



OILSEEDS, OILS & MEALS MONTHLY PRICE AND POLICY UPDATE *

No. 84, July 2016

a) Global price review

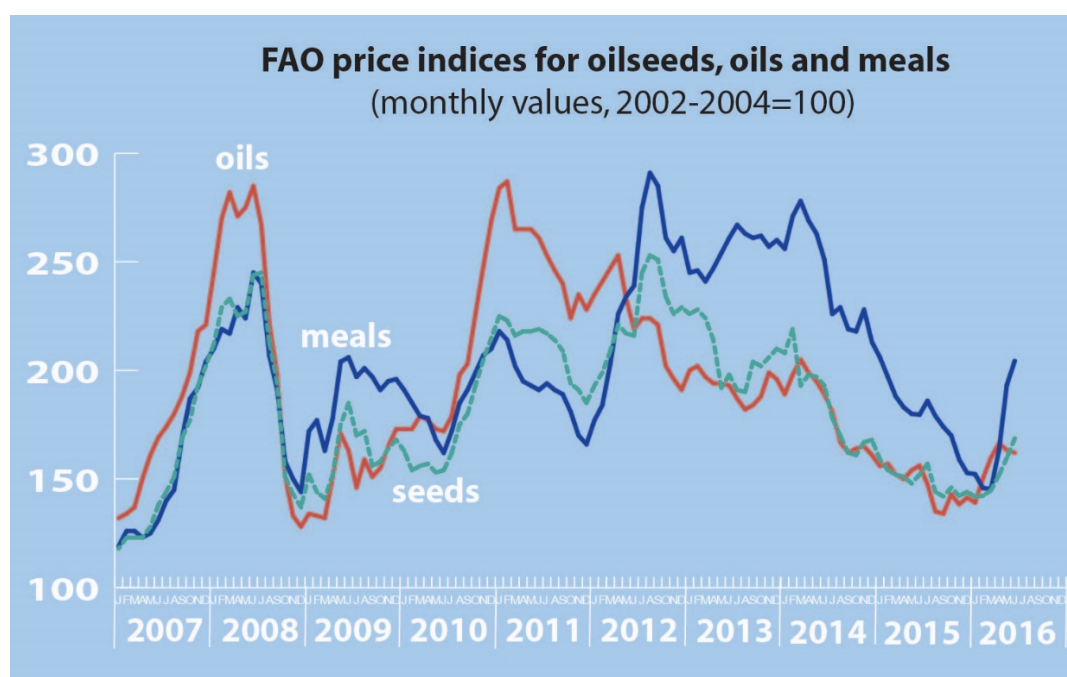
In June, FAO's price indices for oilseeds and meals posted further gains, while the index for vegetable oils dropped for the second consecutive month. Month-on-month, the oilseed and meal indices both increased by 5–6 percent (or 9–11 points), rising to, respectively, 16-month and 21-month highs. Conversely, the index for vegetable oils dropped by 0.8 percent (or 1.3 points), remaining, however, above the level recorded one year ago.

The upswing in the oilseed and oilmeal indices was primarily driven by the global supply and demand outlook for soybeans. FAO's 2015/16 soybean production estimate has been reduced further in June, mainly reflecting lower than earlier anticipated average yields in Brazil's

recently harvested crop. Furthermore, in 2016/17, global production is forecast to expand by no more than 2 percent, while global consumption could grow by over 4 percent, sustained by further growth in China. Should these forecasts materialize, a conspicuous drawdown in global inventories – for the second successive season – would become necessary, providing scope for prices firmness across the soybean complex.

International oilseed and meal price were also underpinned by developments in the world market for sunflower seed, and even more so sunflower meal. Notwithstanding the prospect of ample supplies in 2016/17 (reflecting recent upward revisions for main producing countries), a marked rise in sunflowermeal consumption in the Russian

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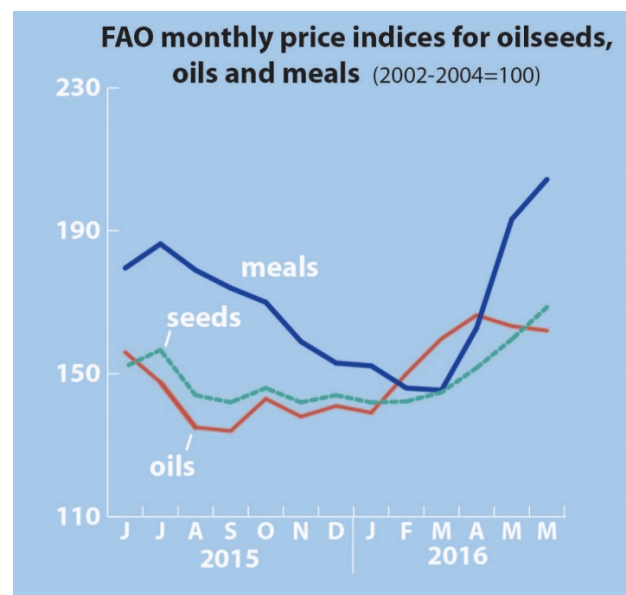
* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market events selected from a variety of sources. Section b) of the present issue covers developments observed during **June '16**. 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

Federation – the world's second largest supplier – could curtail global export availabilities.

The additional drop in the vegetable oils index was again determined by palm oil prices, which fell for the second consecutive month. The fall mainly reflects continued subdued global import demand together with a seasonal recovery in production in Southeast Asia, which resulted in higher inventory levels than had been anticipated. International palm oil trade slowed down due to, inter alia, the end of the Ramadan festivities, and because, in India, the world's leading buyer of palm oil, import flows stalled amid domestic stock releases and a shift in local demand towards soybean oil. The prospective improvement in palm oil production in Indonesia and Malaysia – as the adverse effects of El Niño are expected to diminish during the second half of 2016 – also lent relief to prices, as did forecasts of ample

global supplies of sunflower and rapeseed oil. By contrast, international soyoil prices remained firm, underpinned by limited export availabilities in South America and less favourable than anticipated 2016/17 global production prospects.



b) Selected policy developments and industry news

ARGENTINA – seed policy: The Government of Argentina committed to strengthen its control over national seed markets in a bid to ensure that private seed companies are able to consistently collect royalty payments. Addressing calls by global seed company Monsanto that the GM technology contained in a newly developed soybean variety be protected (*see MPPU June '16*), the country's state-owned National Seed Institute, INASE, has been tasked to oversee the testing of soybean for the presence of relevant GM traits. INASE will be allowed to delegate the laboratory tests to private entities such as regional grain exchanges. Cargoes that test positive will be traced back to producers, to assess whether royalties have been duly paid. The past practice, whereby Monsanto would sign deals directly with private grain companies to police royalty collection, had been contested by Argentina's farmers.

BRAZIL – agricultural policy: According to unofficial sources, the Government of Brazil pledged to make available BR 21 billion (USD 6.4 billion) in additional credit for on-farm investment during the 2016/17 agricultural campaign. The measure aims at increasing the flow of funding toward the purchase of farm equipment and other investments in a year characterized by tight credit supplies and rising borrowing costs (*see also MPPU June '16*).

CANADA – trans fat control: As part of commitments to eliminate industrially produced trans fats in processed foods, the Government of Canada asked industry stakeholders to provide data on the amount of partially hydrogenated oils (the primary source of industrially generated trans fats) present in domestic or imported foods, as well as on the reasons for their use and their concentrations. Despite long-standing efforts to reduce the presence of trans fats in the domestic food chain (*see MPPU Sep. '11*), studies revealed that trans fat concentrations remained above set targets in a number of foods, putting at risk certain groups of

consumers – given strong evidence linking trans fat intake to coronary heart diseases. Last year, in the United States, food manufacturers have been ordered to remove trans fats from their products within three years (*see MPPU July '15*).

CHINA – rapeseed oil state auction: Sales of rapeseed oil from state reserves continued in China (*see also MPPU Apr. '16*). Reportedly, public auctions held during the month of June 2016 in 11 provinces concerned rapeseed oil batches held in store since, respectively, 2011 and 2012. In Hubei, the province recording the highest sales, an average price of CNY 5 385 per tonne (USD 803) was obtained.

EUROPEAN UNION – olive tree disease control: The European Court of Justice has backed a decision requiring EU member states to immediately remove plants capable of hosting the *xylella* bacterium, regardless of their health status, within a radius of 100 meters around infected plants (*see MPPU May&July '15*). The European Commission's decision had been challenged by a regional court in Italy, which suspended the EU order and referred questions to the bloc's Court of Justice (*see MPPU Feb. '16*). In June 2016, the European court determined that the measure was in line with EU law, in particular with the obligation to apply appropriate phytosanitary treatments. The EU Court ruled that the precautionary principle and the principle of proportionality can justify the adoption of protective measures such as the removal of plants, even where there is scientific uncertainty on the subject.

EUROPEAN UNION – herbicide approval: The EU Commission decided to extend the license approval for glyphosate (a chemical found in herbicides used on oilcrops and grains worldwide) by a period of 18 months, starting on 1st July 2016. Originally, the Commission had proposed a 15-year renewal, while the EU Parliament recommended limiting the authorization to 7 years (*see also MPPU June '16*). As the EU member governments failed to reach an agreement, the Commission eventually opted for a limited, 18-month renewal geared towards obtaining additional scientific evidence on the herbicide's safety. Accordingly, the European Chemicals Agency (ECHA) has been requested to conduct a harmonized classification and labelling

process for glyphosate. As the scope of the additional review includes all toxicological effects, routes of exposure and environmental protection aspects, it will look beyond the immediate toxicity of active ingredients. ECHA's is expected to publish and forward its opinion to the EU Commission within the next 18 months. Back in December 2015, the European Food Safety Authority (EFSA) had assessed that glyphosate was unlikely to pose a carcinogenic hazard to humans (*see MPPU Dec. '16*).

EUROPEAN UNION / ARGENTINA – biodiesel trade: The EU and Argentina both appealed the findings of a WTO dispute panel regarding the anti-dumping measures taken by the European Union against biodiesel imports from Argentina (*see MPPU Apr. '16*). With both countries taking issues with specific aspects of the recent ruling, the case will now be reviewed by the WTO's Appellate Body, which has 3 months to issues its report. In general, the Body reviews legal interpretation matters, rather than the dispute panel's factual findings.

FRANCE – palm oil excise tax: France's law makers eventually dropped plans to introduce a surtax on crude palm oil imports destined for use in food products (*see also MPPU Apr. '16*). According to press reports, legal uncertainty around the proposed tax – which concerned only one type of vegetable oil and allowed for exemptions based on vague sustainability criteria – led to the Parliament's decision to withdraw the bill.

INDIA – production support

- **Kharif crops:** The government raised the minimum support prices (MSP) for all 2016/17 Kharif season crops, effective 1st October 2016. Pulses and oilseed crops will enjoy a special bonus reserved for crops characterized by widening domestic supply deficits. For unshelled groundnuts, the new MSP (including the bonus) amounts to INR 42 200 (USD 628) per tonne – up 5 percent from last season. The corresponding values for yellow and black soybean, sunflowerseed, nigerseed and sesamum are, respectively: INR 27 750 (USD 413), up 7 percent; INR 39 500 (USD 588), up 4 percent; INR 38 250 (USD 569), up 5 percent; and INR 50 000 (USD 744), up 6 percent. For comparison, the support prices for pulses, paddy,

maize and cotton have been raised by, respectively, 8 percent, 4 percent, 3 percent, and 1 percent.

- **Copra:** With market prices for copra dropping below INR 50 000 (USD 744) per tonne, on 15th June 2016, the Tamil Nadu state government commenced procuring copra from farmers. The nation-wide support price of INR 59 500 (USD 886) and INR 62 400 (USD 929) per tonne will be applied for, respectively, milling grade and edible quality copra. Procurement operations will last for six months and will be handled by coconut producer cooperatives designated by the state level procurement agencies.

Variable export taxes – palm oil: Indonesia and Malaysia decided to set their tax for crude palm oil exports at, respectively, zero USD per tonne and 6 percent per tonne during July 2016. In the preceding month, the corresponding rates were USD 3 per tonne in Indonesia and 5.5 percent per tonne in Malaysia. Interestingly, while Indonesian officials expected the benchmark price for palm oil to fall in July (thus triggering the suspension of the country's export tax), Malaysian authorities anticipated reference prices to rise (prompting an upward adjustment in the tax).

GMO policies

- **GM soybean varieties – European Union:** Three new GMO soybean varieties, cultivation of which commenced in the United States and Canada, are yet to be approved in the European Union, a regular buyer of soybeans from North America (*see also MPPU June '16*). The European Commission, the body in charge of granting the approvals, explained that it was following the customary precautionary, science-based approach in assessing the new biotech crops. Meanwhile, EU trade groups warned that, in the absence of a final decision, importers could decide to restrict purchases from North America to avoid the risk of cargoes containing traces of unauthorized GM material being rejected at the borders (*see also MPPU June '16*). The trade advised that timely approval – i.e. before concerned crops are harvested and enter trade – will be essential to ensure the viability of food imports and livestock operations in the EU. Reportedly, in the United States, the companies that launched the new varieties are working on measures to prevent GM traits from entering shipments destined to the European market.

- **GMO labelling – United States:** In the state of Vermont, as of 1st July 2016, all GMO presence in food products must be clearly displayed on labels. Similar legislation has been considered in other states but failed to pass. In the meantime, efforts by federal lawmakers to agree on nation-wide labeling rules go on amid concerns that different regulations across state lines could hamper domestic food trade and inflate costs for labelling and distribution (*see also MPPU Apr. '16*). In June 2016, the US Senate reviewed a draft bill that would give food manufacturers the option to either provide on-package labeling of GM ingredients or furnish QR (Quick Response) codes, phone numbers or website addresses where consumers can obtain additional information about GMO ingredients. The draft bill still has to be reviewed by the Lower House. If passed by both chambers of Congress, the national bill could nullify Vermont's law. The country's farm community and food industry criticized past mandatory labelling proposals, arguing that there are no measurable health concerns from GM foods. With up to 80 percent of supermarket foods reported to contain GM ingredients (notably GM soy, maize, rapeseed and sugar beet), mandatory labeling schemes would affect much of the country's food industry. Recently, some food manufacturers committed to voluntarily label their GM products nationwide (*see MPPU Apr. '16*).

Biodiesel policies

- **Australia:** The Government of Queensland State committed AUD 20 million (USD 15.2 mill) in funding to promote the production and use of biofuels. The measure complements the state's 10-year biofuels roadmap, which comprises mandatory transport fuel blending rates of 3 percent and 0.5 percent for, respectively, ethanol and biodiesel starting 1st January 2017.
- **Malaysia:** From July 2016, the rates for mandatory blending of conventional diesel with palm oil-based biodiesel will be raised to 10 percent and 7 percent for, respectively, transportation fuel and industrial uses (*see also MPPU Apr. '16*). The government expects nationwide implementation of the new standards to be completed by August 2016. Reportedly, facilities currently available in the country are adequate to handle the new B10 and B7 fuels. Besides promoting the use of renewable, 'green' sources of energy, the measure is aimed at

stabilizing – via the stimulation of local demand – local crude palm oil prices. The government expects palm oil uptake by biodiesel producers to grow (underpinned by the new, higher blending mandates) from currently 500 thousand tonnes to 709 thousand tonnes per year. Palm oil industry representatives questioned whether the envisaged increase in domestic demand will be sufficient to drain the country's surplus output of crude palm oil. They also warned that the current low mineral oil prices could make biodiesel production uncompetitive.

- **Nepal:** The Government of Nepal formed a committee to examine the possibility of producing biodiesel from jatropha seed. In the country, over 500 thousand hectares of unused land are deemed suitable for jatropha cultivation, and preliminary studies claim that several regions have a high potential for commercial jatropha farming. The government is pursuing biodiesel initiatives with a view to reduce the country's dependence on imported fossil fuels, while reducing carbon emissions. Reportedly, the country still has to put in place the necessary infrastructure for biodiesel production and marketing.
- **Philippines:** In May 2016, the country's Department of Energy issued new specifications for coconut methyl ester (coconut oil-based biodiesel). Allegedly, the revised national standard (which features higher iodine and oxidation stability values, a lower maximum sulfur content, and a cold soak filterability test) raises the bar for quality beyond the globally accepted ASTM biodiesel standard. Compliance with the new standard has become mandatory for all biodiesel produced and sold in the country.
- **Thailand:** In Thailand, where mandatory blending of diesel transportation fuel with 7 percent of palm oil-based biodiesel is in place since 2014, the government has signed MoUs with private energy and logistics companies to use B20 biodiesel (20 percent blends) for their heavy vehicles. THB 115 million (USD 3.3 million) from the country's Energy Conservation Promotion Fund will be made available to subsidize purchases of the alternative fuel by the signatory companies. Moreover, a feasibility study is underway to evaluate the use of B10 biodiesel in military and government transports. Once the necessary assurances will be obtained from car manufacturers, B10 and B20 blends will also become available commercially (*see also MPPU June 2016*).

Sector development measures

- **Angola – oil palm development:** The Government of Angola earmarked five of the country's provinces for the promotion of oil palm cultivation, informing that a number of detailed investment proposals are already under consideration. Once an important producer and exporter of palm oil, the country still can avail of specialized palm research stations, government officials said. Furthermore, Angola is cooperating with research institutions in the Philippines, Malaysia and Indonesia, and there are plans to swap genetic material with these countries to improve Angola's palm stock.
- **India – coconut:** The Coconut Development Board of India informed that it will extend financial assistance to farmers in Tamil Nadu state. The measure is aimed at replacing senile, disease infected and unproductive palms, and rejuvenating existing trees through integrated management practices. Subsidies will amount to INR 1 000 (USD 15) for the cutting/removal of unproductive palms and INR 17 500 (USD 261) per hectare for rejuvenation measures. In addition, 50 percent of seedling costs will be covered.
- **Philippines – typhoon rehabilitation:** The Philippine Coconut Authority expects to complete by 2017 its coconut palm replanting programme in Eastern Visayas, the region most affected by typhoon Haiyan/Yolanda in 2013. To pave the way for the recovery of the local coconut industry, the programme envisaged the replanting of 10 million palms.
- **Philippines – coconut development:** According to local press, the incoming government vowed to release the funds that were collected from coconut producers via a levy during the 1970s (*see also MPPU Jan. '15*). The agencies tasked to manage the funds will have to design a mechanism for redistributing the monies to farmers. Related to this, the government announced plans to implement a large-scale coconut planting programme. Reportedly, the country's Coconut Authority is ready to launch a six-year planting scheme covering 600 000 hectares of new coconut areas across the nation. Under the programme, farmers would enjoy access to coconut seedlings, fertilizers and irrigation equipment through soft loans. In parallel, the introduction of secondary/cash crops would be promoted.

Certified sustainable palm oil

- **Supply chain traceability:** RSPO, the industry-led standard setting body for palm oil, has launched a new traceability system (eTrace) that allows traders, manufacturers and retailers to trace back to mills all palm oil procured through physical trade systems – i.e. RSPO's segregated and mass balance supply chains. Traceability will, however, not apply to palm oil traded via RSPO's 'book&claim' mechanism, which by-passes the physical supply chain and, in 2015, accounted for about half of total sales of RSPO-certified palm oil (*see MPPU Feb.'16*).
- **International trade:** During recent weeks, a number of global trade firms committed to join consumer good companies that decided to cease trading with a palm oil supplier whose sustainability certificates had been suspended by RSPO in March 2016 (*see MPPU June'16*).

Food standards and quality issues

- **Food standards – India:** The Food Safety and Standards Authority of India (FSSAI) issues new manuals on testing methodologies and analyses for various food products, including oils and fats. The revised standards must be applied by all food safety laboratories from June 2016 onward.
- **Adulteration – India:** In India, new cases of vegetable oil adulteration have been reported in June 2016 (*see also MPPU May'15*). A private consumer organization tested samples of loose edible oil collected randomly in open markets in 15 states across the country. Reportedly, adulteration with potentially health threatening substances was found in almost half of the over 1 000 samples. The highest rate of adulteration was found in

coconut oil, followed by cottonseed, sesame, mustard, groundnut, palmolein, soy and sunflower oil. Reportedly, the tests followed both quality and safety parameters as prescribed by FSSAI and were carried out by accredited laboratories.

- **Toxic substances – EU:** The European Food Safety Authority issued a warning concerning three toxic substances in vegetable oil derivatives. The glycerol-based contaminants form during food processing, in particular, when vegetable oils are refined at high temperatures. The discovery raises potential health concerns for average consumers (of vegetable oils, margarines and processed foods such as pastries and cakes) in all young age groups, and for high consumers in all age groups, informed the agency. EU food safety regulators have been invited to use EFSA's scientific advice to consider how to manage the potential risks for consumers from exposure to these substances in food.

Futures markets: Chicago-based commodity exchange CME formed a partnership with Bursa Malaysia Derivatives and Thomson Reuters to extend its agricultural products by adding four new palm oil contracts – Malaysian crude palm oil and palm olein calendar futures, Malaysian crude palm oil average price options, and Bursa Malaysia crude palm oil-gasoil spread futures. The move is meant to offer customers increased flexibility and efficiency in managing exposure to price volatility in palm oil markets.

*For comments or queries
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Errata corrige: On page 3 of MPPU no. 83 (June 2016), under the item 'India – copra procurement', the procurement price of copra was erroneously reported at INR 5 950 (USD 89) per tonne; the correct value is INR 59 500 (USD 886) per tonne.

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	International Prices (US\$ per tonne) ¹					FAO Indices (2002-2004=100) ⁷		
	Soybeans²	Soybean oil³	Palm Oil⁴	Soybean Cake⁵	Rapeseed Meal⁶	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
2013/14	521	949	867	534	324	194	189	253
2014/15	407	777	658	406	270	155	153	194
Monthly								
2015 - January	421	789	681	431	279	159	156	206
2015 - February	407	775	693	412	273	154	157	197
2015 - March	402	748	673	392	262	152	152	188
2015 - April	396	753	657	380	263	151	150	183
2015 - May	385	781	663	371	290	148	154	180
2015 - June	397	800	670	372	282	152	156	180
2015 - July	413	746	635	389	264	157	148	186
2015 - August	375	729	544	371	270	144	135	179
2015 - September	367	725	533	362	256	142	134	174
2015 - October	377	743	581	351	255	146	143	170
2015 - November	367	726	561	328	232	142	138	159
2015 - December	372	757	568	317	215	144	142	153
2016 - January	368	722	564	316	217	142	139	152
2016 - February	370	762	639	303	203	142	150	146
2016 - March	379	761	694	301	219	145	160	145
2016 - April	398	797	723	339	242	152	166	163
2016 - May	425	790	708	406	261	160	163	193
2016 - June	455	797	681	430	259	169	162	204
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 meal (44/45% Hamburg fob ex-mill) ⁶ Rapeseed meal (34%, Hamburg, f.o.b. ex-mill) ⁷ The FAO indices are calculated using the Laspeyres formula; the weights used are the average export values of each commodity for the 2002-2004 period. The indices are based on the international prices of five selected seeds, ten selected vegetable oils and five selected cakes and meals. <i>Sources:</i> FAO and Oil World								