Food and Agriculture Organization of the United Nations

OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

No. 104, March 2018

a) Global price review

In February, FAO's price indices for oilseeds and oilmeals rose by, respectively, 4.1 and 18.2 points (or 2.7 and 10.6 percent). Even though the oilseed index climbed to a 12-month high, its value remained just below the level observed in the corresponding month of last year. The oilmeal index, by contrast, fared well above the level recorded one year ago, marking a 20-month high. On the other hand, FAO's price index for vegetable oils posted a month-on-month drop of 5.1 points (or 3.1 percent), denoting a 19-month low.

The month-on-month rise in FAO's <u>oilseed</u> and <u>oilmeal</u> indices largely reflects developments in the global soy market. International soybean quotations mainly firmed on deteriorating crop prospects in Argentina. In several of the country's key growing regions, the crop (which entered the critical flowering stage) has been severely hit by protracted dry and hot weather. A considerable share of the country's crop has been rated to be in poor conditions, with irreversible damage already reported from some areas. At the same time, in parts of Brazil, heavy rains hampered soybean harvesting and raised concerns about possible pest outbreaks – although, for the country as a whole, forecasts continue to point to a near-record harvest. These uncertainties led to price gains that more than offset underlying downward pressure coming from both, forecast of ample global availabilities in 2017/18, and first, tentative projections for 2018/19 pointing to a further expansion in soy plantings in the United States. Multi-month high sunflowerseed values (stemming from declining global crushing) also contributed to the increase in the oilseed price

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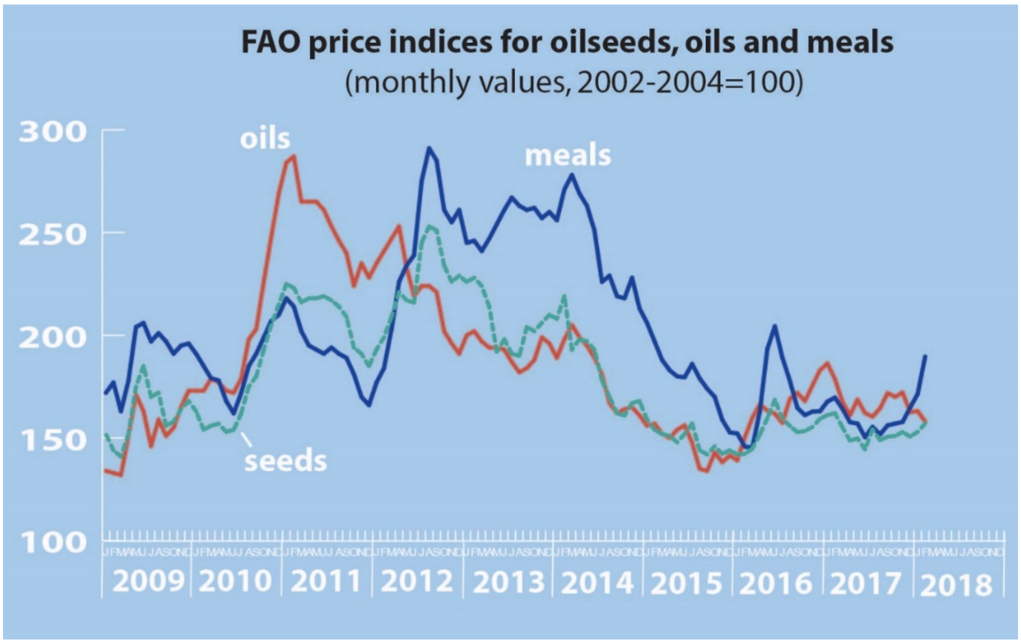
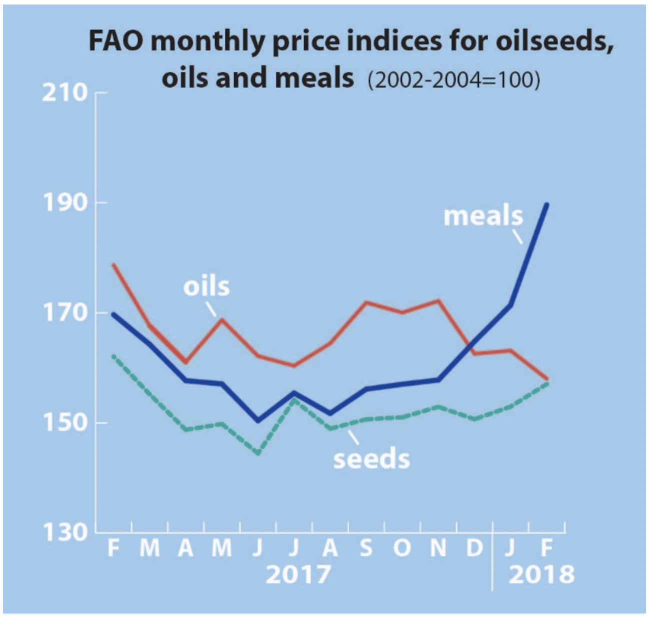


* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market events selected from a variety of official and unofficial sources. Section b) of the present issue covers developments observed during **January** and **February 2018**. 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*

index. Meanwhile, FAO's price index for oilmeals rallied on account of higher soymeal prices. With Argentina being the world's top supplier of the commodity, the deterioration in the country's crop outlook drove international soymeal values up by almost 11 percent (month-on-month).

The drop in FAO's vegetable oil index reflects weaker prices for most vegetable oils amid prospects of a growing global production surplus in 2017/18. International palm oil quotations posted the strongest month-on-month drop, underpinned by slower-than-anticipated import demand and expectations of rising inventories in Malaysia and Indonesia. In the case of Malaysia, export activities slowed down despite the temporary suspension of the country's export tax on palm oil, partly because of a strengthening in Malaysia's currency. News about possible EU measures to restrict the use of palm oil as biodiesel feedstock across member states (on sustainability grounds) also weighed on prices. Interestingly, towards the end of February, palm oil values moved upward again, influenced by the prospect of seasonal production slowdowns across Southeast Asia and signs of improving global import demand. As for the other oils, forecasts of record soy crushing in the US weighed on international soyoil quotations, while sluggish demand (primarily from the biodiesel sector) pressured rapeseed oil prices. Only sunflower oil values firmed, underpinned by reports of production slowdowns in CIS countries.



b) Selected policy developments and industry news

ARGENTINA – export taxation:
In line with pledges made in October 2016 *(see MPPU Nov.'16)*, the Government lowered the country's export tax on soybean by 0.5 percentage points, to 29.5 percent, effective 2 January 2018. For the next two years, the tax will be reduced by a further 0.5 percentage point each month, eventually settling at 18 percent in December 2019. The same half-point-per-month reduction will apply to the export tax on soymeal and soyoil, which was lowered to 26.5 percent in January and will drop to 15 percent over the next two years. Reportedly, the tax cut is part of a number of measures taken over the last two years to increase competitiveness and predictability in the oilcrops sector.

BRAZIL – biofuel policy:
Following recommendations made by Brazil's National Energy Policy Council (CNPE), the Government raised the nationwide mandatory blending rate for biodiesel from 8 percent to 10 percent *(see also MPPU Dec.'17)*. From 1 March 2018, all petroleum diesel is required to include 10 percent of vegetable oil-based diesel. While biodiesel manufacturers can use any

vegetable oil as feedstock, the share of soybean oil in total feedstock uptake remains capped at 80 percent. Furthermore, one-fifth of all feedstock must be sourced from small family farms.
The higher mandate is estimated to raise Brazil's annual biodiesel consumption by almost 30 percent – from 3.8 million to 4.9 million tonnes, according to industry estimates. During 2018, the biofuel industry's uptake of soybean oil is forecast at 3.7 million tonnes, which compares to 2.9 million tonnes in 2017. Accordingly, domestic soybean crush related to biodiesel would rise from 14.5 million to 18.5 million tonnes. Reportedly, for 2019 and beyond, further increases in the country's mandatory blending rate are envisaged, conditional upon positive test results on motor engines. The industry's current blending capacity is reported to be around 7 million tonnes per year, which would be compatible with higher blending rates.

CANADA – health policy: The Canadian Government invited public comments on proposed front-of-package labeling regulations that would be aimed at addressing the increasing prevalence of nutrition-related chronic diseases in the country. Under the proposed rules, consumers would be provided with relevant information as to whether a food exceeds certain thresholds in any of the three nutrients of concern – saturated fat, sodium and sugar. The industry would have until December 2022 to comply with the new labelling regulations.

CHINA – public rapeseed oil reserves:
The last round of rapeseed oil sales from state reserves comprised only four auctions, held between mid-January and early February 2018. In total, some 154 thousand tonnes of rapeseed oil have been offered, virtually all of which found a buyer. Average auction prices ranged from CNY 6 000 to CNY 6 343 per tonne (respectively, USD 947 and 1 001). During the two preceding campaigns, sales from government reserves were considerably higher, amounting to, respectively, 2.3 and 2 million tonnes. The sharp drop in disposals points to a contraction in public stocks, which would go hand in hand with the government's decision to terminate nationwide rapeseed procurement and stockpiling *(see MPPU July'15).*

CHINA – import standards:
On 1 January 2018, stricter standards for imports of raw, unprocessed soybeans from the United States have taken effect *(see MPPU Jan.'18).* Under the new procedure, USDA's Animal and Plant Health Inspection service is expected to notify China when a shipment exceeds 1% of foreign material. All US soy consignments, including those exceeding the threshold, will be allowed to enter the country while the U.S. sets up procedures to meet the new requirement. However, the new rules could entail additional processing at Chinese ports to remove impurities, hence raising total shipment costs. In February, USDA issued guidelines for US growers and exporters on how to reduce weed presence in soybean consignments by adopting a set of strict production and handling practices.

EUROPEAN UNION – biofuel policy:
With regard to the pending reform of the EU's Renewable Energy Directive (RED), the European Parliament voted in favour of a proposal that would freeze production of crop-based biofuels at 2017 levels, while capping their share in total road/rail transport fuels at 7 percent. At the same time, the joint share of "advanced" fuels (defined as fuels with a lower impact on land use), waste-based biofuels, renewable electricity and fuels of non-biological origin should amount to at least 1.5 percent in 2021, rising to 10 percent in 2030. Furthermore, EU lawmakers proposed to remove, by 2021, palm oil-based biodiesel from the list of biofuels that count towards the bloc's renewable fuel targets (while all other vegetable oils could be used as feedstock until 2030). Likely marking the end of the EU's palm-based diesel imports, the latter proposal attracted strong criticism from palm oil producing countries in Southeast Asia. As for the bloc's overall renewable energy targets, the Parliament's proposal envisages that, by 2030, a minimum of 35 percent of total energy consumption comes from renewable sources, while the share of renewables in transport should be at least

12 percent. Moreover, energy efficiency would need to be raised by 35 percent. The final shape of the EU's RED will only emerge after tripartite negotiations have taken place between the Parliament, the Commission and the Council of Ministers *(see also MPPU Dec.'16, June'17 and Jan.'18).*

EUROPEAN UNION – biodiesel import restrictions

- Indonesia anti-dumping duties: In August 2015, the WTO's dispute settlement body set up a panel to examine whether the EU's anti-dumping duties on biodiesel imports from Indonesia – introduced in 2013 for five years – were consistent with the existing international trade agreements *(see MPPU Oct.'15)*. The panel released its ruling in January 2018. Largely upholding claims by Indonesia, the panel found the disputed measure to be inconsistent with WTO law and recommended that the EU bring the measure into conformity with its obligations under the WTO Anti-Dumping Agreement and the GATT 1994. The EU and Indonesia may appeal the panel's findings, in which event the WTO's Appellate Body would have to review the case. The latest ruling follows last year's WTO findings in favour of Argentina, regarding the EU's anti-dumping duties on biodiesel imports from that country. In that instance, the EU agreed to cut its import tariffs, which prompted a resumption in biodiesel imports from Argentina *(see also MPPU Nov.'16 & Oct.'17).*
- Argentina anti-subsidy investigation: The European Commission informed that it launched a new investigation concerning imports of biodiesel originating from Argentina, citing evidence submitted by the EU's biofuel industry that Argentine biodiesel producers benefit from state subsidies, causing injury to EU producers. Allegedly, Argentina's subsidies come in the form of artificially cheap goods and services (notably soybeans), price support for biodiesel, direct transfers and preferential loans, and government revenue forgone or not collected. By comparison, the anti-dumping duties imposed in 2013 were related to Argentina's differential export tax system. The Commission's new investigation has to be concluded by end February 2019, while provisional anti-subsidy duties may be applied from November 2018 onward.

INDIA – import levies and tariffs

- General import levies: The Government modified its general levies charges on all imports as follows: the 2% Education Cess and the 1% Secondary and Higher Education Cess were abolished and replaced with a Social Welfare Surcharge of 10 percent of the basic customs duty charged on imports, including purchases of food and processed food products. The new levy has entered into effect on 2 February 2018.
- Import tariffs – selected vegetable oils: On 2 February 2018, the import tariff for selected crude vegetable oils has been raised from 12.5 percent to 30 percent, while the duty for the corresponding refined oils was increased from 20 percent to 35 percent. The tax rise concerns oil from cottonseed, safflowerseed, linseed, castorseed, sesame seed, palmkernel, coconut, olive, groundnut and maize, i.e. those oils that were excluded from last year's tax hikes *(see MPPU Sep. & Dec.'17).*
- Import tariffs – palm oil: The import duties for crude and refined palm oil – which were raised twice last year – have been increased further, with effect from 1 March 2018. The tariffs for crude and refined palm oil were raised to, respectively, 44 percent and 54 percent (from previously 30 percent and 40 percent) – i.e. the highest level in more than a decade. The third increase in tariffs in less than six month is meant to push up domestic prices of edible oils and back local oilseeds prices, in a bid to stimulate local oilseed production and help curb edible oil imports. India is the world's top importer of palm oil.

INDIA – export incentives: In December 2017, the Government raised the export incentive for soymeal shipments from 5 percent to 7 percent. Under the country's foreign trade policy, selected "high potential" goods benefit from export rewards, payable as a percentage of realized FOB values.

INDIA – agricultural policy

- Support price: The Central Government raised the minimum support prices (MSP) for milling and ball copra to, respectively, INR 75 000 (USD 1 153) and INR s 77 500 (USD 1 191) per tonne – up 15 percent from last year's rates. The new MSP are meant to ensure remunerative prices for coconut farmers and encourage investment in coconut cultivation. India's national farmer and consumer cooperatives would continue to act as central nodal agencies responsible for procurement operations in coconut growing states.
- Oilseeds procurement: In response to price falls below the MSP level, India's cabinet has approved a doubling in the procurement of oilseeds (and pulses) by state governments. More specifically, the amount state agencies are allowed to guarantee for procurement operations has been raised to INR 190 billion (USD 2.9 billion), for a five-year period ending in 2021/22. Procurement operations will continue to be handled by designated cooperatives under the existing Price Support Scheme (PSS), which is implemented at the request of concerned state governments. The move is aimed at protecting farmers from making distress sales immediately after harvest, when market prices tend to plunge. Apart from providing remunerative prices to farmers, India's PPS is also meant to safeguard the interests of consumers, by making products available at reasonable prices and with low costs of intermediation.

INDONESIA – biofuel policy:
To date, government subsidies for mandatory sales of biodiesel (i.e. diesel blends containing 20 percent of palm oil-based biodiesel) have only been made available to the energy sector and for transport fuels sold to the public through state-owned company *Pertamina*, also known as Public Service Obligation (PSO) sales. According to local media reports, the Government is now considering to expand the scope of its biodiesel subsidies to the country's mining industry and to the non-PSO sector, i.e. fuels sold through private sector outlets. The move would be part of ambitious plans to further expand domestic consumption of palm-biodiesel. While, for PSO sales, the Government would continue to fully cover the price gap between conventional diesel and biodiesel, the subsidy for non-PSO distributors could be capped at IDR 4 000 per liter (USD 0.29). Reportedly, the Government is also considering to reinstate biodiesel blends in the country's locomotive sector, where mandatory blending had been suspended last year following cases of engine failure. Based on recent positive performance tests, low-concentration blends (containing up to 5 percent of biodiesel) may be introduced in mid-2018.

INDONESIA – environmental policy
- Peatland restoration: Further to setting up, in 2016, an agency responsible for coordinating the restoration of damaged peatland *(see MPPU Feb.'16)*, in February 2018, the Government channeled USD 21.7 million in state funds to the governors of seven provinces designated as priority intervention areas for field programmes to accelerate peat restoration, a civil society group reported. The provinces concerned are Central, West and South Kalimantan, South Sumatra, Riau, Jambi and Papua. The drainage and subsequent burning of peatland for agriculture and plantations represent a major source of carbon emissions. On a related note, a group of Indonesian researchers has developed a methodology for mapping peatland using remote sensing technologies, combined with established on-the-ground measurements. Reportedly, measuring the extent and depth of peat soils is essential for assessing ecological damage resulting from disturbances. Allegedly, the Indonesian Government intends to use the new methodology in the protection, sustainably management and restoration of peatland areas.
- Plantation permits: Quoting official sources, a civil society group reported that – as a result of the national moratorium on oil palm expansion announced by the Indonesian President in 2016 *(see MPPU June & Aug.'16)* – there are 1.5 million hectares for which the processing of new oil palm concessions has been put on hold.
At the same time, observers pointed out that four new permits for areas comprising high-density forest cover were issued last year in the provinces of Papua and West Papua. According to Government officials, the permits in question had

been approved in principle by the previous administration in 2013–14.

SOUTH KOREA – biofuel policy: Effective January 2018, the Republic of Korea raised the mandatory inclusion rate for biodiesel in transportation diesel from 2.5 percent to 3 percent. The new rate is set to remain in place until end 2020. Domestic biodiesel output is expected to increase accordingly and, with it, the country's imports of palm oil, the primary feedstock for domestic biodiesel production.

SRI LANKA – market regulation:
Confronted with persistently high market prices for coconut, the Government confirmed its plan to temporarily permit the importation of fresh unhusked coconut *(see also MPPU June'17)*. Reportedly, the county's quarantine law has already been revised to enable traders to import coconut kernels. In Sri Lanka, consumer prices surged as domestic coconut output tumbled on the back of prolonged drought and pest attacks.
The release of publicly held coconut stocks *(see MPPU Oct.'17)* barely calmed the market.
As for the government-imposed price of LKR 75 per nut (USD 0.48), the responsible state agency informed that legal action has been taken against traders who sold nuts for more than the controlled price. Meanwhile, the country's coconut growers association voiced its opposition to any type of coconut importation, stating that foreign purchases would damage the local industry and its reputation for high-quality coconut products.

TURKEY – biofuel policy: On 1 January 2018, mandatory blending of transport diesel with 0.5 percent biodiesel has become effective nation-wide. Based on domestic diesel consumption of about 22.3 million tonnes, biodiesel uptake would amount to approximately 115 000 tonnes per year. Reportedly, refiners acquiring biodiesel would be entitled to excise duty exemptions. The country's installed biodiesel production capacity is reported at 235 000 tonnes.

UNITED STATES – biofuel policy

- Tax incentive: The U.S. Congress passed a one-year extension of the USD 1 per gallon tax credit granted to biodiesel blenders, which had expired on 31 December 2016. The retroactive extension to 2017 will trigger a cash transfer of approximately USD 2.6 million to the U.S. biodiesel supply chain, matching last years' biodiesel market of 2.6 million gallons. The U.S. biodiesel industry had sought an extension of the 12-year old subsidy through the current year (2018) and possibly beyond. The industry had also urged lawmakers to convert the blenders credit into a domestic producers credit, in a bid to prevent foreign biodiesel from qualifying for the subsidy *(see MPPU June'17)*.
- Anti-dumping duties:

The U.S. Department of Commerce (DOC) issued its *final* determinations in the *anti-dumping* duty investigations of biodiesel imports from Argentina and Indonesia *(see also MPPU Dec.'17)*. DOC determined that Argentine and Indonesian exporters sold biodiesel in the United States at, respectively, 60–86 percent and 93–277 percent less than fair value. Accordingly, the country's customs offices will be instructed to collect cash deposits from importers based on those final rates. DOC's determination remains subject to a second ruling by the U.S. International Trade Commission (expected on 6 April 2018) on whether U.S. biodiesel producers were injured by dumped imports. According to media reports, Argentina and Indonesia are considering to file cases against DOC at both the WTO and the U.S. Court of International Trade. It is important to note that the above *anti-dumping* duties have come in addition to *final anti-subsidy* (or *countervailing*) duties imposed last year on the same products *(see MPPU Dec.'17)*.
With combined rates of up to 159 percent for Argentine biodiesel and 341 percent for Indonesian produce, imports from the two countries are expected to come to a halt.

- Research grant: The U.S. Department of Energy decided to support research on the development of enhanced sugarcane and elephant grass (*miscanthus fuscus*), in a bid to contribute to efforts to identify alternative feedstock for the production of transport biodiesel and aviation fuel. Reportedly, a team of researchers is working on raising the oil content in the stem of the two crops to 20 percent, using genetic engineering

techniques. Allegedly, if fully successful, the targeted crops would produce up to 15 times more biodiesel per unit of land compared to soybeans.

Variable palm oil export tax – Indonesia, Malaysia: Until end March 2018, Indonesia's sliding export tax on crude palm oil will stay at zero, given that (for the eleventh month in succession) Indonesia's reference price remained below the threshold that triggers taxation. Irrespective of the zero export tax, Indonesia's exports remain subject to a fix levy of USD 50 per tonne *(see MPPU Aug.'15)*. Meanwhile, Malaysia decided to suspend its variable tax for a period of three months, starting 8 January 2018 (although taxation would be reintroduced if domestic palm oil stocks were to drop below 1.6 million tonnes). The tax suspension was implemented in a bid to stimulate international demand, curb domestic stocks and support the price of Malaysian palm oil. The latter has fallen to 16-month lows in December 2017, while inventories climbed to two-year highs. By making Malaysian palm oil more competitive, the tax suspension has prompted a conspicuous rise in the country's shipments since last January, in particular with regard to sales to price sensitive markets such as India and China.

Sector development measures

- China – soyfood and feed industry:
According to media reports, in 2018, soyfood manufacturers and feed producers in China's Jilin Province will benefit from state subsidies aimed at fostering the development of soybean processing and feed production in the country's Northeast. The provision of direct support payments to specialized local industries appears to be in line with China's on-going policy re-orientation away from nationwide crop procurement programmes *(see also MPPU June'16)*. Details on the amount and modalities of the payments are still to be provided. Reportedly, soybean processors holding food production licenses and having an annual capacity of more than 5 000 tonnes would be eligible for the subsidies.
- Egypt – olive oil sector: Egypt signed the Sixth International Agreement on Olive Oil and Table Olives *(see MPPU Feb.'17)*, thereby regaining full membership in the International Olive Council, IOC. According to media reports, under the agreement, Egypt will benefit from financial grants to support domestic olive production, including a new initiative to promote cultivation in the Western Desert. In recent years, the country's partly export-oriented olive oil industry has expanded gradually.
- European Union – protein crops sector:
As a first phase in the formulation of a strategy for promoting protein-rich crops (in particular soybeans) across the EU, the European Commission has sought the views of industry experts and other stakeholders on the sector's state of play. The initiative stems from concerns over the bloc's heavy reliance on soybean imports as well as growing consumer preference for non-GMO food and feed *(see also MPPU July & Aug.'17)*. Among other things, the Commission wishes to assess the effectiveness of policy instruments such as voluntary coupled support, i.e. the possibility of linking direct farmer support payments to the production of protein crops.
- Montenegro – olive oil production:
With assistance from the Turkish development cooperation agency, Montenegro envisages to strengthen domestic olive oil production, in a bid to penetrate world markets more effectively. Under the initiative, local producers will receive training from Turkish experts on new production techniques concerning fertilization, irrigation, pruning and pest control.
- Uzbekistan – oils/fats sector: Local media reported that the Government has issued a road map for the accelerated development of the country's oils and fats industry. The plan provides for the expansion of the industry's resource base and the modernization of equipment used. Specific measures include a one-year exemption from the payment of value added tax for oil/fat manufacturers, beginning in January 2018. Furthermore, the Government would set a fix price for the sale of cottonseed oil to socially vulnerable parts of the population *(see also MPPU Dec.'17)*. Such price would be determined taking into account manufacturers' production and marketing costs.

Edible oil – quality issues: In India, the Government of Kerala State banned 28 brands of edible oil based on probes showing that coconut oil bottled in Tamil Nadu had been adulterated with other, unspecified vegetable oils. Adulteration of coconut oil with cheaper produce is widely practiced in times of scarce coconut oil supplies *(see also MPPU June & July'16)*. To address the problem, Kerala's authorities plan to analyze edible oils systematically. Funds have been earmarked for setting up local laboratories, including mobile food testing units. On a related note, a coconut oil manufacturer in Kerala has launched officially certified coconut oil blends, allegedly guaranteeing both product safety and affordable prices. Reportedly, the blends containing either sunflower oil or palm olein are sold at, respectively, INR 126 and INR 105 per liter (USD 1.94 and 1.61), which compares to prices of over INR 200 (USD 3.07) for unmixed coconut oil.

Preferential trade – Turkey / Serbia: Under a recently signed free trade agreement between Serbia and Turkey, Serbia will enjoy duty free quotas for exports of sunflower seed and crude/refined sunflower oil to Turkey.

National palm oil certification schemes: In Malaysia, as of January 2018, 59 extraction plants and 633 000 hectares of plantations (or 11 percent of the country's total area under oil palm) are certified sustainable according to the country's Malaysian Sustainable Palm Oil (MSPO) scheme. Back in August 2017, no more than 4 percent of the country's total plantation area was MSPO-certified. MSPO certification is set to become mandatory during the course of next year. To facilitate this process, growers and millers undergoing certification are eligible for financial support from the Government *(see MPPU Dec.'17)*. In Indonesia, where ISPO certification (Indonesia Sustainable Palm Oil) is mandatory since 2015, the latest available estimate puts certification at 17 percent of total plantation area. Reportedly, to raise the level of certification, the Government is working on a presidential regulation to strengthen supervision mechanisms and improve coordination between concerned government agencies.

RSPO news

- Production and sales data:
RSPO (Roundtable on Sustainable Palm Oil), the globally recognized, self-regulating industry body for world-wide palm oil certification, reported that, in March 2018, global annual production capacity of certified palm oil stood at 12.08 million tonnes, which is equivalent to about 17 percent of global production. Furthermore, total actual sales of certified product during 2017 were reported at 6.16 million tonnes, which compares to total supplies of 11.86 million tonnes. Consequently, similar to past years, approximately half of the available certified product did not find a buyer and was sold as conventional palm oil, i.e. without capturing a price premium. As for the different sale channels, during the month of January 2018, the three methods involving physical supply chains – i.e. segregated, identity-preserved and supply-mass-balanced transactions – accounted for 70 percent of total sales, while the remaining 30 percent were marketed via book&claim mechanisms (which contribute only indirectly to sustainable production systems). Such distribution marks a slight improvement over time, given that, back in December 2016, the corresponding shares stood at 65 percent and 35 percent.
- Advanced RSPO standard: RSPO informed that a Colombian agri-business company completed the first sale of palm oil certified according to its *RSPO-Next* standard, a voluntary add-on module launched by RSPO in 2016 to meet the needs of members exceeding the body's core sustainability standards *(see MPPU Mar.'16)*. Reportedly, the audit process included certification and compliance with *RSPO-Next* requirements for the 122 smallholder farms that supply the company's mill. The successful sale shows that some buyers are searching for palm oil produced according to the highest sustainability standards.

Palm oil sourcing policies: New cases of global consumer goods companies/food manufacturers suspending their commercial relationship with

specific palm oil suppliers over claims of unsustainable production practices have been reported. The companies cited concerns about allegations that certain suppliers were not complying with their sustainability policies and commitments. On a related note, global consumer goods company *Unilever* has publicly disclosed all the suppliers and mills it buys palm oil from – a list comprising more than 1400 mills and over 300 direct suppliers. By embracing complete supply chain transparency and strengthening collaboration with its partners and other stakeholders, the company hopes to be able to proactively identify problems and address them quickly and effectively. Apparently, businesses worldwide are faced with increasing pressure from governments, social society groups and consumers to disclose actions taken to ensure that their supply chains are free from unsustainable practices.

Pest and disease issues

- Clubroot – rapeseed: In recent years, clubroot, a soil-borne disease affecting rapeseed and other cruciferous crops, has become a key concern to farmers, especially in Canada but also in parts of Europe. The clubroot pathogen is a fungus-like organism whose spores can survive in soil for up to 20 years. Reportedly, there are no cost-effective control measures that can remove the pathogen from a field once it has become infested. Methods to curtail the spread of the disease and reduce its incidence and severity include careful scouting and record keeping, sanitation, soil amendments, crop rotation and the use of resistant varieties. According to media reports, seed firms are struggling to develop new resistant varieties (a process that requires up to 10 years), because of the pathogen's capacity to adapt quickly. To prevent rapid genetic shifts and subsequent loss of effective resistance, Canada's rapeseed industry association recommended pursuing varietal resistance research judiciously within an integrated management approach that includes practicing a diverse crop rotation with at least two years between rapeseed crops. According to experts, Canada's recent, successive record crops have been achieved in part by shortening crop rotation cycles.

- Xylella – olive tree: First detected in the South of Italy in 2013, *xylella fastidiosa* is regarded as a main threat to European olive cultivation *(see also MPPU Jan.'18)*. Recently, the European Commission provided the following update regarding the spread of the disease.
  - Spain, the world's largest olive oil producer, notified a first outbreak in 2016 in the island of Mallorca. As the pest subsequently spread across the Balearic Islands, in December 2017, the entire territory was declared as area under containment and movement of specified plants out of the Baleares is currently not authorized. In June 2017, the disease was also detected on the Iberian Peninsula, in Alicante (Valencia), where movement restrictions are in place.
  - In Italy, the demarcated area has been updated on several occasions and survey activities are ongoing. In May 2015, the infected zone was declared area under containment. Movement of specified plants out of the demarcated area is currently not authorized.
  - In France, authorities reported a first outbreak on the Island of Corsica in 2015. Since then, additional outbreaks have been detected in Provence-Alpes-Côte d'Azur (PACA). While survey activities continue, the entire territory of Corsica was declared as area under containment in December 2017, and the movement of specified plants out of Corsica and PACA is currently not authorized.
  - In Germany, authorities notified an isolated case of the disease in June 2016 in Saxony.
  - As for the rest of the EU territory, all member states must carry out annual surveys for the presence of the disease in their territory involving a list of specified plants.

On a related note, last December, the 10 countries most directly threatened by the disease agreed on a roadmap aimed at reinforcing measures to prevent and control the disease *(see MPPU Jan.'18)*. The roadmap focuses on three main areas: i) knowledge improvement through the support of applied research programmes;

ii) increasing surveillance to ensure early detection and rapid eradication of new outbreaks; and iii) awareness raising and information actions.

Transport infrastructure – Brazil:
According to data published by Brazil's national agency for waterway transportation, ANTAQ, the volume of soybeans and maize shipped through the country's northern export corridors (known as 'Arco Norte') reached 51.2 million tonnes in 2017 – posting a year-on-year increase of 80 percent. Growing reliance of Centre-West grain-producing states on barge terminals in the Amazon Basin and seaports along the country's Northern coast is said to go hand in hand with a decongestion in the country's traditional southbound routes. Reportedly, last year, the Arco Norte accounted for 41 percent of Brazil's combined soybean and maize shipments – compared to only 23 percent in 2010. After heavy industry investments, about 60 percent of Arco Norte's total shipping capacity is reported to be in the hands of private companies. *(See also MPPU June, July, Aug. Sep. Oct. Dec.'17 & Jan.'18)*

Seed market news

- Omega3-rich rapeseed: Australian regulators approved genetically modified (GM) omega3-rich rapeseed for both human consumption and use in livestock/aquaculture feed *(see also MPPU June'17)*. Hoping that the approval will smoothen regulatory reviews in other countries, the seed firm that developed the new product started planning the variety's commercial release in Australia, the United States, Canada and possibly China. The company intends to produce the crop under a closed-loop grain handling and oil processing system.
- Argentina – royalty payments:
Last February, after protracted negotiations and the decision of U.S. seed company *Monsanto* to suspend sales of new soybean and maize varieties in Argentina *(see MPPU June & July'16 and Feb. & July'17)*, the country's main farmers and seed producers associations reached an agreement on the payment of royalties for GM seed varieties. According to local media reports, farmers have agreed to continue paying plant breeders' rights when they replant GM seed – conceding that the country's 1973 see law, which exempts farmers from paying royalties when they re-use seeds obtained from their own harvests, is no longer practicable. The two sides concurred that, when seeds are replanted, fix royalty payments will be applied during the first three years, following which, rates could be adjusted downward. Whether and when the country's seed legislation will be modified accordingly remains to be seen. At any rate, the recent deal should allow Argentine farmers to regain access to the various state-of-the-art GM seed varieties.
- Brazil – seed patent dispute: In Brazil, a federal court ordered that patent rights for *Monsanto*'s GM soybean variety *Intacta-RR2-Pro* (which was granted in 2012 for a period of 10 years) be revoked, citing a recommendation issued by Brazil's patent regulator, INPI. In a written opinion, the patent agency backed the position of a domestic soybean growers association (*Aprosoja*), which claimed that the patent was inconsistent with national patent regulations. *Monsanto* intends to appeal the court order, which bars the company from collecting royalties on sales of the seed. According to industry estimates, about 20 million hectares are currently planted with the soybean variety in question, with each hectare planted generating royalty payments of about BRL 130 (USD 39.69).

Trade tools

- Futures markets: On 28 February 2018, the Malaysian commodity exchange *BursaMalaysia* introduced a number of enhancement to its crude palm oil futures contract, including an increase in position limits, extended trading hours, additional tradeable contract months, and new product traceability requirements.
- Blockchain-based transactions:
Recently, global commodity trader *Louis Dreyfus* completed the first agricultural commodity transaction based on a blockchain-type platform. The transaction involved a cargo of U.S. soybeans shipped to China, covering all aspects of the operation – from financing through to commercial contract execution and related logistical processes. The different parties – the trader, the buyer, the banks issuing and confirming the relevant letter of credit and other stakeholders –

relied exclusively on the new platform and its digital technology. According to the trader, using the innovative tool greatly reduced time spent on processing documents and allowed for a larger trading scope. Reportedly, all participants achieved significant efficiency gains. Benefits listed included the ability to monitor the operation's progress in real time, ease of data verification, reduced risk of fraud, and a shorter cash cycle. Allegedly, the platform's success demonstrates the great potential of distributed ledger technologies to advance commodity trading and financing.

Biodiesel – industry news

- Sustainability certification:

A Finish company has gained Roundtable on Sustainable Biomaterials (RSB) certification for its production of biodiesel from *brassica carinata* oil in Uruguay. RSB is a European Commission-approved voluntary scheme that can be used to show compliance with the sustainability criteria of the EU's Renewable Energy Directive *(see MPPU Aug.'11)*.

- Low-quality feedstock:

Recent studies confirm that technologies for producing biodiesel from low-quality feedstock – such as low-priced waste oils – are now available and in use, offering alternative paths for biodiesel production. Reportedly, the most advanced and cost-effective methods to process low-quality feedstock employ liquid-formulated enzymes/lipases.

CORRIGENDUM: The MPPU January'18 issue mistakenly reported that the European Union approved three new GM soybean varieties and two GM rapeseed traits. In fact, the approvals concerned four soybean and one rapeseed variety.

For comments or queries
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	International Prices (US$ per tonne) [1]					FAO Indices (2002-2004=100) [7]		
	Soybeans[2]	Soybean oil[3]	Palm Oil[4]	Soybean Cake[5]	Rapeseed Meal[6]	Oilseeds	Vegetable oils	Oilcakes/ Meals
Annual (Oct/Sep)								
2004/05	275	545	419	212	130	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
2016/17	404	806	729	336	225	154	160	171
Monthly								
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
2017 - October	397	869	721	331	207	151	170	157
2017 - November	401	885	719	333	204	153	172	158
2017 - December	397	863	666	348	219	151	163	165
2018 - January	404	865	679	361	239	153	163	171
2018- February	416	848	660	400	265	157	158	190

[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.

Sources: FAO and Oil World