIL – import policy: On 16 October, the Government announced that Brazil's tariffs on soybeans, soyoil and soymeal imported from countries outside the Mercosur trade bloc would

be suspended until 15 January 2021. Since 1995, Brazil has applied the common Mercosur external tariffs, i.e. 8 percent for soybeans, 10 percent for soyoil, and 6 percent for soymeal. Primarily intended to help reduce domestic food prices, the measure is expected to facilitate imports by Brazil's crushing, animal feed and biodiesel industries, which are faced with exceptionally high commodity prices. Regarding the possibility of Brazil turning to the USA for imports, the United States Department of Agriculture (USDA) identified several hurdles to substantial transactions, including several regulatory and logistical challenges and the prevailing price spreads. (*See also MPPU Sep. '20*)

BRAZIL – food standards/health policies:

The country's health authority ANVISA published new regulations on nutrition labelling of packaged, solid, semi-solid and liquid food products, including the requirement to alert for high levels of sugar, saturated fat and sodium. The new regulation, which sets maximum levels for solid, semi-solid and liquid foods, is scheduled to come into effect in October 2022.

BRAZIL – transports & logistics:

According to a study published by CONAB, the country's federal agency overseeing the procurement and supply of agricultural products, the recent paving of the BR-163 highway connecting grain producing regions in the Centre-West to ports in the 'Arco Norte' region (*see MPPU Mar. '19*) reduced road freight costs by up to 11 percent. Together with other infrastructure improvements, the upgrade of BR-163 has been instrumental for the northern export corridor's rising relevance relative to the country's traditional southern ports. In 2019/20, aggregate maize and soybean exports via 'Arco Norte' ports have been pegged at about 70 million tonnes, which compares to only 27 million tonnes in the 2017/18 marketing year. At present, roughly 30 percent of the country's soybean exports are estimated to be shipped via the 'Arco Norte'.

CHINA – market regulation (government

auctions): As distinct from past years, in 2020, domestic auctions of oilseeds and oils from state reserves continued throughout the months of September, October and November, though complete sales records are yet to be released. Based on available data, up to mid-November, cumulative sales of soybeans, soybean oil, rapeseed oil and sunflowerseed oil stood at, respectively, 2.35 million tonnes, 155 thousand tonnes, 168 thousand tonnes and 8 thousand tonnes – thus significantly exceeding the volumes recorded in 2019. Soybean sales consisted of around 1.14 million tonnes of domestically produced non-GM beans and 1.21 million tonnes of imported GM beans, which, respectively, fetched an average per-tonne price of CNY 4 844 and CNY 3 245 (USD 735 and 492).

EUROPEAN UNION (EU) – seed/GMO

policies: After clearance by the European Food Safety Authority and the European Commission, the marketing of three new GM soybean varieties has been authorized for food and feed use – but not for domestic cultivation – for a period of 10 years. The three varieties are characterized by their resistance to herbicides containing glyphosate, dicamba and glufosinate-ammonium, which are widely used in the Americas. All products derived from the GM varieties will be subject to the EU's stringent labelling and traceability requirements. The company that developed the varieties now expects to launch sales in North America next year.

EUROPEAN UNION – food standards/health

policies: Following the detection of high levels of ethylene oxide in consignments of sesame seed originating from India together with the recent occurrence of food safety incidents, the European Commission decided to tighten the applicable regulations on pesticide residues and on the frequency of checks at EU's borders, underlining that ethylene oxide contamination constitutes a serious risk to human health. As of 26 October,

batches originating from India are required to be officially certified as complying with all relevant regulations.

FRANCE – agricultural policy: In September, the Government announced – as part of a larger economic recovery plan to overcome the COVID-19 crisis – the allocation of EUR 100 million (USD 119 million) to develop France's production of plant-based proteins. The initiative will contribute to reducing the nation's dependence on imported vegetable proteins intended for animal husbandry – notably soybeans and soymeal.

FRANCE – pesticide regulation:

France's health and environment agency ANSES, confirmed that certain uses of glyphosate – a controversial herbicide widely used in the cultivation of perennial and annual crops, including soybeans – would be banned from January 2021 onwards. In general, the chemical's use will only be allowed in situations where there is no substitute in the short term. In the case of arable crops, the use of glyphosate will be prohibited when a plot has been mechanically ploughed between two crops (with some exceptions). In addition, an upper limit on glyphosate use of 1 080 grams per hectare per year would be introduced – which represents a 60 percent reduction from the current maximum permitted level. Farm associations warned that, given the lack of alternative innovative weed control methods, the planned restrictions would threaten the competitiveness of domestic products vis-à-vis imported goods that are not subject to such limitations. (*See also MPPU Sep. '19*)

INDIA – relief measures: In Maharashtra, state officials authorized compensation payments for coconut farmers affected by cyclone Nisarga. Reportedly, farmers will be entitled to receive INR 250 (USD 3.37) per destroyed coconut tree.

INDIA – food standards: The country's state governments were advised to ensure strict compliance with existing food standards, notably provisions that restrict the reuse of tin and plastic

containers for edible oils and fats to prevent contamination with hazardous materials. In this regard, industry associations pointed out that the relevant regulation was generally disregarded because of its impracticality, adding that – if implemented – the measure would lead to sharp increases in the cost of new tin containers.

INDIA – agricultural policy: In September, the Indian Parliament passed a number of sweeping market reforms and long-term measures aimed at raising the competitiveness of the country's agriculture sector and enhancing farmer's incomes (*see also MPPU July '20*).

Key innovations include: the freedom of farmers to market their produce at other outlets in addition to government-regulated local wholesale markets; the right to practise contract farming and engage directly with processors, wholesalers, large-scale retailers and exporters; and the removal of price and stockholding limits for strategic commodities, including oilseeds. Through the wide-ranging reforms, the Government intends to encourage private sector participation in agribusiness, build efficient agri-food supply chains, prevent wastage of agricultural products, and attract private and foreign direct investment in value-addition, storage and marketing infrastructure. Reportedly, some market experts raised questions regarding the process of implementing the sweeping reforms, while others expressed concern that the farmers' bargaining power could be weakened by the reforms. Furthermore, some farmer groups called for assurances that the Government would continue buying their products at guaranteed prices.

INDIA – farm support (minimum prices):

In September, the Government announced the new minimum support prices for Rabi (winter) crops. For rape and mustardseed, the support price was raised by 5 percent to INR 46 500 per tonne (USD 627), while the safflowerseed price saw a 2 percent increase to INR 53 270 per tonne (USD 719). With the new price levels, farmer returns are estimated to exceed production costs by

93 percent in the case of rape/mustardseed and 50 percent for safflowerseed – which compares to margins of 106 percent for wheat and 65–78 percent for pulses.

INDONESIA – variable export dues (palm oil)

- **Export tax:** In October, triggered by a rebound in marked prices, export taxation of palm oil was reintroduced at a rate of USD 3 per tonne – following the tax' suspension between March and September 2020. Eventually, the USD 3 rate was retained for the month of November.
- Indonesia's palm oil export levy remained unchanged at USD 55 per tonne. Local media reported that the Government was considering to turn the fixed levy into a variable one linked to the price of palm oil, with every USD 25 rise in price triggering a USD 5 increase in the levy.

ITALY – agricultural support measures

(olives/olive oil): The Government made available guaranteed loans worth EUR 140 million (USD 166 million) to associations of olive oil and table olive producers to support their operations throughout the 2020/21 season, reflecting efforts to correct current market imbalances caused by unfavourable weather conditions, the COVID-19 crisis, and the spread of *xylella fastidiosa*.

MALAYSIA – bioenergy policy:

The Government announced that nationwide rollout of the country's B20 biodiesel scheme (which requires the blending of regular transport diesel with 20 percent of palm oil-based diesel) would be resumed in September 2020 – following the programme's temporary suspension in April 2020 due to the outbreak of COVID-19 (*see MPPU May '20*). While B20 biodiesel is already available in Sarawak state, sales in Sabah state and Peninsular Malaysia are set to begin on 1 January and 15 June 2021, respectively. The shift in the mandatory blending rate from its current level of 10 percent to 20 percent is expected to help expand local uptake of palm oil and reduce Government outlays for fuel cost subsidies. Once fully implemented, the B20 scheme is estimated

to absorb 1.06 million tonnes of palm oil annually. In addition, some 240 000 tonnes are being absorbed by the country's industrial sector, which is required to use diesel containing 7 percent of biodiesel.

MALAYSIA – COVID-19 containment

measures: In September, to contain fresh outbreaks of COVID-19, the Government announced new, temporary movement restrictions in four districts of Sabah state, which accounts for roughly one quarter of the country's palm oil output. The provision was revoked after the concerned palm oil plantations and mills guaranteed that operations would be carried out in compliance with the standard safety procedures, including a 50 percent reduction in workforce. Industry sources warned that restrictions to contain COVID-19 have exacerbated the sector's chronic labour shortage, putting at risk harvesting and related operations.

THE PHILIPPINES – agricultural support

measures (coconut growers): The country's coconut authority, PCA, launched a project in the country's Western Visayas province, to pilot the replacement of traditional coconut trees with high-yielding hybrids said to bear fruit in less than four years and to produce up to three times more than local varieties.

THAILAND – market regulation (palm oil):

The Government agreed to provide temporary support payments to exporters of palm oil and ordered state-owned energy companies to purchase palm oil for energy generation, in a bid to accelerate the absorption of surplus supplies and raise domestic prices of palm oil.

THAILAND – biofuel policy: The government confirmed that B10 (i.e. transport diesel including 10 percent of palm oil-based biodiesel) would become the country's primary diesel effective 1 October 2020, while voluntary sales of B7 and B20 blends would also be allowed. To encourage the use of higher blends, the Government continues to subsidize the pump prices of B10

and B20, with both blends sold at a THB 3 per litre discount (USD 0.10) relative to B7 blends – while the law envisages a gradual phase-out of subsidies for all types of biofuels. Thailand's 2019 biodiesel consumption has been estimated at 1.58 million tonnes and is forecast to rise to 1.74 million tonnes in 2020, despite subdued diesel consumption due to the outbreak of COVID-19. Currently, the country's biodiesel industry absorbs roughly 40 percent of domestic palm oil output. Earlier this year, concerned over possible future shortages in the supply of palm oil, the principal biodiesel feedstock, the Government lowered the country's biodiesel consumption target for 2037 from originally 4.5 million tonnes to 2.6 million tonnes. At the same time, the target for oil palm cultivation was increased to 1.63 million hectares, which compares to a mature area of about 960 000 ha today.

UNITED STATES OF AMERICA – agricultural relief measures (COVID-19):

USDA announced additional financial assistance of up to USD 14 billion for farmers who continue to face market disruptions and associated costs due to the COVID-19 pandemic. The package follows a first relief programme worth USD 19 billion launched in April 2020 (*see MPPU May '20*). According to media reports, under the first package, payments to farmers total less than USD 10 billion to date. In the new package, eligible row crops include the following oilseeds: soybean, sunflower seed, rapeseed/mustard seed, groundnut, safflower and sesame. Payments will be calculated based on both crop yields and the impact of COVID-19 on relevant commodity prices, with per-farm disbursements subject to specific upper limits. In the case of soybeans, farmers are set to receive USD 0.31 per bushel (USD 11.40 per tonne), with total government outlays amounting to almost USD 1.4 billion (based on official harvest projections).

UNITED STATES OF AMERICA – import measures (palm oil): Effective 30 September 2020, the U.S. Customs and Border Protection (CBP) issued a ban on imports of palm oil

products from an Asian supplier, based on an investigation indicating multiple instances of forced labour in the company's supply chain. The concerned company created unfair competition for legitimately sourced goods and exposed the public to products that fail to meet ethical standards, stated CBP, adding that importers of detained shipments may re-export the merchandise or submit proof that the goods were not produced with forced labour. The affected company informed that, over the past several years, it had taken concrete steps demonstrating its commitment to respect human rights and to uphold labour standards. Reportedly, CBP was willing to consider revoking its ban if the company could provide evidence that it does not use forced labour. Meanwhile, palm oil industry groups in Malaysia and Indonesia questioned the justification for CBP's action and pointed out that the initiative had damaged the image of the palm oil sector as a whole.

UNITED STATES OF AMERICA / CHINA – trade dispute

- **WTO panel:** On 15 September 2020, the WTO panel considering China's challenge to certain additional import duties on its products imposed by the United States in 2018 concluded that: i) the measures at issue were *prima facie* inconsistent with the United States' tariff bindings and most favoured nation obligations under GATT 1994; and ii) the United States had not met its burden of demonstrating the necessity of the concerned measures to protect public morals. Chinese products affected by the United States' additional duties included a number of oilcrops and oilmeals, US imports of which have, however, been negligible traditionally.
- **Phase-one implementation:** The USDA issued a report analysing the progress made in implementing the agricultural provisions in the US-China Phase One Economic and Trade Agreement signed in January 2020 (*see MPPU Jan. '20*). According to the report, China has, *inter alia*, substantially raised its purchases of US agricultural products. Reportedly, by early October 2020, the country had purchased over USD 23 billion in

agricultural products (including soybeans), fulfilling approximately 71 percent of its target under the Phase-one agreement. According to observers, it remained unclear to which period the estimate referred to.

National pesticide regulations

- MRL revisions (across-the-board):

During the September-October period, the competent authorities of Brazil, Canada, Japan and the United States of America introduced new MRLs (– maximum residue levels tolerated in food or feed products –) for a number of specific pesticides used on arable crops including soybeans and other oilseeds.

- Thailand: After banning the domestic use of paraquat and chlorpyrifos – two pesticides used on a variety of arable crops including oilseeds – from June 2020, Thailand’s Health Ministry announced that, as of June 2021, the MRLs for the two pesticides on imported food products would be zero, with specific limits of detection applying to different categories of food. The ban is expected to affect the imports of several agricultural commodities, including soybeans and soybean meal.

- United States of America: On 27 October, the US Environmental Protection Agency (EPA) announced that it approved the use of three herbicides containing dicamba for a period of five years. The registrations, which are limited for use on dicamba-tolerant soybeans and cotton, comprise new control measures to ensure the products can be used effectively while protecting the environment, including non-target plants, animals and other crops not tolerant to the chemical. The agency informed that it had reviewed substantial amounts of new information and conducted scientific assessments to address the concerns raised by a US Appeals Court with regard to possible damage resulting from off-site movement of dicamba (*see MPPU July ’20*).

Sector development measures

- Ghana – oil palm: Ghana’s Food and Drugs Authority and the country’s local environmental and health units set out to promote – with support

from international civil society organization *Solidaridad* – high food safety and quality standards among the country’s artisanal palm oil producers, with a view to positioning them to expand their market base. Under the new partnership, supply chain participants will be offered training on both food safety and good manufacturing practices along the palm oil production process. Eventually, the introduction of standards recognized by the market is expected to translate into higher economic returns along the value chain. (*See also MPPU May ’20*)

- Tanzania – oil palm: The Government allocated public funds to the country’s Agricultural Research Institute to accelerate production and distribution of improved oil palm seedlings and to foster awareness of best cultivation practices among oil palm growers. Ultimately, the measures are expected to help reduce the country’s dependence on edible oil imports. (*See also MPPU Mar. ’19*)

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

In Italy’s Apulia region, where olive groves have been exposed to infection with *xylella fastidiosa* since 2013, growers reported encouraging results from replanting an allegedly resistant cultivar called Fs-17, also known with the name ‘Favolosa’.

R & D – product development (dairy product replacement):

A specialty oils/fats company presented a vegetable oil-based alternative to dairy ingredients in bakery applications. To offer a plant-based cheese, the company created a blend of non-GM organic coconut and sunflower oils. Reportedly, the new product provides similar functionality to dairy products, including good slicing and shredding characteristics.

R & D – varietal research (rapeseed):

Using gene editing techniques, a USA biotech firm has developed new rapeseed varieties said to offer both better yields and higher oil content. Being genome-edited (as opposed to genetically modified), the USDA-APHIS Biotechnology Regulatory Services determined that the new

varieties will not be subject to the requirements applying to GM-traits – which enables an expedited timeline for conducting field tests and eventually commercializing the varieties in the USA market. Reportedly, the edited traits of the new varieties may also be used to improve the performance of other oilcrops, including soybean and camelina.

Regulation of gene-edited crops:

A coalition comprising several civil society groups and one food retailer in Europe presented a new test capable to detect rapeseed developed via gene-editing techniques in food products – a circumstance that, according to the group, warrants the extension of regulatory oversight to gene-edited crops. Hitherto, the biotech industry and some national regulators argued that crops engineered with gene-editing technologies are indistinguishable from similar non-engineered crops and therefore cannot be regulated. Reportedly, until now only two gene-edited oilcrops – grown in North America – have entered the market. Meanwhile, in 2018, the EU determined that crops obtained via gene-editing fall under the union's laws regulating the use of GMOs – entailing strict approval and monitoring processes. (*On relevant regulations applied in different countries see also MPPU Aug./Oct. '18 & Jan. '19.*)

Futures markets (Egypt): In September, the Egyptian Government announced the creation of an exchange for agricultural commodities, including vegetable oils. Set to start operating in the first half of 2021, the exchange was established to help protecting small farmers and making their produce available to the wider market through an electronic platform. Reportedly, at a later stage, the exchange could also develop options and futures contracts for the commodities on offer.

Marketing practices – blockchain application: Global trading houses *Bunge*, *Cargill*, *Glencore Agriculture*, *COFCO* and *Louis Dreyfus* set up a consortium named 'Covantis' to test the use of

blockchain technologies for tracking the movement of grains and oilseeds across Brazil. Aimed at facilitating the flow of information between supply chain participants and streamlining logistics processes, the initiative is expected to enhance the security of shared data and help prevent mistakes and fraudulent actions. Reportedly, the companies plan to extend the digitization of their operations to the USA and Argentinean market.

Biofuel – industry news

- **Corporate business model:** *Microsoft* has entered into an aviation biofuel deal with carrier *Alaska Airlines* covering the tech company's business travel to selected USA destinations (NB: under preparation since early-2020, the deal is based on metrics of *Microsoft*'s business travel prior to the outbreak of COVID-19). Under the innovative partnership, *Microsoft* will buy sustainable aviation fuel credits from a fuel company, with a view to reduce the environmental impact of its employees' trips. Reportedly, the fuel will be made out of waste oil from sources like cooking oil.
- **Research & development:** In Australia, a group of researchers is working on a low-cost method for recycling used cooking oil and agricultural waste into biodiesel. Reportedly, the method is based on a new type of catalysts that allow low-cost production of biodiesel and other valuable complex molecules from a variety of impure raw materials – as opposed to conventional catalyst technologies that depend on high purity feedstock and require costly engineering tools.

Deforestation-free supply chains (cross-commodity)

- **Industry initiative:** The Consumer Goods Forum (CGF), a group comprising household goods manufacturers and retailers from across the world, has launched a fresh initiative aimed at accelerating systemic efforts to remove deforestation, forest degradation and conversion from key commodity supply chains. The 'Forest Positive Coalition of Action' envisages the formulation of

specific action (including performance indicators) for palm oil, soy, and pulp, paper and fibre-based packaging. The first edition of a palm oil roadmap has been released in September 2020. In general, coalition members are expected to engage with producers, suppliers, traders as well as governments and civil society in both producer and importing nations. Reportedly, government engagement efforts are already underway in Brazil, China, the EU and Indonesia and include efforts to promote the introduction and enforcement of appropriate legislation. The initiative has been met with scepticism by some environmental groups, which pointed out that CGF is likely to miss its 2020 target to achieve zero-deforestation and purchase exclusively sustainably produced commodities. In this regard, CGF conceded that, while progress had been made, the past emphasis on green certification was not agile enough to address the many drivers of commodity-driven deforestation. Reportedly, the solutions currently under consideration are taking into account the socio-economic dimensions of deforestation and the complexities of and linkages between commodity chains. Furthermore, special emphasis will be placed on better stakeholder collaboration, complete member accountability, and full supply chain transparency and traceability.

- **Third-party study:** The Carbon Disclosure Project (CDP), a not-for-profit group supporting companies and governments to measure and disclose their environmental footprint, analysed to which extent some of the largest and high-impact producers and traders of palm oil, timber, soy and cattle are managing risks and seeking opportunities to tackle deforestation within their supply chains. The initiative is aimed to help individual companies assess the likelihood of being exposed to deforestation. In general, the study found that palm oil and timber companies are held to higher standards for tackling deforestation than soy and cattle companies. Furthermore, a significant proportion of companies' soy supply chains continued to be unmapped and thus were at risk of sourcing from areas where deforestation has occurred, according to CDP.

Soybean – industry sourcing policies:

After joining the Round Table on Responsible Soy (RTRS) earlier this year, Japanese food company *Fuji Oil Holdings* informed that it intends to adopt a sustainable soy sourcing policy by 2021. The company's soybean processing and ingredients business procures soybean raw materials from North America, China, and Japan, all of which are non-GM soybeans.

Palm oil – industry sourcing policies

- ***Mondelez International:*** In a bid to help eliminate deforestation and protect human rights, the global packaged foods company pledged to introduce more stringent palm oil sourcing policies and renew its efforts to enhance transparency across its supply chain. In particular, the company will require suppliers to confirm their sustainable practices across their entire operations, not just relating to goods produced for *Mondelez*. Furthermore, suppliers will be asked to demonstrate their adherence in a third party assessed monitoring process. Reportedly, in 2019, *Mondelez* suspended 89 mills due to non-compliance with its policies.
- ***Mars:*** In October, the global snack food and pet care company claimed to have eliminated deforestation and human rights violation from its palm oil supply chain after radically simplifying its procurement operations. Reportedly, the company reduced the number of mills it works with from 1 500 to a few hundred and plans to reduce the number to 50 over the next two years. The use of satellite mapping to monitor land-use, together with third-party validation, allowed the company to select the suppliers and mills it sources from, *Mars* reported. To achieve greater impact, the company is also asking its suppliers to apply the company's principles to all the palm oil they market, i.e. not just to the material supplied to *Mars*.
- ***Nissin:*** The Japanese instant noodles producer informed that it revised its palm oil procurement policy. From 2030, in addition to the procurement of RSPO-certified palm oil, the company plans to procure only palm oil that is

proven to be sustainable under the group's own assessment.

Palm oil – other industry initiatives

- Marketing strategies: Citing customer preferences, Australian confectionary company *Darell Lea* announced that, from November 2020, all its products would be free from palm oil. Accordingly, the company reformulated about 100 of its products, *Darell Lea* reported.
- Labour recruitment: According to media reports, Malaysian palm oil companies started collaborating with drug rehabilitation centres and prisons to recruit locals to work in plantations. Reportedly, the initiative was prompted by the severe labour shortage that emerged after the Malaysian Government restricted the movement of foreign workers in a bid to contain the spread of COVID-19 (see also *MPPU Sep. '20*). Based on industry estimates, the sector has lost up to 30 percent of its yield potential as labour shortages slowed down harvesting operations.

Palm oil – RSPO news

- Human rights protection: The global, industry-led palm oil certification body RSPO (Roundtable on Sustainable Palm Oil) renewed its efforts to ensuring the protection of human rights – and especially the prevention of child labour and exploitation – among its members. The group explained that for human rights-related issues, notably labour-related compliances, the evidence tends to be very subjective, as it involves a lot of paperwork and verification with workers on the ground. To facilitate the enforcement of its human rights-

related standards, RSPO recently developed a series of child rights guidance documents for different stakeholder groups. Moreover, the group is working on a gender guidance document and on a revision of its Free, Prior and Informed Consent (FPIC) guidance.

- Smallholder certification: RSPO reported that a group of 30 independent smallholders in south Sumatra, Indonesia, became the first such group to be certified under the recently adopted RSPO Independent Smallholder (ISH) standard (see *MPPU Jan. '20*).
- Consumer campaign – India: In an effort to educate consumers in India, the world's leading importer of palm oil, RSPO launched – with support from local organizations – a consumer campaign aimed at raising awareness among consumers about the importance of the production and consumption of certified sustainable palm oil.

Palm oil certification impact – third-party

study: A recently published study examining the impact of palm oil development and certification on village well-being across Indonesia found that communities living near oil palm plantations are impacted in different ways. Tracking changes from before oil palm plantations were first established to several years after plantations were certified, researchers noticed that certification was associated with reduced poverty in villages with primarily market-based livelihoods, but not in those where subsistence livelihoods were dominant before switching to oil palm. The study also asserts that oil palm certification in certain village contexts may require additional resources to ensure socioeconomic objectives are realized.

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	International Prices (US\$ per tonne) ¹					FAO Indices (2014–2016=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	64	65	51
2005/06	259	572	451	202	130	62	67	49
2006/07	335	772	684	264	184	80	93	66
2007/08	549	1325	1050	445	296	133	153	109
2008/09	437	849	682	409	206	96	90	89
2009/10	429	924	806	388	220	100	109	92
2010/11	549	1308	1147	418	279	132	159	102
2011/12	562	1235	1051	461	295	132	143	111
2012/13	563	1099	835	539	345	131	120	129
2013/14	521	949	867	534	324	120	116	128
2014/15	407	777	658	406	270	95	93	99
2015/16	396	773	655	351	232	93	95	85
2016/17	404	806	729	336	225	95	103	81
2017/18	402	820	648	381	258	94	94	93
2018/19	370	744	523	328	247	88	80	81
2019/20	379	783	668	338	243	90	93	84
Monthly								
2019 – January	381	746	534	343	273	90	80	85
2019 – February	380	766	558	330	263	90	82	80
2019 – March	371	730	527	320	248	88	78	79
2019 – April	365	733	534	318	244	87	79	79
2019 – May	347	738	510	320	234	83	79	79
2019 – June	369	725	505	337	236	87	78	83
2019 – July	374	738	498	322	225	88	78	79
2019 – August	363	775	540	315	215	86	83	78
2019 – September	366	765	563	315	201	87	84	77
2019 – October	386	765	579	319	214	91	84	78
2019 – November	377	771	683	318	216	89	93	78
2019 – December	377	814	765	324	237	90	101	80
2020 – January	391	872	840	332	240	94	109	82
2020 – February	376	801	741	334	245	90	98	83
2020 – March	367	722	621	364	255	87	85	89
2020 – April	363	675	573	363	280	87	81	90
2020 – May	361	675	531	328	262	86	78	83
2020 – June	369	741	594	325	229	88	87	81
2020 – July	383	815	659	329	227	91	93	81
2020 – August	387	865	707	345	245	92	99	85
2020 - September	418	893	740	378	270	99	105	93
2020 - October	454	900	763	430	294	107	106	105
¹ Spot prices for nearest forward shipment ² Soybeans (US, No2 yellow, c.i.f. Rotterdam) ³ Soybean oil (Dutch, f.o.b. ex-mill) ⁴ Palm oil (Crude, c.i.f. Rotterdam) ⁵ Soybean meal (44/45%,Hamburg f.o.b. ex-mill) ⁶ Rapeseed meal (34%,Hamburg f.o.b. ex-mill) ⁷ The FAO indices are calculated using the Laspeyres formula ; the weights used are the average export values of each commodity for the 2014–2016 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								