Food and Agriculture Organization of the United Nations

OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

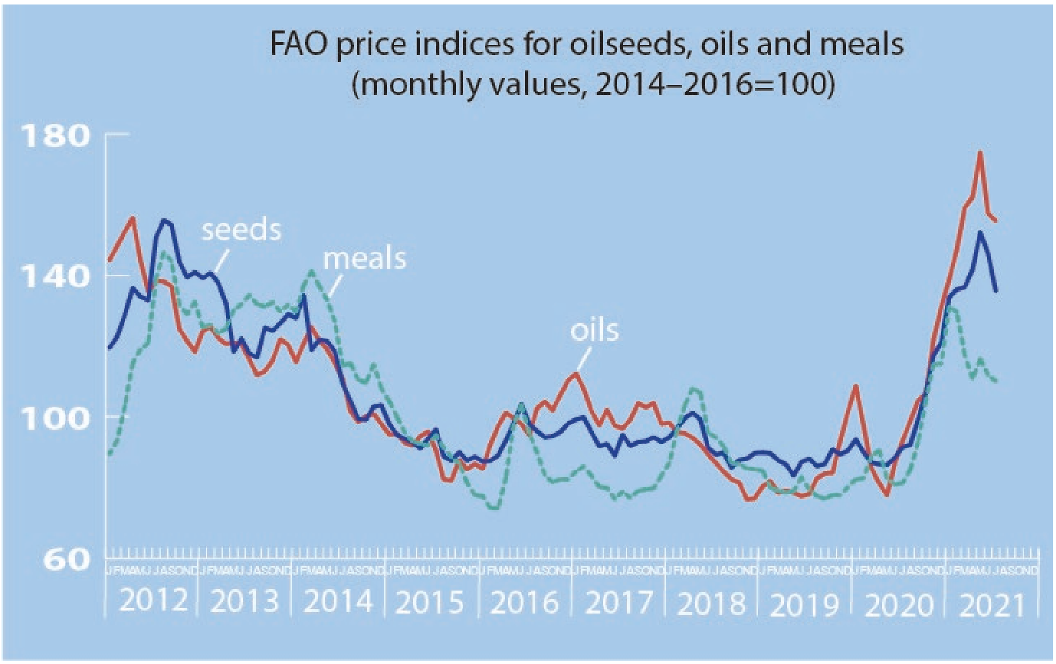
No. 145, August 2021

a) Global price review

The month of July saw FAO's three price indices trailing the oilcrops complex contracting for a second consecutive month – in contrast with the price rally observed in the preceding 12 months. The index for oilseeds fell markedly, shedding 10.6 points (or 7.3 percent) and marking a six-month low, while the indices for oilmeals and vegetable oils dropped by, respectively, 1.8 and 2.2 points (or 1.6 and 1.4 percent). Notwithstanding these month-on-month falls, all three price indices continued to fare well above their respective year-earlier levels.

The latest drop in the oilseeds index stemmed primarily from lower soybean values, along with drops in rapeseed and sunflowerseed prices. International soybean quotations declined for a second successive month in July, marking their lowest level since March 2021. With soybean crops in the United States of America (US) entering a critical phase, prices were heavily influenced by local weather developments. While parts of the country's main growing regions continued to suffer from dryness and high temperatures, favourable rainfalls were received in a number of other regions, which, together with forecasts of further precipitations in the Midwest, resulted in downward pressure on prices. In addition, on the demand side, purchases from China, the world's largest soybean importer,

– cont'd on next page –



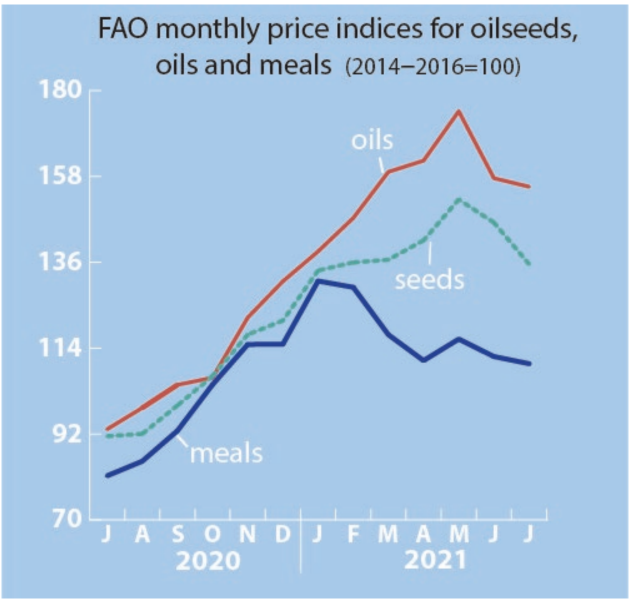
* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Markets and Trade Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots salient policy and market events selected from a variety of official and unofficial sources. Section b) of the present issue covers developments observed during the months of **June** and **July 2021**. 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*

started to slow down owing to negative crush margins amid declines in local pork prices. Furthermore, the US' soy crush turned out smaller than expected in June, marking the lowest monthly level recorded in two years. Meanwhile, international rapeseed prices fell moderately in July, mainly reflecting favourable production outlooks in Ukraine and Australia that over-shadowed upward pressure from deteriorating crop prospects in Canada, where prolonged drought in the Prairies resulted in irreversible crop damages. As for sunflowerseed, in July international prices plunged to a seven-month low, as generally favourable weather conditions in the Black Sea region were expected to facilitate a sharp rebound in global 2021/22 production.

With regard to oilmeals, the modest decline in the index mainly reflected lower prices for sunflower and rapeseed meal, which more than offset slightly higher soymeal values. After falling to an eight-month low in June, international soymeal quotations recovered slightly in July. Notwithstanding the price-depressing effect of reduced soy demand in China (see above), international soymeal values received support from lower-than-expected shipments by Argentina caused by logistical constraints (see below). In the meantime, sunflower and rapeseed meal quotations declined for a second month in succession, reflecting expectations of adequate, if not ample, global supplies in the upcoming market season.

As for vegetable oils, the price index contracted to a five-month low in July, driven by lower quotations for soy, rape and sunflower oil, which overshadowed rising palm oil values. International palm oil prices rebounded in July, as concerns over lower-than-expected output in major producing countries outweighed the impact of slowing global import demand. Particularly, in numerous plantations in Malaysia, production remained below potential due to persistent shortages in the migrant labour force as well as weather-related yield cuts. By contrast, international soyoil prices weakened in July, underpinned by a prospective rise in Argentina's export availabilities, linked to the Government's decision to reduce the country's biodiesel blending mandate (see below). Moreover, in the US, prolonged uncertainties regarding future admixture requirements for biofuel casted doubts over domestic demand prospects for soyoil. Meanwhile, international prices for rape and sunflower oil also contracted, reflecting, respectively, subdued global import demand and prospective record supplies for the 2021/22 season.



b) Selected policy developments and industry news

ARGENTINA – biofuel policy:
On 16 July, the Argentine Congress approved the reduction in the country's mandatory biodiesel blending rate from 10 percent to 5 percent *(see also MPPU June'21).* The new regulation, which is expected to be signed into law end-July and would remain in effect until 2030, authorizes the Energy Secretariat to raise the mandate or reduce it further to as low as 3 percent, depending on market conditions. The forthcoming reduction in the blending mandate is expected to appreciably lower the domestic uptake of soybean oil, Argentina's main biodiesel feedstock, thereby raising the country's soyoil export availability.

BURUNDI – export policy:
Concerned about potential shortages of edible oil in the domestic market, in May, the Government announced a temporary ban on the export of palm oil and derived products. Encouraged since the 1980's, domestic oil palm cultivation is estimated to yield between 16 000 and 20 000 tonnes of palm oil annually, which compares to a national vegetable oil consumption level of over 100 000 tonnes.

BRAZIL – agricultural policy:
In June, the Government presented its agricultural support package for the 2021/22 season, emphasizing the programme's accent on financial support for sustainable forms of production, environment conservation measures, on-farm investments, and family farming. Overall, in the forthcoming season, farmers will have access to various types of loans adding up to BRL 251.2 billion (USD 47.9 billion) – about 6 percent more than in the current season. Similar to previous years, marketing assistance loans will account for almost three quarters of public credit, with the remainder earmarked for various on-farm investment programmes. Roughly, two thirds of the funds will be provided on concessional terms, with average interest rates ranging slightly above those applied in 2020/21. Total Government outlays for interest rate subsidies have been set at BRL 13 billion (USD 2.5 billion), some 13 percent above this season's level. Funding for investments aimed at reducing GHG emissions has been doubled, with borrowers expected to enjoy interest rates between 5.5 percent and 7 percent, grace periods of up to 8 years and maximum repayment periods of 12 years. Furthermore, farmer investments into renewable energy generation and bio-inputs/fertilizers production will qualify for support. The Government also set aside funds for conducting crop-specific studies on climate risks. Moreover, allocations under the Government's family-farm programme and rural insurance schemes have been raised, along with funding for investments in on-farm grain storage.

BRAZIL – biofuel policy:
After considering to restore the country's mandatory 13 percent biodiesel blending rate on 1 September 2021 *(see MPPU June'21),* eventually the Government decided to set the rate at 12 percent for the months of September and October 2021, with a view to containing the increase in the price of diesel for end-consumers. During the past 12 months, surges in the price of soyoil – Brazil's main biodiesel feedstock – had prompted successive, temporary reductions in the country's blending mandates. According to the new policy guidelines adopted in late 2019, Brazil's mandatory blending rate is scheduled to shift to 14 and 15 percent in, respectively, 2022 and 2023 *(see MPPU Jan.'20).*

CHINA – agricultural policy
- <u>One-off farmer support</u>: In June, the Government announced that CNY 20 billion (USD 3.1 billion) will be provided to farmers in the form of subsidies as compensation for rising costs of fertilizers and diesel fuel. By helping to stabilize farmers' incomes, the measure is aimed at securing domestic production of staple crops. Reportedly, payments will be made as soon as possible to support ongoing field activities.

- Regular production subsidies: In Heilongjiang province, a key grain-producing region that supplies food staples to other provinces, producer subsidies for maize, soybeans and rice are set to reach farmers by end-August, i.e. one month earlier than usual, according to official sources. Reportedly, the per-hectare subsidy for maize will be raised, while that for soybeans will remain unchanged from last year's level.
- Grain storage facilities: According to official media, in 2021, China plans to add 10.85 million tonnes of capacity to its national grain storage capability. Reportedly, China's Grain Reserves Corporation is expected to build 120 new storage facilities across 18 provinces, as part of renewed Government efforts to enhance national grain security *(see also MPPU June'21).*

CHINA – soybean standard:
Following China's notification of a new national soybean standard to the WTO *(see MPPU Apr.'21),* Brazil – China's leading soybean supplier – asked China to clarify certain aspects of the new standard. Reportedly, the standard placed the maximum permitted moisture level of soybeans at 14 percent, whereas Brazil's soybean standard sets that level at 13 percent.

COLOMBIA – biofuel policy:
Citing unused biodiesel production capacity and adequate domestic palm oil supplies, in April, the Government raised the mandatory blending rate for biodiesel in regular transport diesel from 10 percent to 20 percent in most parts of the country. The higher rate entered into force immediately in Colombia's central region, Bogota and the eastern plains, while in the Pacific and Caribbean coastal regions and the south-central part of the country the higher rate will be introduced in October 2021.

EUROPEAN UNION – biofuel policy:
A recently released proposal aimed at decarbonizing the EU's aviation sector includes provisions for fostering – from 2025 onward – the production and uptake of sustainable aviation fuels (SAFs). Under the proposed regulation, eligible SAFs comprise 'advanced biofuels' stemming from agricultural and forestry waste and synthetic or e-fuels (i.e. renewable fuels of non-biological origin, such as green hydrogen). Feed and food crop-based biofuels (also known as first-generation biofuels) would be excluded for sustainability reasons, although SAFs produced from waste lipids (such as used cooking oil and animal fats) would be eligible in order to launch the market and allow for emission reductions in the short term. In general, SAF eligibility will be determined using the sustainability criteria established under the EU's Renewable Energy Directive (RED II).
The European Commission's proposal, which still requires approval by the European Parliament and Council, has met with criticism from the crop-based biofuels industry, with industry representatives asking on what grounds first-generation biofuels would be banned from the aviation sector while being allowed as car transport fuel.

EUROPEAN UNION – production sustainability: In July, the European Commission launched a Code of Conduct for Responsible Food Business and Marketing. Embedded in the Commission's Farm-to-Fork Strategy and the EU Green Deal, the voluntary code is considered as a central part of the EU's efforts to increase the availability and affordability of healthy and sustainable food options that help reduce the bloc's overall environmental footprint. Developed jointly with agri-food companies, NGOs and trade associations, the code sets out actions and targets that participants in the food supply chain can voluntarily commit to undertake to improve their sustainability performance. Upon its launch, a total of 65 entities – comprising food manufacturers, food retailers, food service companies and sector associations – signed the code. The code includes a monitoring and evaluation framework to measure progress achieved by signatories.
On a separate note, in Germany, a draft law on due diligence in supply chains obtained Parliament approval in June *(see MPPU Apr.'21).*

INDIA – agricultural policy

- Support prices: In June, to ensure remunerative prices for growers, the Central Government raised the minimum support prices for all Kharif (summer) crops for marketing year 2021/22. The support prices for soybeans, groundnuts, sunflowerseed, sesameseed and nigerseed were set at, respectively, INR 39 500, INR 55 500, INR 60 150, INR 73 070 and INR 69 300 per tonne (or USD 532, USD 748, USD 810, USD 984 and USD 934). Compared to last season, the support prices for the two key oilcrops, soybeans and groundnuts, have been raised by about 2 and 5 percent, respectively.
- Public procurement: The Government of Uttar Pradesh plans to procure record-high volumes of oilseeds and pulses from farmers in the forthcoming Kharif harvest. Reportedly, to create employment opportunities for women, the responsibility of buying the products from local farmers will be entrusted to women, which will also be encouraged to become shareholders in the companies purchasing the crops.

INDIA – import policies

- Concerned about persistently high edible oil prices in domestic markets, the Government lowered the import tariff for crude palm oil by 5 percentage points for the period 30 June to 30 September 2021. With the tariff reduction, crude palm oil imports attract an overall tax rate of 30.25 percent. Regarding the composition of India's vegetable oil imports, the share of palm oil is expected to rise, given that – in the absence of duty reductions for competing vegetable oils – the tariff advantage enjoyed by palm oil has increased. The Government also removed import restrictions for refined palm oil (in place since January 2020 - *see MPPU Mar.'20*), setting the commodity's import tariff at 37.5 percent, which implies an effective duty of 41.25 percent. The import deregulation and the tariff reduction are set to remain in place for, respectively, 6 and 3 months. The deregulation of refined palm oil imports is expected to encourage purchases from Indonesia, India's main supplier of the commodity. According to recent industry reports, palm oil origin prices have risen since India reduced its tariffs, as traders anticipated demand from the world's leading importer to increase – implying that landed prices of palm oil in India have fallen only minimally or even increased.
- In July, the Government re-authorized the importation of refined palm oil from Nepal – ending a 13-month suspension *(see MPPU July'20)*. Palm oil imported by and refined in Nepal may be exported freely to India until end-2021.

INDONESIA – variable palm oil export dues:
In an effort to improve the competitiveness of the country's palm oil exports, the Government revised its export levy structure for palm oil: effective 2 July 2021, the top rate of the levy – applicable when crude palm oil prices exceed USD 1 000 per tonne – has been set at USD 175 per tonne, i.e. USD 80 less than previously. When market prices for crude palm oil surpass USD 750 per tonne, a USD 55 per tonne rate will kick in, and for every USD 50 per tonne increase in prices the duty will increase by USD 20 – which compares to a USD 15 increase for every USD 25 price rise under the previous levy structure *(see MPPU Jan.'21)*. For refined palm oil, the levy increases by USD 16 for every USD 50 increase in prices. With the actual reference price for crude oil exceeding USD 1 000 in both July and August 2021, the levy stood at USD 175. Meanwhile, Indonesia's palm oil export tax underwent the following adjustments, mirroring the latest development in benchmark prices: in May and June the per-tonne tax was raised to, respectively, USD 144 and USD 183, while in July and August the tax dropped to, respectively, USD 116 and USD 93. As a result of the above changes, the combined, per-tonne charges applied to crude palm oil exports stood at USD 438 in June, USD 291 in July and USD 268 in August.

INDONESIA – biofuel policy:
The agency responsible for managing the proceeds from the collection of the country's palm oil export levy estimated that, in 2021, IDR 45 trillion (USD 3.1 billion) will be required

to support national biodiesel production, based on a biodiesel consumption estimate of 8.1 million tonnes. The consumption estimate for 2021 exceeds actual uptake in 2020 by some 9.5 percent, owing to the gradual lifting of COVID-19-related mobility and travel restrictions. Meanwhile, as of May 2021, actual biodiesel uptake was reported at no more than 2.4 million tonnes, suggesting that the industry has been facing logistical challenges and supply chain bottlenecks.

INDONESIA – agricultural policy (oil palm rejuvenation): As part of its efforts to raise productivity in small-scale oil palm plantations, the Government decided to support a partnership between oil palm companies and cooperatives of small growers to undertake replanting activities. Reportedly, the initiative covers an area of 18 800 hectares across four provinces – which compares to a nation-wide, annual target of 180 000 hectares in 2021 *(see also MPPU Nov.'19 & Apr.'21).*

INDONESIA – import policy (soybeans):
In its recently issued Regulation on Risk-Based Business Licenses and Administration, the Ministry of Agriculture provided guidance on various agribusiness business activities including soybean farming, soybean crushing, and soybean importation. Regarding imports, the regulation envisages a new requirement for importers of soybeans to obtain an 'import recommendation' from the Ministry of Agriculture – in addition to the currently required import permit issued by the Ministry of Trade.

INDONESIA – land governance issues

- Concession withdrawal:

The local Government of Indonesia's West Papua Province has withdrawn oil palm plantation licenses spanning nearly 268 000 hectares, after detecting administrative and legal irregularities by concerned concession holders, according to media reports. Civil society groups called on the Government to grant indigenous communities access to the rescinded concessions, along with measures to promote the concerned areas' sustainable management.

- Information access:

Indonesia's State Administrative Court upheld an earlier ruling determining that plantation data and maps about concession holders are public information and thus must be made publicly available. Civil society groups reckoned that – if adhered to by concerned government agencies and regional offices issuing plantation licenses – the decision could foster transparency, help solve land conflicts, and address land title issues faced by indigenous communities.

REPUBLIC OF KOREA – biofuel policy:
The Government decided to raise the mandatory blending rate for biodiesel in transport fuel from the current 3 percent to 3.5 percent, effective 1 July 2021. The rate is set to increase by a further 0.5 percentage points every three years, until it reaches 5 percent in 2030. Local biodiesel uptake is expected to expand accordingly and, with it, the country's imports of palm oil, the primary feedstock for domestic biodiesel production.
On a separate note, South Korea's Agency for Defense Development acquired technologies for the production of palm oil-based aviation fuel to be used as alternative fuel source in military and civilian aircraft.

MALAYSIA – variable palm oil export tax:
As palm oil benchmark prices maintained their strength, the export tax rate of 8 percent applied since January 2021 was confirmed for the months of July and August. The 8 percent rate is the maximum tariff envisaged under the country's palm oil export taxation scheme.

MALAYSIA – biofuel policy:
The Government expects nationwide implementation of its B20 biodiesel programme (which requires the blending of regular transport diesel with 20 percent of palm oil-based diesel – as opposed to the established 10 percent rate) to be completed by end-2022. While the B20 rollout began in March 2020 in some parts of the country, the programme's country-wide application was

affected by i) the outbreak of COVID-19 and related movement restrictions, ii) the prioritization of measures to help industries recover from the pandemic, and iii) the firmness of palm oil prices, which reduced the competitiveness of palm oil as biodiesel feedstock. *(See also MPPU Mar./Nov.'20 & Apr.'21)*

MALAYSIA – labour issues

- Labour shortages: As reported earlier, the country's plantation industries are suffering from shortages in labour force, especially since travel restrictions – introduced to contain the spread of COVID-19 – hampered the movement of migrant labourers *(see MPPU Sep./Nov.'20 & Jan./Apr./ June'21).* Recent media reports quoted Government officials stating that the palm oil sector – where more than 70 percent of the workforce are migrant workers – was facing a shortfall of 32 000 people that translated into annual losses of MYR 10 billion (USD 2.36 billion). Industry sources reckoned that the sector was missing out on MYR 1.2–1.5 billion (USD 283–354 million) per month, given that palm oil production ranged 20–30 percent below potential – at a moment when per-hectare output should be on the rise based on the crop's annual production cycle.
- Labour rights:

With regard to recent third-party allegations of systemic labour right violations, the Government reiterated that it would continue to give special attention to challenges in addressing forced labour issues, adding that it expected to release a national action plan on forced labour and child labour by end-year.

NEW ZEALAND – biofuel policy:
In June, the Government agreed in principle to introduce nationwide biofuel mandates to reduce GHG emissions from transport. Back in 2008, the Government passed a law requiring fuel suppliers to sell a certain percentage of biofuels, which, however, was repealed before it came into effect. Under the newly proposed mandates, which would take effect in 2023, fuel suppliers would be required to reduce the GHG emissions from transport fuels by a defined percentage each year. The mandates would apply to all transport fuels, including domestic aviation fuel. Biofuels would need to meet sustainability criteria to certify that they do not impact on food production or indigenous biodiversity. The Government plans to encourage the use of advanced feedstock and hydro-treated vegetable oils as opposed to feedstock derived directly from agricultural crops. The Government's proposal assumes that biofuels would be imported for the majority of the volume required at least into the medium term. Meanwhile, the Government would explore whether forestry waste could be used to expand the use of home-grown biofuels. The Government expects to finalize its proposal at the end of a public consultation process.

THE PHILIPPINES – biofuel standards:
The Department of Energy launched a public consultation on new quality standards for diesel blends containing, respectively, 3 percent and 4 percent of coconut oil-based biodiesel. Meanwhile, the Philippine Coconut Authority and the country's biodiesel producers reiterated their calls for a gradual increase in the current, long-standing 2 percent blending mandate – in line with the National Climate Change Action Plan issued in 2016, which envisaged blending rates to reach 20 percent in 2025, provided sufficient supplies of biodiesel feedstock could be secured *(see also MPPU Apr.'21).*

TURKEY – import policy:
Following a 4-month suspension *(see MPPU Apr.'21),* import duties for sunflower oil have been reinstated on 1 July. Concerned about persistently high domestic food prices, the Government set the import tariff at 10 percent – as opposed to the standard rate of 36 percent. Furthermore, the Government informed that the duty exemption for sunflowerseed – originally meant to expire on 30 June – would remain in place until further notice. Although Turkey's sunflowerseed production is expected to recover from last year's decline, domestic supplies are anticipated to fall short of requirements also in 2021.

UKRAINE – land governance:
Following Parliament approval in March 2020, in July 2021, the Government lifted a near 20-year moratorium on the sale of farmland, in a bid to attract investment and raise productivity in the agricultural sector. As of 1 July, individual Ukrainian citizens can buy up to 100 hectares of land, while domestic agribusinesses will be able to take part in auctions from 2024 and may acquire up to 10 000 hectares. The new law sets a floor price for farmland and determines that state and municipal farmland cannot be sold. Farmers have been granted preemptive rights to purchase leased land plots. Based on established law, foreign individuals and companies will not be allowed to purchase land. Market experts expect the permission to sell farmland to trigger a marked rise in land prices.

UNITED STATES OF AMERICA – biofuel policy

- Industry support measure (COVID-19-related): On 15 June, the US Department of Agriculture allocated USD 700 million to biofuel producers as part of wider package to help businesses and industries recover from losses due to COVID-19. The biofuel industry welcomed the initiative, emphasizing that besides striving to recover from pandemic-related market losses the sector was facing historically high feedstock costs.
- Renewable diesel production: According to the US Energy Information Administration, renewable diesel production in the United States could increase significantly through 2024. Based on industry projects announced and under construction, the agency forecasted production capacity to grow from 2 million tonnes per year at the end of 2020 to 17 million tonnes by 2024. Increasingly demanding state and federal renewable fuel programmes, various production incentives, and technological advances are expected to drive this expansion. While renewable diesel shares the same oil and fat feedstock as biodiesel, it is chemically identical to petroleum-based diesel and can be blended into regular diesel at any level. Reportedly, besides being valued for its versatility and flexibility in existing petroleum infrastructure, renewable diesel achieves favourable greenhouse gas reduction scores in state/federal biofuel programmes. *(See also MPPU June'21)*

GMO policies

- Brazil: In June, Brazil's National Biosafety Commission (CTNBio) released a regulation that aligns the country's rules on GM crops with international standards. *Inter alia*, under the new rules, vessels can transport different GM crops as long as each variety enjoys CTNBio approval for commercial release within the country. Traders expect the new rule to facilitate grain imports from countries outside the Mercosur trade bloc.
- Canada: The Canadian Health Agency and the Canadian Food Inspection Agency approved drought and herbicide tolerant soybean variety 'HB4'. Already approved for production in Argentina, Brazil, Paraguay and the United States of America, importation of the genetically modified variety remains to be authorized in China *(see MPPU May'15, July/Sep.'19 & Jan.'20)*.

Pesticide regulation – glyphosate

- Austria: In May, the Austrian Parliament approved a partial ban on glyphosate *(see also MPPU Apr.'21).* While the new law bans private uses of the herbicide and its application on so-called 'sensitive' areas, professional use including most applications in agriculture will continue to be allowed. An earlier adopted ban on pre-harvest treatments remains in place.
- European Union: In the EU, the periodic review of legislation on glyphosate started in December 2019, in view of the current approval's expiry in December 2022 *(see also MPPU Dec.'17 & Sep.'19).* In June 2021, the EU's Assessment Group of Glyphosate completed its scientific evaluation of an industry-prepared renewal dossier, determining that i) the herbicide met the reapproval criteria for human health and the environment, and ii) there was no need for

reclassification. The Group's assessment now has to be peer reviewed by the European Food Safety Authority (EFSA). In parallel, the European Chemicals Agency (ECHA) needs to review the Group's proposal regarding the herbicide's harmonized classification and labelling.
On a related note, in June, the European Parliament, as part of a resolution concerning the bloc's biodiversity strategy for 2030, opposed the re-authorization of glyphosate and called on Member States to undertake relevant preparatory work to provide farmers with viable alternative pest management solutions.

- France: The French Government committed to a gradual glyphosate phase-out, aiming at a 50 percent reduction in the herbicide's use by 2022. In June, France received clearance from the European Commission to set up its tax credit scheme for farmers that voluntarily stop using glyphosate *(see MPPU Jan.'21).* Under the measure, arable crop, viticulture and fruticulture farmers that renounce using the herbicide in 2021 are granted a temporary tax credit worth EUR 2 500 (USD 2 950). Furthermore, the Government set aside EUR 215 million (USD 254 million) to help farmers adapt their agricultural equipment.
- United States of America:

A US Court of Appeals is considering two lawsuits that challenge the Environmental Protection Agency's (EPA) interim decision to re-approve glyphosate based on its assessment that the herbicide does not pose cancer risks for humans when it is used in accordance with federal labels *(see MPPU Jan.'20).* Brought by two environmental advocacy groups – the Center for Food Safety and the Natural Resources Defense Council – the petitions claim that EPA did not fully consider the risks to human health, endangered species and the environment.
Last May, EPA asked the Court for a chance to review and possibly revise parts of its decision, while leaving the herbicide on the market. Specifically, EPA wanted to reconsider its analysis of glyphosate's ecological risks and other potential costs associated with the herbicide's use and re-weigh them against the chemical's benefits.

Sector development measures

- Oil palm – Telangana state, India:

Renewing its efforts to promote oil palm cultivation in Telangana state *(see MPPU Sep.'20),* the local Government plans to establish oil palm cultivation on 800 000 hectares in 2022/23. According to the media, the Government agreed to providing growers with INR 10 500 per hectare (USD 141) in the first year of farming and INR 2 000 (USD 27) each in the second and third years. In addition, the Government committed to support the establishment of nurseries and palm oil processing units.

- Olive oil – intergovernmental:

A recently signed agreement between FAO and the International Olive Council (IOC) sets out the terms and conditions of collaboration to support more efficient and sustainable olive oil production. The two intergovernmental bodies agreed to apply their joint expertise on plant protection – with a special focus on the *xylella fastidiosa* disease – to impart coordinated information to their respective members.
Other goals include working together to optimize the productivity of the olive oil sector across the value chain, making knowledge of olive oil quality readily available, preserving olive genetic resources, and gathering and sharing information pertaining to the sector.

Market regulation

- China – food markets:

Driven by concerns about the recent upward trend in domestic consumer prices, in June, the Chinese Government reaffirmed its commitment to strengthen the regulation and supervision of commodity markets with a view to stabilizing prices and ensuring adequate supplies of staple commodities, in particular maize, wheat, edible oils, pork and vegetables. *(See also MPPU Jan./Apr./June'21)*

- Malaysia – used cooking oil:

The Government entrusted the regulation of the collection and processing of used cooking oil – notably used palm cooking oil (UPCO) – to the Malaysian Palm Oil Board (MPOB). Provided they fulfill specific criteria, companies interested in buying and processing UPCO can apply to MPOB for a license. Typically, UPCO is recycled into various non-food products, including biodiesel, wax, detergent and animal feed. Reportedly, in 2020, overall UPCO purchases in the country approached 0.5 million tonnes.

- Pakistan – edible oils market:

In June, the Ministry of Industries & Production held discussions with domestic edible oil and ghee manufacturers with a view to ensure that the declining trend in vegetable oil import prices would be fully reflected in local retail prices. *(See also MPPU July/Sep.'20)*

- Russian Federation – fertilizer market:

Concerned about domestic food security and food price inflation, in July, the Government reached an agreement with the country's fertilizer industry to cap the retail prices of fertilizers during the 2021/22 marketing year.

Food standards & health policies

- Brazil – trans fat:

In June, the Government revised the rules governing the presence of trans fatty acids (TFAs) in food products. From 1 July 2021, imports of refined oils that contain TFAs in excess of 2g/100g of total fat will no longer be allowed. Similarly, from 1 July to 31 December 2021, consumer-oriented products and products sold through foodservice operators must have TFA levels equal to or below 2g/100g of total fat. Refined oils manufactured until 3 June 2021, with TFA content greater than 2g/100g of total fat, may be sold until their expiration date. From 1 January 2023, the importation of products that contain partially hydrogenated oils and fats (PHOFs) and imports of PHOFs destined for the food manufacturing industry will be prohibited, regardless of their origin, production date or usage. Specific, transitional rules will apply to foods used by the food processing industry.

- The Philippines – trans fat:

In June, the Department of Health issued an administrative order illustrating its policy for the elimination of industrially produced TFAs from the country's food supply chain by 2023, including provisions for a transitory period of two years. The order is aimed at banning the production, import and distribution for commercial sale of industrially produced TFAs and processed food products containing TFAs. Specifically, the ban will apply to: (i) PHOFs to be consumed alone or used in preparation of processed food products; (ii) oils and fats made from or blended with PHOFs; and (iii) oils and fats with TFA content greater than 2g/100g of total fat.

- Ukraine – country-of-origin labelling:

The Government approved new labelling requirements regarding the country/place of origin of selected food products, including extra virgin and virgin olive oil. Adopted to comply with Ukraine's obligations under the Free Trade Agreement with the European Union, the new regulations will go into effect on 18 May 2024. The new rules require detailed monitoring and transfer of information regarding the origins of domestically produced and import products, covering the entire production and sales cycle.

Bilateral trade agreements – United States of America / Japan: As the US-Japan Trade Agreement entered its third year of implementation on 1 April 2021, the United States' export of oils and fats to Japan started benefitting from a gradual reduction in tariffs, which are set to reach zero in 2023.

Trade differences

- Canada / China – rapeseed trade:

At a meeting of the Dispute Settlement Body (DSB) in July, WTO members agreed to the establishment of a panel at Canada's request to examine measures in China affecting the import of rapeseed from Canada. The dispute concerns Chinese measures suspending rapeseed imports from two Canadian companies – following the alleged repeated detection of quarantine pests in shipments – and the imposition of enhanced inspection requirements for rapeseed imports from other Canadian companies *(see also MPPU May/Nov.'19 & May'20).* While Canada reiterated its concern that sufficient scientific evidence to justify China's measures had not been provided, China regretted Canada's decision to request the establishment of a panel, stating that it had constructively engaged with Canada on the matter and responded to Canada's requests for information. Nine countries and the EU reserved their rights to participate in the panel's proceedings.

- Indonesia / European Union – renewable energy policy: The WTO dispute settlement panel established in July 2020 at the request of Indonesia to review certain EU measures related to palm oil and palm crop-based biofuels informed that it expected to issue its final report to the concerned parties not before the second quarter of 2022. *(See also MPPU Sep.'20)*
- European Union / United States of America – aviation industry: In June, the EU and US conducted fresh talks aimed at resolving their 17-year-long aviation industry trade dispute. A new agreement reached between the two sides included the suspension – for five years – of all retaliatory tariffs applied to each other's exports. The corrective import tariffs that were in place until earlier this year concerned a number of oilcrop and oilcrop product tariff lines. *(See also MPPU Sep'20 & Jan./Apr.'21)*

Transport infrastructure/logistics

- Waterway emergency – Argentina, Paraguay: Low water levels seriously affected the navigability of South America's Parana and Paraguay Rivers, which are essential elements of the region's agricultural export logistics. Caused by prolonged drought in the rivers' Brazilian basins, the exceptionally low water levels forced vessels to load smaller cargoes of grains, notably soybeans. In July, the Argentine and Paraguayan Governments both declared a state of hydric emergency, thus opening the way for new dredging activities and measures aimed at mitigating adverse consequences on the population and the environment. According to industry sources, in the case of Argentina's agro-industrial sector, the emergency could generate losses of USD 315 million between March and August 2021. The estimate takes into account cost increases suffered by exporters forced to only partially load cargoes – whilst shouldering extra costs for overland transportation and topping up vessels at downstream ports – as well as other losses incurred along value chains, especially the soybean value chain (NB: Argentina is the world's largest soymeal supplier and the third-biggest exporter of soybeans and maize). Meteorologists expect the low rainfall period to be reversed only towards the end of September 2021.
- Road infrastructure – Brazil: In June, the Government awarded a 10-year concession for operating a 1 000 km stretch of highway BR-163 that connects Sinop in Mato Grosso state with northern waterway terminals – a key route for shipping grains grown in the Center–West to ports located along the so-called Northern Arch (Arco norte). The license envisages the collection of tolls and includes the obligation to invest BRL 1.87 billion (USD 356 million) into the highway's maintenance and various infrastructure improvements. Industry sources estimated that freight costs will increase by about 7 percent, a rise that is not expected to alter the cost competiveness of northbound shipments (compared to the traditional southbound routes serving Brazil's southeastern and southern ports).

Future markets – Malaysia: In a bid to enhance access to its products globally and improve price discovery, the Bursa Malaysia Derivatives Exchange plans to launch, by the fourth quarter of 2021, a night trading session for most of its contracts, including crude palm oil futures. The exchange also announced the launch of a new palm oil futures contract specific to East Malaysia. The latter initiative is aimed at offering a refined price discovery mechanism for physical delivery in ports located in the states of Sabah and Sarawak, which handle about 45 percent of Malaysia's production.

R & D – product development

- Soy-based concrete protector: As US company developed a concrete durability enhancer made with soybean and is now seeking to commercialize the innovative infrastructure preserving technology across the country with the help of soy farmers associations.

- Oil palm compound fertilizer: The Malaysian Palm oil Board launched an innovative compound fertilizer aimed at enhancing yields in oil palm cultivation on a variety of soils in a cost-effective manner. Reportedly, the new formulation contains an optimal nutrients balance and includes a conditioner that increases nutrient recovery by the crops. The agency already signed an agreement for the new fertilizer's commercialization.

R & D – varietal research

- Gene-edited soy:

A global leader in conventional germplasm development joined forces with a company specialized in mutagenesis-based gene-editing to develop gene-edited soybean crop traits designed to address key challenges faced by seed companies and farmers. By relying on precision genome-editing technologies able to accelerate the processes underlying natural breeding, the two companies aim at developing sustainable, cost-effective seed solutions.

- GM-soybean launch – Brazil:

Agro-chemical company *Bayer* informed that its Intacta-2-Xtend technology for GM soybean seed will be commercially available for Brazil's 2021/22 campaign – following the successful completion of field trails and given that regulatory approval has been granted in two important soy importing countries, China and the European Union. Intacta-2-Xtend soybean varieties tolerate dicamba-based herbicides and offer protection against caterpillars affecting the crop. *(See also MPPU May'18)*

R & D – pest control: The University of Jaén in Spain has been awarded a grant by the European Commission to research treatments for the olive tree pathogen *xylella fastidiosa*. Reportedly, the project will focus on the development of bio-pesticides based on bacterial spores.

Biofuel – EU industry initiative:
Agribusiness firm *Saipol* and rail freight company *Europorte* joined forces to test the use of pure rapeseed-based biodiesel in diesel locomotives under commercial conditions. By substituting diesel with biodiesel, the companies expect to reduce greenhouse gas emissions by 60 percent over the entire lifecycle of the fuel.

Palm oil – industry initiatives – market promotion: The Malaysian Palm Oil Council signed an MoU with the education arm of the Izmir Commodity Exchange to expand cooperation in areas of common interest, notably the development and use of Malaysian palm oil and the promotion of Malaysian Sustainable Palm Oil (MSPO) certification. Reportedly, promotion efforts will include the implementation of an information campaign (targeting Turkish consumers) on the nutritional and health benefits of Malaysian palm oil.

Palm oil – company initiatives – production sustainability

- Land restoration commitment:

In Indonesia, a large palm oil company committed to restore 38 000 hectares of forest in the provinces of West Kalimantan and Papua to make amends for past, non-compliant development of rainforests and peatlands. In 2018, third-party investigations had imputed unsustainable clearing practices to the company, prompting some buyers to stop buying its products. Rehabilitation activities are expected to include peat rewetting, re-forestation, and support to local communities to secure their land tenure rights. The measures will be carried out over the next 35 years, until the company's plantation licenses expire.
The company estimated its accumulated liability since 2015 at 11 900 hectares of forest, peat forest and peatland – with cleared peatland counting double due to its high carbon value. For the restoration work to be effective, other stake-holders, such as local communities and neighbouring companies, will be involved, the company informed, adding that it also plans to promote alternative livelihoods for adjacent communities to help them protect existing forestland. Environmental groups noted that challenges remain regarding the implementation and monitoring of the company's plans and

recommended the inclusion of independent auditors.

- Labour rights audit:
In Malaysia, a palm oil company employing some 16 000 workers agreed to undergo an audit of its labour policies and practices after a human rights group reported alleged workers' rights infringements. The company informed that it viewed the group's findings seriously and that it would strife to improve the implementation of its comprehensive labour policies as well as the working conditions on its plantations. The audit is meant to ascertain cases of non-compliance with the company's labour policies and unsatisfactory working conditions, with a view to swiftly address grievances and direct complaints.
- Responsible sourcing: As part of efforts to ensure that only deforestation-free palm oil is used in its products, global snack food and pet care company *Mars* simplified its supply chain by cutting its list of suppliers from 1 500 to less than 100. In addition, the company plans to reduce the number of mills it sources from globally to below 50 by 2022. Through these measures, the company expects to be able to better police its supply chain. Reportedly, the company's new purchasing policy will focus on awarding longer-term contracts to suppliers willing to commit to *Mars'* environmental, social and ethical principles.

Palm oil – RSPO news

- Liberia national standard: Global, industry-led palm oil certification body RSPO (Roundtable on Sustainable Palm Oil) has endorsed Liberia's national interpretation of its Principles and Criteria. Accordingly, certification entities and RSPO member companies operating in the country are encouraged to start using the adapted standards for new audits.
- Cooperation agreements – Mexico, Guatemala: RSPO has signed MoUs with the palm oil federations of Mexico and Guatemala, with the aim to synergize strategic efforts and offer direct benefits to smallholder producers. The ultimate objective is to certify 40 percent and 75 percent of domestic palm oil production in, respectively, Mexico and Guatemala. Currently, in the Latin America region as a whole, RSPO certifies 1.5 million tonnes of palm oil annually, covering some 420 500 hectares or 30 percent of the region's overall oil palm area, which makes Latin America the fastest-growing region in terms of certification.
- Fire prevention: RSPO renewed it fire prevention efforts in oil palm plantations in Indonesia and Malaysia. The body launched a free, interactive platform powered by satellite technology that provides near real-time information on detected hotspots and potential fires both within and outside RSPO-member concessions.
- Planting guidelines:
RSPO revised its New Planting Procedure (NPP) in a bid to ensure consistency with the organization's updated Principles & Criteria and offer improved planting guidance and simplified tools and incentives for smallholders. RSPO's NPP provides a framework for the responsible development of new lands, thereby mitigating negative impacts on high-conservation-value areas, high-carbon-stock forests, peatland, fragile and marginal soils, while upholding the rights of local peoples.
- Peatland cooperative certification:
In Indonesia, a cooperative of independent smallholders operating in a peatland-rich area recently gained RSPO certification. RSPO membership is expected to motivate participating farmers to adopt sustainable water management practices on peatland, prevent land fires and protect biodiversity, while meeting their daily needs.

Palm oil – 3rd party initiatives/studies

- Dissociation case: The Forest Stewardship Council (FSC), which certifies companies that meet its comprehensive social and environmental standards, decided to temporarily dissociate from a large Indonesian-South Korean palm oil, pulp and paper company over failure to agree on an independent verification process. FSC stated that it was not able to verify improvements in the company's social and environmental performance against a set of agreed preliminary conditions. Reportedly, the case started in 2017, when a civil society group filed a complaint alleging the company's involvement in deforestation, workers' rights violations and destruction of high conservation value areas in its Indonesian operations.

- Impact assessments: A study conducted by a coalition of NGOs to analyse the human rights and environmental impacts of 10 oil palm companies on local and indigenous communities in Indonesia reported alleged rights abuses, along with ineffective or lacking due diligence by buyers and financiers along supply chains. Similarly, a case study conducted by civil society group Forest Peoples Programme (FPP) claims that certain global consumer good companies, financial institutions and investors continued to be associated with a variety of environmental and social issues in their respective palm oil supply chains. To address the problem, FPP's study recommends a series of measures to strengthen corporate governance and accountability, involving downstream companies, the finance sector, and policy makers in both consuming and producing countries. Furthermore, in a separate impact assessment of oil palm development conducted in two districts in Central Kalimantan, Indonesia, FPP detected alleged human rights violations and found the existing redress mechanism to be deficient. To address the issue, FPP is helping the concerned districts prepare for certification using the RSPO's Jurisdictional Approach, which encourages sub-national governments to apply RSPO's standards to all palm oil operations within their jurisdiction.
- Impact of biodiesel policies: A report by environmental advocacy group CDP argues that Indonesia's biodiesel programme risks contributing to continued deforestation by boosting demand for palm oil. According to the report, palm-oil based biodiesel is inseparable from the sustainability challenges that surround palm oil production. The study outlines potential policy conflicts and calls for coherent policy direction to support Indonesia's energy targets as well as economic, social and environmental objectives. Environmental safeguards for palm oil production would be improved by focusing on yield rather than expansion and by integrating sustainability standards in biodiesel production, according to CDP.
- Purchase mechanisms: According to a study conducted by Chain Reaction Research, a think-tank specialized in sustainability risk analysis, occasional spot purchases – as opposed to long-term contracts – undermine No Deforestation–No Peat–No Exploitation (NDPE) palm oil supply chains by allowing entry to non-compliant companies. Reportedly, the logistics of the spot market make conducting due diligence difficult, whereas long-term contracts – in which buyers can set conditions and influence suppliers' behaviour – are viewed as the most effective mechanism to transform the palm oil industry.

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

	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)								
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								
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
2020 - November	502	978	875	470	319	117	122	115
2020 - December	516	1036	963	468	328	121	131	115
2021 - January	576	1074	1026	535	382	134	139	131
2021 - February	580	1136	1086	526	380	136	147	130
2021 - March	568	1296	1135	472	364	137	159	117
2021 - April	594	1388	1155	442	352	142	162	111
2021 - May	639	1590	1229	454	409	152	175	116
2021 - June	619	1563	1061	436	400	146	158	112
2021 - July	571	1448	1119	447	308	136	155	110

[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 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