

OILCROPS MONTHLY PRICE AND POLICY UPDATE *

No. 58, April 2014

- short version -

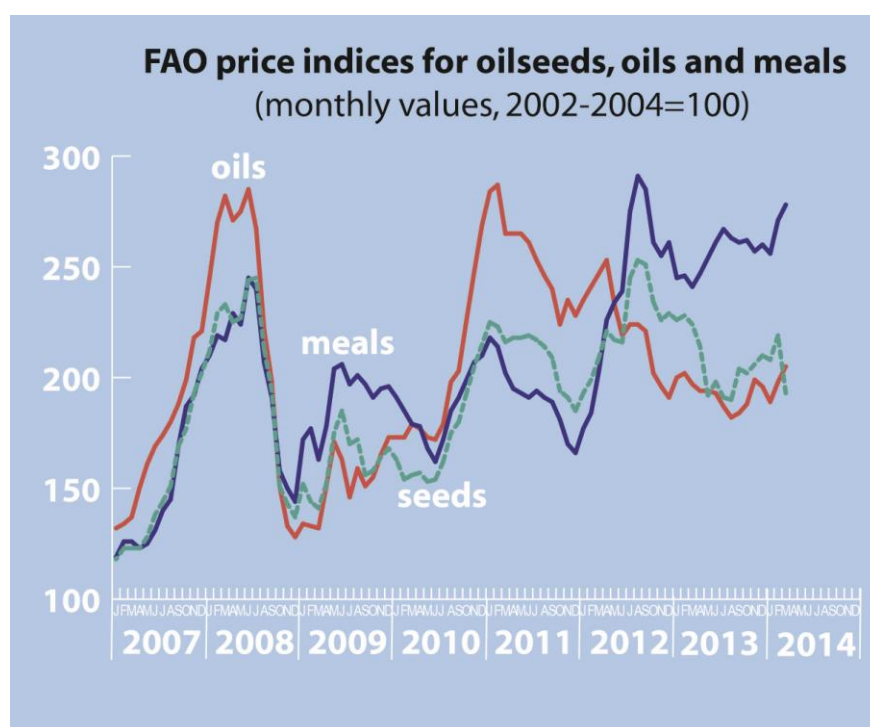
Global price review

In March, FAO's price indices for oils and meals both rose 7 points from the previous month, representing gains of 4 and 3 percent respectively. Rising for the second consecutive month, both indices have climbed to 18-months highs and, in the case of oilmeals, the price index stopped five percent short of the all-time record set in August 2012. By contrast, the index for oilseeds recorded a sharp downward correction of nearly 12 percent, but this *apparent* drop is principally caused by a structural adjustment in the price series for soybeans, the leading component of the index.

With respect to the oilmeals, the upswing in the index mainly reflects additional appreciations in soymeal values. Quotations for rape and sunflowerseed meal increased even more

markedly, but their prices play a much smaller role in the calculation of the index. The rise in soy values is related to recent reports suggesting a lower level of crushings (and thus meal production) than formerly anticipated in South America, notably in Brazil, where soybean supplies for processing have been curtailed by a strong bean export programme. Also in India, recent levels of soymeal production as well as shipments have turned out below earlier expectations. Meanwhile, international prices for rapeseed meal strengthened on lower production forecasts for Australia and less than anticipated meal output in Canada – while global export demand remained strong. The sunflowerseed market, on the other hand, responded to concerns about possible shipment disruptions in Black Sea ports following heightened geopolitical tensions

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* The **Oilcrops Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market events selected from a variety of sources. The present issue only comments on price developments in **March 2014**. Previous issues can be downloaded from the FAO website at URL <http://www.fao.org/economic/est/publications/oilcrops-publications/monthly-price-and-policy-update/en/>.

Global price review - *cont'd*

between Ukraine and the Russian Federation. Finally, higher fishmeal values exerted upward pressure on oilmeal prices. The recent appreciation in fishmeal prices is driven by fears of reduced shipments from top exporter Peru, where fish catches are likely to be hit by a new El Niño weather pattern.

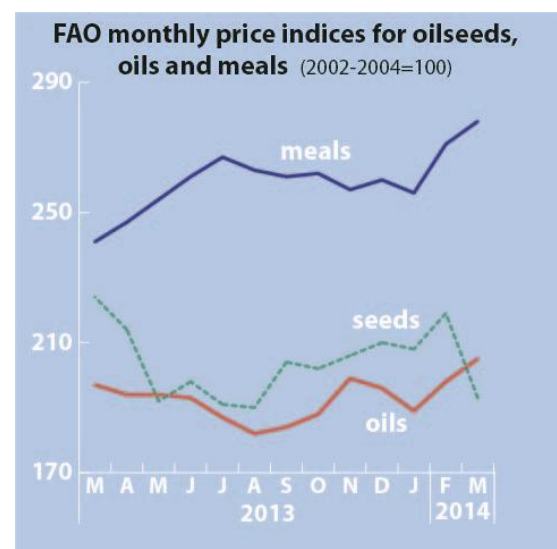
As to vegetable oils, the rise in the index was mainly driven by palm oil: continued concerns over the impact of protracted dry weather in Southeast Asia on future oil palm yields have driven international palm oil quotations to 18 months-highs. Tighter inventories in Malaysia and the prospect of rising domestic consumption in top producer/exporter Indonesia (following the recent introduced of higher national blending rates for biodiesel) contributed to the strengthening in palm oil values, as did reports about a possible El Niño weather event later this year, which would further affect oil palm productivity. World prices for soy, sunflower and rapeseed oil also firmed under the influence of palm oil and because of rising values of the corresponding seeds.

This month's unexpected plunge in the oilseed index has been determined by the *apparent* drop in soybean prices, which weigh some 80 percent in the overall index. However, the fall observed in the price series for soybeans is of a purely structural nature: while until February the reference price used, no.2 yellow soybeans of US origin (CIF Rotterdam), referred to March deliveries, last month spot contracts started quoting October/November as delivery month, thus referring to an altogether different base and dissimilar market fundamentals. The shift in delivery dates became necessary as the United States are running out of old-crop supplies, which implied that new contracts could only refer to new-crop deliveries, viz. in October/November. As opposed to the current relatively tight global supply situation, which explains the recent rally in soybean prices, towards October/November markets are expected to be much better supplied as they will

draw on both, South America's record harvest (currently being collected) and the next, potentially record-breaking US crop – which explains why new contracts are traded at significantly lower prices.

To shed light on last month's *actual* soybean price development – i.e. disregarding structural breaks in the series – a look at alternative reference prices proves useful: in March, spot prices for Brazilian origin soybeans (also CIF Rotterdam) have in fact risen by a further 3 percent, clearly suggesting persistent tightness in global supplies, aggravated by additional (weather related) downward corrections in Brazil's output. Similar to spot prices, Chicago soybean futures contracts for nearby delivery (i.e. March/May) also displayed a month-on-month appreciation of about 4 percent.

With regard to rapeseed and sunflowerseed, whose combined weight in the oilseed price index amounts to 19 percent, their values also firmed during March. Rapeseed prices mainly responded to reduced production estimates for Australia (resulting from excessive dryness), and lower global export availabilities in Canada (due to logistical difficulties affecting internal rail movements). Sunflowerseed prices strengthened as a result of both the political tensions in the Black Sea region and sharp downward corrections to Argentina's crop which has been hit by extremely dry weather.



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	<u>International Prices (US\$ per tonne) ¹</u>					<u>FAO Indices (2002-2004=100) ⁷</u>		
	Soybeans ²	Soybean oil ³	Palm Oil ⁴	Soybean Cake ⁵	Rapeseed Meal ⁶	Oilseeds	Vegetable oils	Oilcakes/ Meals
Annual (Oct/Sep)								
2004/05	275	545	419	212	130	104	103	101
2005/06	259	572	451	202	130	100	107	96
2006/07	335	772	684	264	184	129	150	128
2007/08	549	1325	1050	445	296	216	246	214
2008/09	437	849	682	409	206	157	146	179
2009/10	429	924	806	388	220	162	177	183
2010/11	549	1308	1147	418	279	214	259	200
2011/12	562	1235	1051	461	295	214	232	219
2012/13	563	1099	835	539	345	213	193	255
Monthly								
2012 - October	617	1183	844	555	359	234	202	261
2012 - November	595	1148	816	539	378	226	196	255
2012 - December	603	1153	772	553	396	229	191	261
2013 - January	591	1192	838	512	367	226	200	245
2013 - February	597	1164	862	513	381	228	202	246
2013 - March	588	1117	853	503	367	224	197	241
2013 - April	559	1099	841	521	300	214	194	247
2013 - May	498	1077	849	527	404	192	194	254
2013 - June	523	1036	858	551	321	198	193	261
2013 - July	514	997	838	568	304	191	187	267
2013 - August	514	995	824	564	277	190	182	263
2013 - September	554	1028	823	557	291	204	184	261
2013 - October	544	989	866	555	318	202	188	262
2013- November	556	992	921	541	316	206	199	257
2013 - December	568	979	907	548	336	210	196	260
2014 - January	566	935	871	539	337	208	189	256
2014 - February	594	991	911	571	361	219	198	271
2014 - March	501	1001	959	582	396	193	205	278
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. North West Europe) ⁵ Soybean cake (Pellets, 44/45%, Argentina, c.i.f. Rotterdam) ⁶ Rapeseed meal (34%, Hamburg, f.o.b. ex-mill) ⁷ The FAO indices are calculated using the Laspeyres formula; the weights used are the average export values of each commodity for the 2002-2004 period. The indices are based on the international prices of five selected seeds, ten selected vegetable oils and five selected cakes and meals. Sources: FAO and Oil World								

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