



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

*No. 99, October 2017*

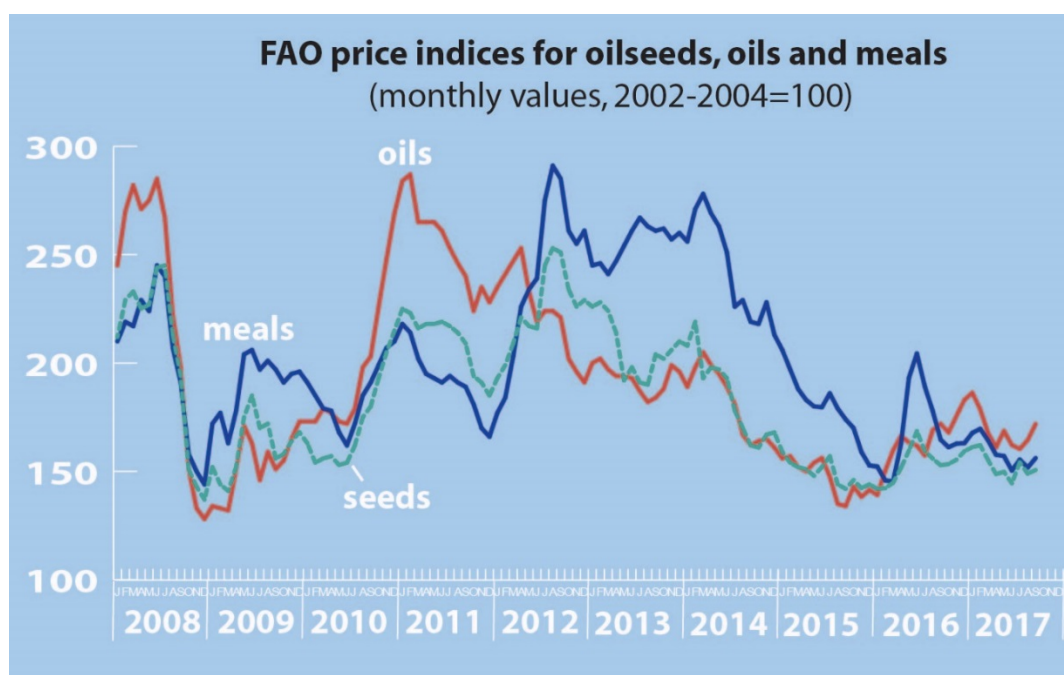
### a) Global price review

In September, all three FAO price indices trailing the oilseed complex shifted upward. The indices for oilseeds and oilmeals, which fell in the month of August, rose by respectively 1.7 and 4.4 points, or about 1 and 3 percent. The vegetable oil price index recorded an increase of 7.4 points (or 4.5 percent), rising for the second month in succession and marking a 7-month high. Compared to last year, the oilseeds and oilmeal indices fared somewhat below the values recorded in September 2016, whereas the vegetable oil index matched the level observed 12 months ago.

The upward turn in the oilseed and oilmeal indices primarily reflects developments in the international soybean market. Quotations for soybeans, and even more so soymeal,

strengthened mainly on concerns about unfavourable sowing conditions in South America, where plantings risk to be delayed because of pronounced dryness in Brazil and excessive rains in Argentina. Continued strong import demand for soybeans, in particular by China, also supported world prices. On the other hand, price gains were capped by further upward revisions – based on higher yield estimates – in the official soybean production forecast for the United States. Regarding other oilcrops, international quotations for rapeseed rose for the third consecutive month, primarily reflecting deteriorated production prospects in Australia and Ukraine, which amplified prevailing concerns about tight global availabilities during the 2017/18 season.

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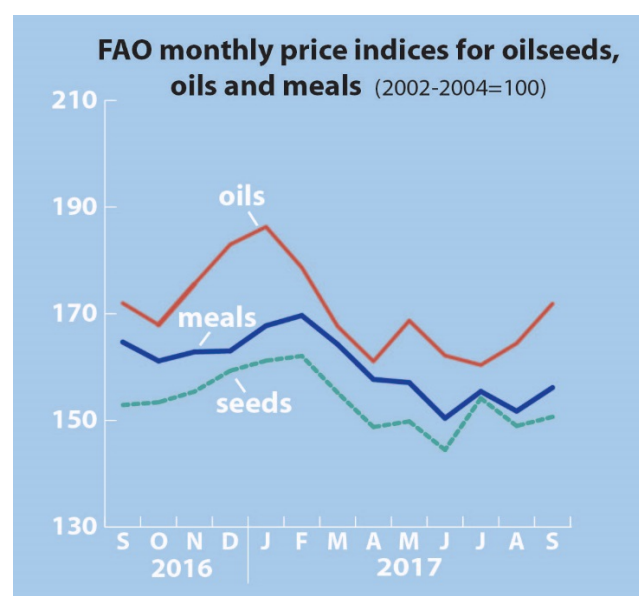


\* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market events selected from a variety of official and unofficial sources. Section b) of the present issue covers developments observed during **September 2017**. 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

Last month's appreciation in the vegetable oil price index was mainly driven by palm oil, whose international quotations rose for a third consecutive month, marking a 4-month high. The protracted strength in palm oil values stems from lower-than-anticipated output in Southeast Asia, where production continues to be affected by unstable weather conditions and, in the case of Malaysia, protracted shortages in labour force, which threaten to keep yield levels below potential. The firmness in prices also reflects robust global import demand arising from relatively low inventory levels in several importing countries, notably India and China. Spill-over strength from the soybean complex also contributed to the appreciation in palm oil values. As to the other oils, soyoil quotations firmed under the influence of higher soybean values and in response to on-going changes in the biodiesel policies of the United States and the European Union, which could affect the overall trade and consumption pattern of biodiesel and their

feedstock, including soybean oil. Firmer rapeseed oil values, which mirror the price path of rapeseed, also contributed to the rise in the index. Moreover, the vegetable oil sector has been subject to spill-over effects from the global mineral oil market, where prices appreciated steadily over the last few weeks.



## b) Selected policy developments and industry news

### AFRICA – trade and tax policies

- Zimbabwe – import policy: According to media reports, the Government of Zimbabwe has lifted a two-and-a-half month old ban on soybean imports, in an effort to ensure adequate supplies of cooking oil in the country
- Malawi – VAT policy: In Malawi, vegetable and animal oils/fats and their derived products have been exempted from paying value added tax, effective 1 July 2017. As a result, refined vegetable oils will no longer attract VAT at 16.5 percent. Aimed at protecting domestic refiners from the inflow of cooking oils that do not undergo value addition locally, the measure is expected to help the indigenous edible oil industry grow and domestic oilseed production expand. Reportedly, analogous measures are in place in Zimbabwe, the United Republic of Tanzania, Mozambique and South Africa, while, in Zambia, the edible oil industry

repeatedly called on the local government to implement a similar policy (*see also MPPU Aug. '13*).

**BRAZIL – biodiesel policy**: According to government sources, mandatory blending of biodiesel into regular transport diesel will be raised from 8 percent to 10 percent towards the end of the current year – i.e. more than one year earlier than originally planned (*see MPPU Apr. '16*). Officials from Brazil's Mines and Energy Ministry expect the National Energy Policy Council to approve the shift to the higher blending mandate by December 2017, in line with efforts to lift the country's biofuel output, reduce imports of mineral oil products, and meet national GHG reduction commitments. Moreover, the Government is expected to announce details about 'RenovaBio', a package of incentives and regulatory measures aimed at (i) raising domestic biofuel production and consumption, (ii) attracting investments, and (iii) fostering competition within the sector.

**CANADA – health policy:** Following up on a proposal issued last year (*see MPPU Dec. '16*), the Government of Canada is now set to permanently ban partially hydrogenated oils – the main source of industrially produced trans fatty acids (or *trans fats*). The ban will apply to all foods sold in the country, including imported products and foods prepared and served in restaurants. By reducing trans fats in the food supply chain to the lowest level possible, the Government intends to reduce Canadians' risk of heart diseases. In order to allow the food industry sufficient time to find suitable alternatives, the ban will only come into force in September 2018. Hydrogenated vegetable oils are widely used in the production of pastries, baked goods and packaged goods to extend shelf life. Canada's ban is consistent with global efforts to eliminate artificial trans fats in foods, including those taken in the United States (*see MPPU July '15*).

**CHINA – food import regulations:**

China's Food Standards Agency granted a two-year transitional period – until 30 September 2019 – for the implementation of food import regulations that were announced back in April 2016 (*see MPPU June '16*). The new regulations require importers of certain products – including bulk vegetable oil – to review relevant health certificates and conduct on-site inspections of foreign establishments from which products are sourced. The transitional period has been accorded to allow importers/exporters sufficient time to comply with the new requirement.

**CHINA – farmer support payments:**

According to private sources, the subsidy granted to soybean producers in Heilongjiang Province (China's top soybean growing region) has been set at CNY 118.58 per mu (USD 268 per ha) for the 2016/17 season, i.e. for the crop harvested in the fall of last year. The payment, which is part of the target price subsidy programme that was operated on a pilot basis from 2014 to 2016 (*see MPPU Nov. '16 & June '17*), is supposed to reach farmers by 15 September 2017. For comparison, in 2015/16, the subsidy amounted to CNY 150 per mu (USD 339 per hectare). From 2017/18, the target price system will be discontinued and producer payments will be de-coupled from market prices (*see also MPPU July '17*). Two types of producers will be eligible to receive payments: (i) farmers who rotate

maize with other crops – primarily soybeans, but also tubers and minor grains, beans and other oilseeds; and (ii) farmers that keep land idle to rehabilitate degraded farmland and conserve moisture in marginal agricultural areas. Support payments are meant to ensure that farmer incomes will not suffer from idling land or rotating crops that earn lower returns. Reportedly, the compensation for idling land that could bear two crops a year will amount to CNY 800 per mu, whereas CNY 500 per mu will be granted for single-season fallow (respectively USD 1 810 and 1 132 per ha). Details on subsidy levels for crop rotation are not yet available.

**CHINA – soybean auctions:** Sales of soybeans from state reserves were resumed in September 2017. Reportedly, out of 300 000 tonnes offered, about 215 500 tonnes have been sold, achieving an average price of CNY 3 140 per tonne (USD 474). The soybeans on offer were from old crops (2013 and older), given that, in 2014, the Government changed its agricultural support policies, discontinuing soybean procurement operations.

**EUROPEAN UNION – biodiesel anti-dumping**

**duties:** Following consultations with Member States, the European Commission decided to reduce the bloc's custom duties on biodiesel imports from Argentina, effective 19 September 2017 (*see also MPPU Sep. '17*). To conform with a recent WTO ruling, the EU lowered its anti-dumping duties to between 4.5 percent and 8.1 percent – as against the 22–25.7 percent range in place since May 2013. The EU's decision has come at a time when the United States chose to implement its own measures to restrict biodiesel imports from Argentina (*see MPPU Sep. '17*). Accordingly, Argentina's export-oriented biodiesel industry welcomed the possibility to resume shipments to the EU market. By contrast, farmer organizations and biodiesel producers in the EU (where biodiesel is mostly produced from locally grown rapeseed crops) criticized the reduction in tariffs and threatened to appeal against the European Commission's decision. Meanwhile, the EU's anti-dumping tariffs on Indonesian biodiesel, which were also introduced in 2013, will remain in place, considering that they are subject of a still pending, separate case at the WTO (*see MPPU Nov. '16*).

## INDIA – agricultural policies

- **Coconut production support:** The Government of Kerala (the country's second largest coconut growing state) urged the central government Commission for Agricultural Costs and Prices to raise the minimum support price (MSP) of copra from INR 67 700 per tonne to INR 97 250 per tonne (respectively USD 1 035 and 1 487). Reportedly, the Agricultural Department is also considering to introduce a MSP for raw coconut amounting to INR 29 500 per tonne (USD 451). Currently, there is no MSP for the procurement of raw coconut.
- **Market regulation:** In Gujarat state, public procurement of groundnuts is scheduled to begin on 25 October, government officials informed. Local coconut producer cooperatives (designated by the state-level procurement agencies) will be in charge of the operations. Reportedly, unshelled groundnut will be procured at a rate of INR 45 000 per tonne, as against the prevailing market price of INR 31 250 per tonne (respectively USD 688 and 478). Similarly, in Rajasthan state, public procurement of soybeans and groundnuts commenced in October. Reportedly, 29 procurement centers are operational for groundnuts and another 25 for soybeans. To facilitate operations, farmers can submit applications online and payments will be made directly into their account, Government officials informed. The support prices for soybeans and unshelled groundnuts will be, respectively, INR 30 500 and INR 44 500 per tonne (respectively, USD 466 and 680).

**INDIA – GMO policy:** Indian ministry officials informed that the Government's final decision with respect to the commercial release of GM oilseeds – notably of a locally developed mustardseed variety – remained pending (*see also MPPU Sep. '16*). Reportedly, the Government requires more time to examine various expert studies, including (i) new information submitted by GEAC, the ministerial Genetic Engineering Appraisal Committee, and (ii) a report prepared by a parliamentary committee, which flagged alleged gaps in the Government's evaluation process. In the meantime, a note released by India's National Academy of Agricultural Sciences underlined the importance of GM oilseed varieties for production and farm income growth in the country.

## MALAYSIA – mandatory palm oil certification:

Regarding the government's pledge to support palm oil producers in conforming to the national standard for sustainable palm oil (*see MPPU Sep. '17*), ministry officials informed that audit costs will be subsidized at the following rates:

- 100 percent for small oil palm growers, i.e. organized or independent smallholders cultivating less than 40.46 hectares;
- 70 percent for estates with planted area between 40.5 and 1 000 hectares; and
- 30 percent for estates above 1 001 hectares as well as processing facilities (including mills, refineries and crushers).

## SRI LANKA – market regulation:

To check recent surges in domestic prices, coconut stocks owned by Sri Lanka's State Plantation Corporation will be released into the market at a price of LKR 60 per nut (USD 0.39), the country's Coconut Cultivation Board informed. Reportedly, also freshly procured coconuts will be distributed. According to a market survey, in September, the price for a single coconut climbed to LKR 100 (USD 0.65).

## UNITED ARAB EMIRATES – biofuel policy:

The Emirates National Oil Company (ENOC) announced the launch of a biodiesel blend destined for the country's commercial and industrial segment. The fuel, which contains 5 percent biodiesel produced from vegetable oil, used cooking oil or animal fat, is expected to help reduce the country's GHG emissions. The measure is in line with the government's Energy Plan leading up to the year 2050, which calls for an energy mix combining renewable, nuclear and clean energy sources. Reportedly, the new blend is suitable for use in new and existing trucks as well as heavy construction equipment, without need to upgrade engines and fuel storage facilities.

## UNITED KINGDOM – biofuels policy:

The U.K. Government published its long-term strategy for increasing the supply and sustainability of renewable transport fuels in the country. The new policy package is aimed at lowering the GHG intensity of transport fuels, while providing a stable policy environment for investments into renewable



low carbon fuels. From April 2018, the share of renewable fuels in total fuel consumption will be lifted to 7.25 percent, further increasing to 9.75 percent in 2020 and 12.4 percent in 2032. The contribution crop-based biofuels can make towards the above obligations will be lowered to 4 percent in 2020, steadily declining to 2 percent in 2032 – a provision that is expected to place a significant demand on waste biofuel feedstock, in particular used cooking oil. Furthermore, a sub-target (as well as special financial incentives) will be introduced for so-called ‘development fuels’, i.e. high-blend fuels suitable for meeting the long-term goal of decarbonizing the heavy goods vehicle and aviation sectors. Industry representatives claimed that the cap on crop-based fuels was too stringent and unnecessarily limited the market for biofuels with proven GHG reduction potential. Concerns were also expressed that the new policy reduces the U.K.’s competitiveness vis-à-vis other EU member states, where higher caps for crop-based fuels will be in place (*see MPPU Dec. ’16*).

#### **UNITED STATES – biofuel policy:**

The U.S. Environmental Protection Agency (EPA) is considering to reduce the mandatory renewable fuel consumption targets for 2018 and 2019 that it proposed earlier this year (*see MPPU Aug. ’17*) and is seeking public comments in this regard. Reportedly, EPA decided to revisit its original proposal as new data on production, imports and costs of biodiesel have become available. Allegedly, the price of biodiesel to blenders as well as the price of biodiesel blends to consumers has increased following the expiration of the biodiesel tax credit in December 2016 (*see also MPPU June ’17*). Moreover, prices may continue to rise as a result of the recent preliminary determination of countervailing duties on imports of biodiesel from Argentina and Indonesia (*see MPPU Sep. ’17*), said EPA. Therefore, the agency is concerned that the originally proposed targets may lead to inadequate domestic supplies of biofuel to consumers, and is hence evaluating the possibility of setting lower targets. The domestic biodiesel industry questioned EPA’s rationale, stressing that the country’s biodiesel production capacity was sufficient to meet the original targets. Recently, the American Soybean Association even urged the agency to raise the target for biomass-based diesel, arguing that

biodiesel production creates a value-added market for the country’s abundant soybean oil supplies and that the country’s growing soybean production could support higher demand for biodiesel without leading to price increases.

#### **Variable palm oil export tax – Indonesia,**

**Malaysia:** In October 2017, Indonesia’s sliding export tax on crude palm oil will stay at zero (for the sixth consecutive month), as the commodity’s reference price remained below the threshold that triggers taxation. In Malaysia, the variable tax for October will be raised to 6 percent (up from 5.5 percent in the previous month), reflecting an increase in the relevant benchmark price.

#### **Bilateral cooperation & trade**

- Canada / European Union – all-inclusive trade agreement: The Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada has entered into force provisionally on 21 September 2017. Concerning oilseeds, the agreement’s implementation entails the elimination – from day one – of the EU’s tariffs on Canadian rapeseed oil imports (*see MPPU Dec. ’16*). CETA’s full and definitive application remains contingent upon ratification by all EU Member State parliaments.
- China / Ukraine – sunflowerseed cake: The standard setting bodies of China and Ukraine agreed on a sanitary and biosafety protocol that will govern future exports of Ukrainian sunflowerseed cake to China.
- Indonesia / Uzbekistan – coconut, soybean, palm oil: Indonesia and Uzbekistan agreed to enhance bilateral cooperation in agriculture and fisheries. With regard to oilcrops, Indonesia views Uzbekistan as a potential export market for palm oil and coconut, while Uzbekistan is interested in Indonesia’s experience in soybean cultivation.
- Philippines / Malaysia – oil palm: Government officials of the two countries discussed the possibility of setting up joint ventures for oil palm plantations in the Philippines to cater to the country’s rising demand for vegetable oil for both food and industrial uses. Reportedly, in the long term, the joint development of up to 80 000 hectares of oil palm plantations would be considered.

## Pesticide regulation

- Canada – matador: Citing safety concerns, Canada's health authorities proposed a complete phase-out of an insecticide known by the commercial name 'matador'. The pesticide, which is widely used in rapeseed cultivation, controls pests such as flea beetles, cutworms, bertha armyworms and diamondback moths. Farmers have been invited to share their comments about the envisaged measure with Canada's Pest Management Regulatory Agency. According to industry representatives, the proposed ban would greatly harm rapeseed growers and the industry as a whole. Observers also pointed out that Canada ought to align its regulations with other countries such as the United States, due to the large amount of rapeseeds that is exported.

- European Union – glyphosate: The European Commission informed that the Member States vote on whether or not to extend the license for glyphosate-based herbicides has been postponed to later this year, adding that a qualified majority will be needed for the proposed 10-year renewal to go ahead (*see also MPPU Apr. & June '17*). The 18-month approval granted in 2016 is due to expire in December 2017. The Commission's proposal for a 10-year-extension (instead of the customary 15 years) includes a number of specific provisions that Member States would need to follow when considering applications for glyphosate-based products. Meanwhile, one Member State proposed to consider phasing out glyphosate over a five- or seven-year period. In general, the debate about human health risks associated with the chemical's use remains controversial, in both Europe and elsewhere. In Canada and the United States, recent reviews conducted by regulatory authorities claim that such risks are not significant (*see MPPU Nov. '16 & June '17*). At the international level, there is also the need to align regulations between trade partners in order to prevent diverging rules from causing trade disruptions.

- United States – dicamba: Allegedly, in the United States, more than one million hectares of soybeans and other crops vulnerable to the herbicide dicamba (i.e. varieties that were not engineered to resist dicamba) have been damaged this year as a result of sprayings on neighbouring fields. Experts have linked the damage to the herbicide's tendency to vaporize and drift across fields, triggering

temporary bans of the controversial herbicide in Arkansas and Missouri. Nation-wide use of the chemical had been approved in November last year by the U.S. Environmental Protection Agency (EPA) – for a limited period of two years and provided that special safety measures were applied (*see MPPU Dec. '16*). Now, to address the problems encountered and ensure vulnerable plants are adequately protected, EPA is evaluating the following remedial actions: (i) introducing tighter restrictions on when and how to spray dicamba; (ii) requiring enhanced training for users of the herbicide; and (iii) reclassifying the product to prevent the general public from buying it. If implemented, such restrictions could affect farmers' seed purchases: soybean growers might stay away from buying dicamba-resistant varieties – which, this year, accounted for almost one-fourth of the United States' total soybean area.

## Sector development measures

- Ghana – palm oil: As part of a newly launched programme that offers free education at senior high school level, the Ghanaian Government contracted the country's association of small-scale palm oil producers to supply palm oil (for cooking oil use) to concerned schools nationwide. Reportedly, farmers are preparing to expand oil palm cultivation to meet the anticipated increase in palm oil demand.

- India – coconut (1): India's Coconut Development Board announced that it will support 30 projects with an aggregate value of INR 313.4 million (USD 4.8 million). The board's own financial contribution will amount to INR 63.9 million (USD 0.98 million). The approved projects will be implemented in five different states and comprise 8 research projects and 22 projects on processing and product diversification.

- India – coconut (2): The Government of Kerala announced a 10-year plan to support the development of the state's problem-stricken coconut sector. Growing farming costs, low productivity levels and stagnating incomes have been identified as main difficulties afflicting the sector. Complementing Kerala's efforts, the Federal Government is planning to set up a committee to coordinate coconut related activities of central and state-level agencies, including the Agriculture Department, Kerala Agricultural University, the

Central Plantation Crops Research Institute, the Coconut Development Board and *Kerafed* (the apex co-operative federation of coconut farmers in Kerala and India's largest producer of coconut oil).

- **Philippines – coconut:** The Government of the Philippines has allocated PHP 1.4 billion (USD 27.2 million) to the country's Coconut Authority for the year 2018, matching the current year's level. According to the agency, the bulk of the resources will be used for replanting coconut trees nationwide. Projects on fertilization, R&D and diversification into high-value coconut products will also be supported. With regard to plantings, the agency's target is to support the planting of at least 10 million palms in 2017, 15 million palms in 2018, and 20 million palms yearly starting in 2019.

- **Sri Lanka – coconut:** The Government of Sri Lanka set aside LKR 200 million (USD 1.3 million) for the development of coconut production in the country's Northern and Eastern provinces. Public interventions will concentrate on: (i) identifying suitable land; (ii) the establishment of nurseries and distribution of plantlings; (iii) setting up model coconut gardens; and (iv) infrastructure development.

- **Russian Federation – fish products:** As part of its newly issued long-term development strategy for the country's fishing industry, the Government of the Russian Federation intends to raise domestic production of fishmeal, fishoil and fish feed from pelagic species, with a view to support growth in the nation's aquaculture industry.

- **Zambia – palm oil:** According to press reports, the Zambian Government has provided equity finance to a local palm oil venture in a bid to help reduce the country's dependence on imports of crude palm oil and cooking oils. Reportedly, the public-private partnership will focus on the development of oil palm plantations, including out-grower schemes for local farmers and the establishment of a palm oil mill. By supporting the production and processing of crude palm oil, the project – once it reaches full capacity – is expected to help substitute 70 000 tonnes of cooking oil imported into Zambia.

## Research & Development

- **Ghana – groundnut variety:** Ghana's Crop Research Institute has released a new aflatoxin-resistant groundnut variety – an achievement that

could lead to a revival of Ghana's groundnut exports, according to the institute's scientists. In general, high levels of aflatoxin contamination constitute a major challenge for groundnut producers across Africa and Asia, as they bar their products from entering international markets.

- **India – mustardseed cultivation:** Reportedly, 'System Root Intensification' (SRI), a cultivation method popular in rice farming, has been successfully tested on mustardseed and other species of the brassica family in five states in India. Allegedly, the technique, which involves planting of saplings instead of sowing seeds, allows to significantly increase yields. The method entails: (i) transplanting 8–15 days old saplings at relatively larger distance; (ii) preferring natural compost to synthetic fertilizer; (iii) early and regular weeding; and (iv) careful water management. The labour intensive method is said to be suitable for farmers with small land holdings and spare labour force. Farmers are advised to use conventional (non-GM) long-duration varieties developed by the Indian Agricultural Research Institute.

- **Soybean-oil uses:** Global rubber and tire company *Goodyear* has developed a technology that allows substituting soybean oil for petroleum-based oils in the production of rubber compounds for tires. The company regards soybean oil as a naturally derived, cost-effective, carbon-neutral and renewable raw material. Reportedly, the incorporation of soybean oil allows to the performance of tires, raise manufacturing efficiency, and reduce energy consumption. The new technology has been developed with support from the U.S. United Soybean Board (a federal programme that collects funds from soybean growers and channels them into promotion and research activities of general interest).

- **Camelina oil yield:** The U.S. Department of Energy has approved a USD 10 million grant to explore ways to raise the oil content of camelina seed using genetic sequencing and modification techniques. The project will be led by Michigan State University. High oil-yielding varieties are expected to attract the interest of U.S. farmers, as camelina can be grown on agriculturally marginal lands, requires limited fertilizer and water, and offers good resistance to pest and disease. Camelina oil has been successfully blended into civil and military aviation fuel. Furthermore,

the oil is used as a feed ingredient in aquaculture and lends itself for a variety of pharmaceutical, cosmetic and industrial uses (*see also MPPU June'17*).

### Industry initiatives

- Australia – olive oil: Australia's olive oil industry is exploring a provenance-branding initiative to better market the country's diverse extra virgin olive oils. Currently, Australia's olive oil market is dominated by high-volume blended oils imported from Europe. Reportedly, 85 percent of Australia's extra virgin olive production come from olives grown in a single grove. Considering that location can impact an oil's flavour and chemical profile, the new initiative is aimed at setting up an appellation system, which would (i) enable consumers to associate an oil with a specific region and grower, and (ii) allow producers to achieve better prices.
- China – overseas acquisitions: A privately owned Chinese company announced plans to acquire more agri-business firms in Brazil, after it completed the acquisition of two such firms last year. Reportedly, last year's takeovers allowed the Chinese company to secure a combined seven-million-tonnes output of Brazilian soybean and maize, a figure the company intends to raise to 10 million in 2018 and, possibly, 30 million in the following years. In parallel with comparable acquisitions made by Chinese state-owned firms in recent years (*see MPPU Nov.'14 & Feb'16*), these investments are aimed at raising the country's presence in international grain and oilseeds markets at a time when China's dependence on imports to meet domestic demand has climbed to unprecedented levels.
- United States – GMO labelling: The U.S. Grocery Manufacturers Association (GMA) responded to USDA's call for public comments on the GMO labelling legislation that was signed into law last year (*see MPPU Aug.'16*). The association recommended that the new law be also applied to highly refined oils and sweeteners derived from GM-crops – even if GM material is not always detectable via analytical tests in refined products. According to GMA, given that the bulk of US maize, soy and sugarbeet crops are genetically modified, the named ingredients should

be routinely labelled. Asserting that the new labelling requirements should be considered as a marketing standard rather than a food safety standard, GMA explained that its recommendation stemmed from the industry's commitment to transparency. Furthermore, GMA invited USDA to apply the presumption that any food derived from crops that are overwhelmingly bioengineered in the country where they are grown is a GM food – unless a manufacturer can prove otherwise. Such measures would greatly simplify compliance with the new standard, the association said.

### Palm oil – sustainable production & consumption

- Sustainable production/trade – India: The international NGO *Solidaridad Network*, in association with India's Solvent Extractors' Association (the country's national vegetable oil production and trade association) has launched the 'Indian Palm Oil Sustainability' framework, IPOS. Reportedly, the initiative is backed by the Indian Government and enjoys the support of the Indian Institute of Oil Palm Research (IIOPR). The project's objective is to stimulate domestic production of and trade in sustainable palm oil. Developed in consultation with key stakeholders across the country, the IPOS framework consists of a set of environmental and social standards applicable to Indian conditions. IPOS will be tasked to: (i) promote the adoption of sustainable practices across the supply chain; (ii) assist stakeholders in achieving compliance with applicable national/international regulations and voluntary codes; and (iii) foster harmonization with other related initiatives in Asia. The programme will be governed by a multi-stakeholder national platform.
- Responsible sourcing – Malaysia, Singapore: While many palm oil buyers are aware of the importance of using sustainably produced palm oil, only a few businesses are engaged in helping to reduce deforestation and other adverse practices found in oil palm, claimed the *World Wildlife Fund (WWF)*. According to a survey of palm oil-buying food and restaurant chains conducted by WWF in Malaysia and Singapore, the majority of surveyed companies were not transparent about their palm oil use, and several businesses had taken no action to support the use of sustainable palm oil – such as buying produce certified by RSPO (the Roundtable



on Sustainable Palm Oil). At the same time, a number of companies went beyond the RSPO criteria, committing to eliminate the destruction of any kind of forest from their supply chains. Reportedly, companies cited the cost of sourcing certified palm oil as well as a lack of consumer awareness and demand for certified produce as reasons for not buying certified palm oil. WWF also reported that non-disclosure and lack of action seems to be higher at the regional level than among global brands. WWF is conducting buyers' surveys since 2009, with the objective of encouraging companies to move gradually towards more responsible sourcing practices (*see MPPU Dec.'09*).

- Responsible sourcing – India:

The WWF released a report that highlights the critical role Indian companies could play in promoting sustainable production practices in oil palm growing countries. India is the world's largest consumer of palm oil, with virtually all of it imported from Southeast Asia. While awareness levels on sustainability issues is rising, the Indian industry's uptake of certified sustainable palm oil remains limited, according to WWF's report. The organization recommends a set of approaches to promote responsible sourcing, drawing on constructive industry engagement. Proposed solutions include: (i) systematic screening of palm oil suppliers; (ii) fostering industry collaboration through an industry forum across the value chain; (iii) tariff-based policy measures; (iv) promoting sustainability frameworks such as RSPO; and (v) calling for deforestation-free portfolios by lending institutions.

- Responsible sourcing – company news:

According to the latest sustainability report published by food and drinks company *PepsiCo*, the global business firm doubled the volume of its

palm oil that is sustainably sourced from 8 percent in 2015 to 16 percent last year – which, however, compares to a target of delivering 100 percent sustainably sourced palm oil by 2020. The company also conceded that none of its responsibly sourced raw materials have been verified as sustainable by a third party – despite the company's target of securing 100 per cent third-party verification by 2020.

- Company-initiated peatland restoration:

According to media reports, a large oil palm company stated that it would endeavor to rehabilitate peatland it recently developed in Indonesia to plant oil palm. The extent of the area concerned was not disclosed. So far, the firm permanently discontinued land development work in the concerned concessions and amended its corporate sustainability policy by banning all peatland development irrespective of when the lands were acquired. Social society groups welcomed the initiative and encouraged the company to draw up and implement a time-bound action plan to deliver on its commitment. (*See also MPPU Feb.'16 on public peatland restoration efforts in Indonesia*)

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	<b>International Prices (US\$ per tonne) <sup>1</sup></b>					<b>FAO Indices (2002-2004=100) <sup>7</sup></b>		
	<b>Soybeans<sup>2</sup></b>	<b>Soybean oil<sup>3</sup></b>	<b>Palm Oil<sup>4</sup></b>	<b>Soybean Cake<sup>5</sup></b>	<b>Rapeseed Meal<sup>6</sup></b>	<b>Oilseeds</b>	<b>Vegetable oils</b>	<b>Oilcakes/ Meals</b>
<b>Annual (Oct/Sep)</b>								
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
2015/16	396	773	655	351	232	151	155	168
<b>Monthly</b>								
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	679	430	259	169	162	204
2016 - July	429	790	652	400	234	159	157	189
2016 - August	414	812	736	375	228	156	169	178
2016 - September	403	825	755	344	219	153	172	165
2016 - October	404	853	712	340	214	153	168	161
2016 - November	409	875	755	343	218	155	176	163
2016 - December	420	902	783	344	211	159	183	163
2017 - January	425	879	806	355	216	161	186	168
2017 - February	428	838	779	357	241	162	179	170
2017 - March	408	809	735	346	238	155	168	164
2017 - April	389	788	693	331	240	149	161	158
2017 - May	392	827	732	329	239	150	169	157
2017 - June	379	821	681	313	238	144	162	150
2017 - July	409	836	665	326	220	154	160	155
2017 - August	391	854	678	318	216	149	164	152
2017 - September	395	879	729	329	209	151	172	156
<sup>1</sup> Spot prices for nearest forward shipment <sup>2</sup> Soybeans (US, No 2 yellow, c.i.f. Rotterdam) <sup>3</sup> Soybean oil (Dutch, f.o.b. ex-mill) <sup>4</sup> Palm oil (Crude, c.i.f. North West Europe) <sup>5</sup> Soybean meal (44/45% Hamburg fob ex-mill) <sup>6</sup> Rapeseed meal (34%, Hamburg, f.o.b. ex-mill) <sup>7</sup> 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								