Food and Agriculture Organization of the United Nations

OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

No. 113, December 2018

a) Global price review

In November, FAO's price index for oilseeds notched up 0.6 points (or 0.4 percent), but still remaining below the level of last year's corresponding month. By contrast, the price indices for oilmeals and vegetable oils continued to lose strength, shedding, respectively, 2.8 and 7.6 points (or 1.7 and 5.7 percent) – marking the seventh contraction in succession for oilmeals and the tenth for vegetable oils. While the meal index remained above last year's corresponding value, the vegetable oil index recorded a twelve-year low.

The modest change in the oilseed index reflects mostly stable soybean, rapeseed and sunflowerseed quotations during the course of November. After October's moderate recovery, in November, international soybean prices saw a small increase of 0.6 percent, with upside momentum provided mainly by signs of a possible easing in the US–China trade tensions as well as reports of heavy rainfall hampering sowing operations in Argentina. At the same time, a number of factors exerted downward pressure on prices, notably: i) a promising crop in Brazil, ii) the prospect of record-high inventories world-wide, particularly in the US, and iii) slowing import purchases by China, given the uncertainties surrounding progress in the US–China trade talks. Noticeably, in line with the latest developments, soybean export prices in the US and Brazil continued to follow diverging trends: whilst US quotations showed mild strength supported by signs of a possible breakthrough in the US–China talks, Brazilian prices kept declining in response to forecasts of heavy supplies into the new season. On the other

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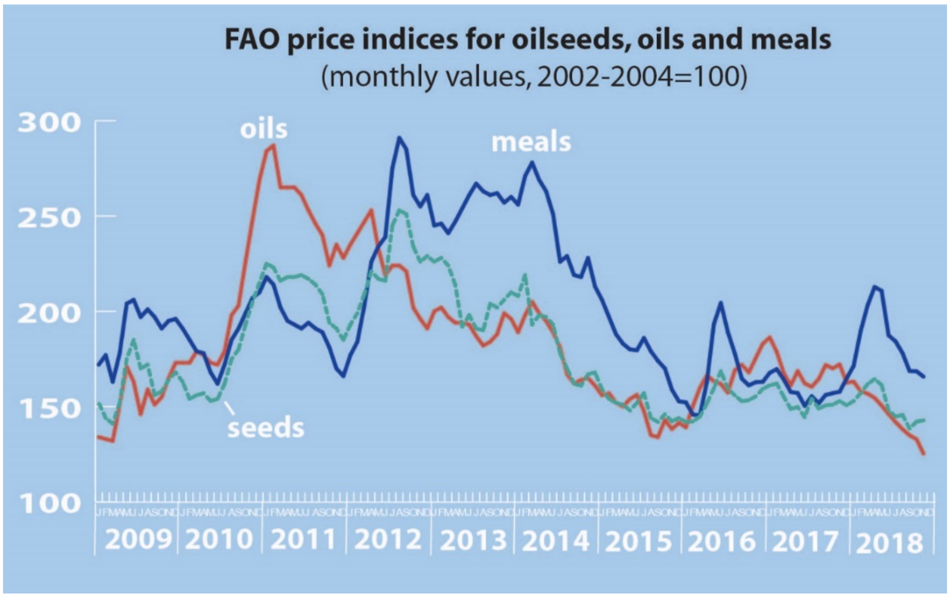


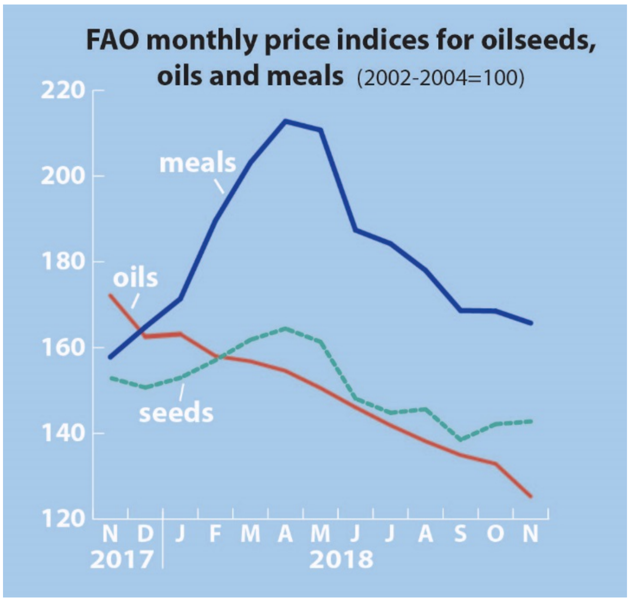
* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market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

hand, international rapeseed quotations softened marginally, marking a first month-on-month drop since June. In November, seasonal harvesting pressure in Canada, combined with sluggish global rapeseed import demand, outweighed the upside effect coming from concerns over reduced 2019/20 plantings in the EU. Sunflowerseed prices remained unchanged at historically low levels, as earlier forecasts of bumper crops in the Black Sea region were confirmed.

With regard to oilmeals, FAO's meal price index diverged – for the second consecutive month – from the trend observed for oilseed prices. International meal quotations dropped for the seventh month in succession, led by further contractions in global soymeal prices that primarily reflected developments in China, where, in addition to further African swine fever outbreaks, the possibility of reduced Sino–US trade tensions weighed on domestic protein meal prices.

The fresh slide in FAO's vegetable oil index has been driven by weakening values across global vegetable oil markets. The downward trend has been led by palm oil, whose price plunged by another 9 percent month-on-month, reaching its lowest level since August 2006. Besides persistently large inventories held in leading exporting countries, falling global mineral oil prices also exerted downward pressure on palm oil values. Furthermore, import demand from India, the world's leading palm oil buyer, continued to be subdued, due to ample supplies of locally produced oilseeds. In Indonesia, the slump in international palm oil export quotations led the Government to suspend the levy that is collected from palm oil exporters (see section b), in an attempt to maintain the country's competitiveness on overseas markets. As for soybean oil, after a short-lived rebound in October, in November, international prices resumed their downward trend, dropping to a three-year low. Reportedly, lucrative processing margins resulted in record crush volumes in the US and elsewhere (e.g. in the EU, Pakistan and Egypt), causing a surge in soyoil availabilities. With regard to sunflower oil prices, their relentless decline remained tied to the prospect of record-high global sunflowerseed supplies, following bumper crops in the Black Sea region and a prospective increase in Argentina's output.



b) Selected policy developments and industry news

ARGENTINA – biodiesel export measure: Argentina requested formal consultations with Peru at the WTO over the anti-dumping duties Peru put in place on imports of biodiesel from Argentina in February 2016 *(see MPPU Nov.'16).* Prior to the introduction of the trade barrier, Peru represented Argentina's second largest export market after the United States.

BRAZIL – biofuel policy: The National Council for Energy Policies proposed a gradual increase from 10 percent to 15 percent in the mandatory share of biodiesel in regular transport diesel consumed in Brazil. The proposal envisages annual increases by 1 percent starting in June 2019. The additional 5 percent blending would raise Brazil's biodiesel consumption by approximately 85 percent between 2018 and 2023, lifting national biodiesel production to 8.8 million tonnes – compared to the current level of 4.8

million tonnes. To date, soybean oil has been the principal feedstock used.

CHINA – trade mitigation measures:
The Chinese Government introduced a variety of measures meant to mitigate the impact of its retaliatory tax on U.S. soybeans on domestic markets, while reducing the country's reliance on imported soybeans for feed.

a) Government auctions: During 2018, cumulative offers of soybeans from government reserves have been raised to 5.66 million tonnes (as opposed to 0.55 million tonnes last year), with actual sales totalling 2.01 million tonnes (compared to 0.22 million tonnes in 2017).

b) Farm support: In a bid to boost soybean output, the Government of Heilongjiang, the country's top soybean growing province, has increased area-based payments granted to soybean growers in 2018 to CNY 320 per mu (USD 696 per ha), which compares to CNY 173 per mu (USD 376 per ha) paid last year. At the same time, the northeastern province sharply reduced its 2018 subsidies for maize growers. Furthermore, China's central Government announced a reduction in the price support for wheat growers: following this year's reduction, in 2019, the minimum purchase price for wheat would be reduced further to CNY 112 per 50 kg (USD 325 per tonne).

c) Feed standards: The central Government backed new voluntary standards approved by the country's Feed Industry Association to promote a shift towards high-efficiency low-protein animal diets. Under the revised norms, the recommended minimum protein inclusion rate in feed formulations has been lowered by 1.5 percentage points for pig feed and 1 percentage point for poultry feed. According to government officials, the new guidelines could lower China's annual soybean requirement by up to 14 million tonnes, which would correspond to a 15 percent fall from current consumption levels.

d) Import policy: China's state-owned grain corporation *Sinograin* and government officials from Argentina agreed to increase China's imports of Argentine soymeal and soyoil, pending inspections of Argentine crushing facilities by Chinese officials. With a view to diversify sources of protein for use in animal feed, the Chinese Government also approved the resumption of rapeseedmeal imports from India (which had been banned in 2011 over quality concerns), subject to inspection and quarantine requirements. China and India also signed an agreement allowing Chinese officials to inspect imports of Indian fishmeal and fishoil. Furthermore, Chinese customs authorities approved imports of rapeseedmeal from Kazakhstan. Moreover, Chinese government officials conducted talks with Brazilian soy processors with regard to possible imports of Brazilian soymeal at preferential conditions. On the same subject, earlier this year, China i) removed tariffs on soybean, soymeal rapeseed and fishmeal imported from five Asian nations *(see MPPU Aug.'18)*, ii) started allowing soymeal imports from Ethiopia, and iii) agreed to import shelled sunflowerseed from Bulgaria.

e) Export policy: With a view to protect domestic supplies, on 1 November, the Government discontinued an 11 percent value-added tax rebate hitherto applied to soymeal exports.

f) Overseas investment: Government and industry officials from China and the Russian Federation discussed about possibilities to develop oilcrop production in the Federation's far-eastern districts for eventual exportation to China. On the same subject, China's state-owned grain trading group *COFCO* is continuing to expand its presence in Brazil's Centre-west grain belt. The company's overall annual purchases and exports of maize and soybean in Brazil are estimated to have reached 13 million tonnes.

EUROPEAN UNION – bioenergy policy:
The EU's Council and Parliament have formally approved key chapters of the bloc's bioenergy policy reform, including the plan to phase-out, by 2030, the consumption of crop-based biofuels that bring about strong indirect land use changes *(see also MPPU Aug.'18).*

EUROPEAN UNION – food standards/safety: The European Commission proposed setting an EU-wide maximum limit of 2 percent for trans fats (other than trans fat naturally occurring in animal fat) in food products. Under the draft regulation, food operators would have until 1 April 2021 to ensure compliance with the new requirement. Industry stakeholders have been given 4 weeks to submit comments on the proposal. In recent years, the presence of hydrogenated vegetable oils – the primary dietary source of industrial trans fats – has been regulated in several countries, including a number of EU member states *(see also MPPU Feb.'16, Oct.&Dec.'17, May&Aug.'18).* According to an EU consumer organization, while average levels of industrial trans fat in foods decreased in general, content of the unhealthy fatty acid can remain high in specific products in some countries. The group regretted the envisaged long transition period.

EUROPEAN UNION – biodiesel import restrictions: According to media reports, the European Commission is considering to reinstate anti-subsidy duties on imports of biodiesel from Argentina, citing an imminent threat of material injury caused to the EU's biodiesel industry *(see also MPPU Oct.'18).* Reportedly, retaliatory duties could range from 25 percent to 33, depending on the company concerned. The move would require approval by the bloc's member states. The deadline for introducing definitive measures is 27 February 2019.

FRANCE – climate policy: Following a public consultation process, the French Government has finalized its 'National Strategy to Combat Imported Deforestation'. The new policy could affect imports of, inter alia, soybeans and palm oil *(see also MPPU Oct.'18).* Aimed at ending 'imported deforestation' by 2030, the Government's action plan envisages 17 measures, covering the following areas: i) financial assistance for exporting countries that introduce strict forest protection policies; ii) the introduction of 'zero-deforestation' labels across domestic industries, starting with the agricultural and forestry sectors; iii) the implementation of zero-deforestation public procurement policies; iv) the gradual phasing-out of biofuels linked to deforestation; and v) actions in support of an EU-wide policy on imports that pose risks for forests.

INDIA – farm support

- Minimum support prices: In October, the Indian Government announced the new state-mandated minimum prices for Rabi (winter) crops. For rape and mustardseed, the support price was raised by 5 percent, from INR 40 000 per tonne to INR 42 000 (or USD 597), while the safflowerseed price saw a 21 percent increase, from INR 41 000 per tonne to INR 49 450 (or USD 703). With the new price levels, farmer returns are deemed to exceed production costs by 90 percent in the case of rape/mustardseed and 50 percent for safflowerseed, which compares to estimated margins of 113 percent for wheat.
- Public procurement: Following the recent launch of a new procurement scheme for oilseeds and pulses *(see MPPU Oct.'18),* the Indian Government recently approved proposals from 11 states for procurement operations during the Kharif (summer crops) marketing year that started in October. Reportedly, the decision was taken after sharp price falls in key growing regions. According to official sources, over 2.6 million tonnes of oilseeds will be procured.

INDIA – food safety: India's Food and Drug Administration ordered the closure of an edible oil branding and repackaging facility after detecting sales of adulterated oil. Reportedly, the concerned operator blended relatively expensive mustard oil with cheaper edible oils and failed to test his products periodically before sale.

INDONESIA – export policy: Concerned about the steady, sharp fall in palm oil export prices and its adverse impact on the country's export-oriented oil palm industry, the Indonesian Government decided to suspend the country's levy on palm oil exports, which amounts to USD 50 and USD 20–40 per tonne respectively for crude and refined palm oil. The move is aimed at maintaining the products' competitiveness in overseas markets. Introduced in 2015, the levy is used to subsidize the country's biodiesel

programme as well as sector development activities, such as palm replanting schemes *(see MPPU July'15).* Reportedly, the levy will be reintroduced as prices rise: once palm oil prices recover to USD 500 per tonne, exports of crude and refined palm oil will be charged with, respectively, USD 25 and USD 5–10 per tonne, whereas levies of USD 20-50 will be collected when prices reach at least USD 550 per tonne.

MALAYSIA – biodiesel policy: Acknowledging the recent narrowing in the gap between palm oil and mineral oil prices, the Malaysian Government decided to implement its long-standing plan to raise the country's mandatory blending rate for biodiesel *(see also MPPU Aug.'18).* Reportedly, the new policy – which would require transport diesel to be mixed with 10 rather than 7 percent of palm oil-based biodiesel – will be phased in from 1 December 2018, with mandatory blending taking effect on 1 February 2019. In addition to the compulsory 10 percent-blends in the transport sector, a 7 percent blending rate is set to become mandatory for the industrial sector from July of next year. The measures are expected to boost domestic demand for palm oil and support the oil's price, which, due to large domestic inventories, has dropped to multi-year lows.

MALAYSIA – tax policy: Government officials informed that, under the country's newly introduced Sales and Service Tax (SST) regime, oil palm growers will not be subject to taxation. As opposed to the previous taxation scheme, where a Goods and Service Tax (GST) was levied on both locally produced and imported fresh oil palm fruit branches (FFB), the SST will only be collected on imported FFB, so as to protect the interests of the domestic oil palm industry.

UNITED STATES – agricultural support

- Farm Bill: Legislators from the Senate and the Lower House announced that an agreement in principle has been reached on the 2018 Farm Bill. The bill includes programmes of critical importance for US farmers. The last 5-year bill expired on 30 September 2018, and lawmakers have until the end of the current year to finalize the approval process.
- One-time relief measure:

As of mid-November, USDA paid out nearly USD 840 million to farmers, as part of a first tranche of payments worth USD 6 billion intended to compensate farmers for losses incurred due to China's imposition of tariffs on U.S. agricultural exports *(see also MPPU Aug.&Oct.'18).* Reportedly, soybeans, wheat, maize, dairy and hog producers benefitted the most from the subsidies. While details about a second USD 6 billion tranche are still to be provided, the USDA confirmed that it has no intention to renew the aid package in 2019.

UNITED STATES – biodiesel import restrictions: The U.S. Department of Commerce initiated a 'changed circumstances review' to examine the anti-dumping and countervailing duties it placed on imports of Argentine biodiesel in late 2017 and early 2018 *(see MPPU Mar.&May'18).* The review process has been opened on request of the Argentine Government, following the latter's decision to i) raise the country's export tax on soybean-based biodiesel, ii) lift the domestic biodiesel price, and iii) lower the country's export tax on soybean products *(see MPPU Aug.&Oct.'18).* A reduction or repeal of the retaliatory tariffs can be expected to lead to a resumption of biodiesel imports from Argentina, which would likely hurt US biodiesel producers and dampen domestic soybean uptake.
A 'changed circumstances review' can take up to 270 days, meaning that a final determination should be reached by August 2019.

UNITED STATES – biofuel policy

- Blending obligations: The United States Environmental Protection Agency (EPA) finalized the biofuel blending obligations for 2019. Compared to the previously proposed targets *(see MPPU Dec.'17 & Aug.'18),* the volume for the 'advanced biofuel' category – under which biodiesel qualifies – has been raised slightly (from 4.88 billion gallons to 4.92 billion gallons), while the requirements for 'conventional biofuel' and 'biomass-based biodiesel' have been left unchanged. Biodiesel industry representatives

maintained that the new standards fall short of the attainable production levels. Furthermore, EPA opted not to reallocate blending obligations previously waived under the agency's small refinery exemption programme, thus not satisfying calls made by both biofuel producers and farmers groups.

- Biodiesel tax incentive:

The USD 1 per gallon tax credit traditionally accorded to biodiesel blenders expired back in December 2017 *(see MPPU Mar.'18).* In this regard, the Lower House is currently reviewing a proposal for a long-term extension of the incentive. Over the past five years, Congress allowed the tax incentive to expire, eventually granting retroactive one-year extensions. Industry representatives long advocated for a multi-year renewal to provide certainty and predictability for producers and feedstock suppliers.

UNITED STATES – food standards:
According to the U.S. Food and Drug Administration, credible evidence supports a qualified health claim that consuming edible oils rich in oleic acid – such as olive oil and high-oleic variants of sunflower, rapeseed, safflower, soybean and algal oil – may reduce the risk of coronary heart disease.

Variable palm oil export tax – Malaysia, Indonesia: Following fresh drops in the reference market price for palm oil, Malaysia decided to keep its export tax on the commodity at zero for the months of November and December.
Also in Indonesia the export tax on crude palm oil remained at zero in November and December, as benchmark prices continued to range below the threshold that triggers taxation. The month of December marks the twentieth month in succession with no export tax in Indonesia.

Pesticide regulation

- Dicamba: In the United States, the use of dicamba-based herbicides has been re-authorized for a period of two years *(see also MPPU Oct.'18).* The U.S. Environmental Protection Agency extended, until 20 December 2020, the registration for over-the-top use (i.e. use on growing plants) of dicamba to control weeds in fields of soybean and cotton genetically modified to resist the herbicide. To minimize potential off-site damage to non-targeted crops, the authorization includes provisions limiting the number of allowed applications as well as the period and times of the day when the herbicide can be applied.
- Glyphosate: A U.S. court confirmed an earlier verdict that found glyphosate-based herbicides responsible for a man's terminal cancer, but decided to lower the USD 250 million punitive damages portion of the award to USD 39 million *(see also MPPU Oct.'18).*

Sector development measures

- European Union – protein crops:

As part of efforts to develop a strategy for promoting protein-rich crops including soybeans *(see MPPU Mar.'18),* the European Commission has published a report that reviews the supply and demand situation for plant proteins in the EU and explores ways to increase production in an economically and environmentally sustainable manner. The report includes an analysis of existing and new policy instruments to help realize the potential of protein crops in the union.

- Fiji – coconut sector: The Government of Fiji launched a programme to develop the country's coconut industry and enhance the supply of copra. Reportedly, interventions will focus on rejuvenating the country's coconut palms, largely relying on public-private partnerships.
- The Gambia – edible groundnuts:

With assistance from the Turkish Cooperation and Coordination Agency (TIKA), a Gambian groundnut oil processing factory has been equipped with a laboratory to test its products for aflatoxin, a family of toxins linked to cancer in humans. Controlling aflatoxin contamination in groundnut is expected to help mitigate national health risks and enhance exporters' access to the European market.

- India – groundnut sector: The Government of Gujarat state plans to assist farmers in setting up cooperatives to run their own groundnut mills and other value addition units so as to shield farmers from market prices fluctuations and reduce their dependence on private millers.

R&D – seed news

- Low-gossypol cottonseed: Using genetic modification techniques, US researchers have developed a cotton variety with low gossypol presence in the seed. Gossypol is a toxic compound that naturally occurs in conventional cottonseed varieties. The new variety could help lower cottonseed refining costs and would allow expanding cottonseed use in the livestock and aquaculture feed industries as well as in human food applications. Last October, the variety has been deregulated by the U.S. Animal and Plant Health Inspection Service.
- Camelina: In the United States, plant scientists are conducting research on genetically modified *camelina sativa* to boost the plant's oil output and reduce the amount of energy refineries require to convert the oil into fuel. *(See also MPPU Oct.17)*
- Rapeseed: Reportedly, a new genetically modified rapeseed variety that allows later and more frequent herbicide applications is ready to be launched in Australia. Reportedly, the variety's commercial release is kept pending until Chinese authorities approve the new event for import.

R&D – product development

- Shortenings: After the introduction of a trans fat ban in the United States *(see MPPU Aug.'18)*, the country's food industry has come under pressure to replace partially hydrogenated vegetable oils used in the production of shortenings. Reportedly, the industry is focusing its attention on high-oleic oils and special modification techniques such as enzymatic interesterification and optimal crystallization conditions.
- Edible oil recycling: Reportedly, in Germany, a group of researchers has developed a catalytic process that allows converting waste oils into chemical building blocks for drugs and plastics. On the same subject, scientists in Australia and the UK have developed a controlled-release fertilizer using recycled rapeseed oil. Furthermore, US researchers have developed new industrial uses for soybean oil in the form of wax. Reportedly, fully recyclable and biodegradable soyoil-based wax can replace petroleum-based paraffin wax.

Futures markets: According to media reports, the US futures exchange operator *CME Group* contemplated the launch of a Brazilian soybean contract, given that the recent US–China trade conflict altered the global soybean trade pattern, causing the price paths for Brazilian and US soybeans to diverge. Market experts confirmed that premiums placed on Brazilian soybeans are difficult to hedge via the Chicago Board of Trade's existing US-specific soy contracts.

Preferential trade

- Indonesia / Switzerland: The two countries concluded free trade negotiations as part of a Comprehensive Economic Partnership Agreement between Indonesia and EFTA (the European Free Trade Association comprising Iceland, Liechtenstein, Norway and Switzerland). Indonesia's palm oil shipments are expected to benefit from the agreement, subject to provisions regarding the sustainability of production and provided they do not harm Swiss oilseed production.
- Indonesia / Pakistan: The two nations are conducting negotiations to convert an existing preferential trade pact into a more comprehensive free trade agreement, which could foster Indonesia's palm oil shipments to Pakistan and strengthen Pakistan's role as a regional trade and investment hub for palm oil products.
- China / Malaysia: A recently signed memorandum between China's state-owned grain trading group *COFCO* and a government-owned Malaysian palm oil corporation aims at the promotion of palm oil related ventures and increased trade between the two countries. According to media reports, the agreement reached envisages i) joint projects on the health benefits of palm oil products, ii) investments in the manufacturing of specialty oils/fats, and iii) collaborative efforts to develop the market for high-value palm oil products in China. *(See also MPPU Oct.'18)*
- India / Malaysia: The Comprehensive Economic Cooperation Agreement signed between the two countries in 2011 provides for a cut, from 1 January 2019, in India's import duties on Malaysian palm oil. The new preferential tariff

rates for crude and refined palm oil will be, respectively, 40 percent and 45 percent.
For comparison, India's current MFN rates for crude and refined palm oil stand at 44 and 54 percent.

Oil palm sector – state initiatives, Indonesia:
An in-depth assessment of the Indonesian oil palm industry carried out by the country's Corruption Eradication Commission (KPK) identified major flaws in the nation's plantation licensing system. The agency's report highlights a number of associated problems, including i) rapid and widespread environmental degradation, ii) heightened corruption risks, and iii) the potential loss of tax and non-tax revenues.

Oil palm sector – private sector & other initiatives

- Responsible sourcing: Global packaged foods company *Mondelez International* informed that it called on its palm oil suppliers to commit to zero-deforestation policies and comprehensive oil palm concession mapping, adding that it has excluded 12 upstream suppliers from its supply chain because of breaches. On a related matter, global foods and drinks manufacturer *Nestlé* announced that it would end sourcing palm oil from suppliers that fail to comply with its sustainability policies as the company embraces satellite technology that allows tracing deforestation.
- National coalition, India: India has seen the launch of a Sustainable Palm Oil Coalition, India-SPOC, as a collaborative effort between the Centre for Responsible Business, WWF-India, Rainforest Alliance and the Roundtable on Sustainable Palm Oil (RSPO). As the world's largest consumer and importer of palm oil, India could play a significant role in driving sustainable practices in the palm oil sector worldwide.
The initiative is aimed at addressing barriers and challenges to sustainable palm oil, taking into consideration the characteristics of India's palm oil industry. Activities will focus on best practices for production, complementary policy measures, trade linkages, and consumer sensitisation to sustainability. Producers, civil society groups, consumer goods manufacturers, retailers, traders and financial institutions will be invited to collaborate. Recently, a comparable initiative has been launched in China, the world's third largest palm oil importer *(see MPPU Aug.18).*
- Mapping tool, Indonesia: The Centre for International Forestry Research (CIFOR) plans to release an interactive map showing the spread of plantations and road networks in Indonesia's Papua region. The atlas, which is expected to shed light on the status of the region's forests, is meant to inform the policymaking and planning of local officials, raising their awareness about possible adverse impacts on the environment and indigenous communities.

Oil palm sector – RSPO news

- Revised standard: Following an in-depth multi-stakeholder review of its principles and criteria, RSPO, the global, industry-led palm oil certification body, has adopted a new certification standard aimed at strengthening environmental protection, social development and economic prosperity across the palm oil value chain.
The revision of the existing standard was framed around four key elements: i) halting deforestation, ii) protecting peatlands, iii) strengthening human and labour rights, and iv) enhancing transparency in the RSPO system – pursuing the ultimate objective to increase market uptake of sustainable palm oil. New features include specific provisions to protect children and the adoption of zero-deforestation requirements in high forest cover landscapes using the High Carbon Stock Approach. The latter bans the clearance of secondary forests and certain peat areas (which was allowed under RSPO's existing standard), while respecting land users' rights and upholding indigenous peoples' rights to self-determination.
The new standard has come into effect immediately, though existing RSPO grower members were given a one-year transition period for its adoption. The review process also resulted in the subsequent development of a separate standard specifically covering independent smallholders, due for approval in November 2019.
Environmental and civil society groups welcomed the release of the new standard, urging RSPO to proceed with its immediate implementation and effective enforcement, ensuring close supplier

oversight, independent verification, and a strict compliance and grievance system.

- Grievance case: RSPO suspended the membership of a Malaysian palm oil mill and four of its suppliers over alleged labour right abuses. Reportedly, a complaint filed back in 2015 had identified instances of forced labour, poor living conditions and unfair terms of employment. Inter alia, the concerned company outsourced its foreign workers to contractors, an act that violates Malaysian law and could be considered as trafficking.
- Annual report: According to RSPO's 2018 Impact Report, as of June 2018, the organization's members covered 3.2 million hectares of certified area, globally, producing 13.6 million tonnes of certified sustainable palm oil. High Conservation Value (HCV) land set aside and managed by RSPO members is estimated to amount to 263 000 hectares – reportedly a 39% increase from the previous reporting year. The report also highlights the reduction of carbon dioxide emissions found through GHG assessment submissions received since 2015, linking the same to the conservation of peatlands.

Soybean production sustainability – Brazil:
New efforts to promote sustainable soybean production in Brazil's Cerrado region (thereby meeting growing demand for sustainably produced soy in Europe and elsewhere) have been reported from Brazil. In the country's Centre-West savannah region, clearance of native forests and vegetation progressed rapidly in the last 15–20 years to free space for the cultivation of soybeans and other crops and pasture land – a development fuelled by attractive land prices, less stringent forest preservation requirements compared to those applied in the Amazon basin, and the absence of binding private sector initiatives to protect the environment.
Experts pointed out that unchecked crop expansion in the biodiverse Cerrado ecosystem, which is home to important aquifers and river systems, could result in soil degradation, water table and aquifer pollution, changes in regional, and possibly continent-wide, rainfall patterns, and sharp reductions in carbon dioxide storage. Reportedly, vast areas of dry forests in Argentina's Gran Chaco region are confronted with identical challenges. Recent efforts to address the above-mentioned issues in Brazil are discussed below *(on past initiatives, see also MPPU June'11, June'16 & May'18).*

a) Cerrado Manifesto:
According to media reports, the number of companies voluntarily adhering to the Cerrado Manifesto – an initiative launched last year by environmental organizations to promote measures that help end the conversion of native vegetation in Brazil's Cerrado biome – continues to grow. Besides calling for stricter and more effective environmental legislation, the Manifesto calls on companies in the soy and meat supply chains to i) adopt policies to end the conversion of native vegetation, and ii) dissociate their production chains from recently deforested areas. Reportedly, over 100 investors and corporate firms, including several global food chains and supermarkets, have signed on to the agreement. However, market observers pointed out that global commodity traders, which are very active in the Cerrado, have been slow in joining the initiative. Moreover, in contrast to the Amazon Soy Moratorium (which does enjoy the participation of global commodity traders), it remains unclear whether signatories to the Cerrado Manifesto – besides pledging to take measures that contribute to the elimination of native vegetation loss from their supply chains – also explicitly commit to stop purchasing farm products grown on freshly cleared land.

b) Responsible lending:
Global commodity trader *Bunge*, *Banco Santander* and *The Nature Conservancy (TNC)* announced that they jointly developed an innovative financing mechanism for soy farmers in Brazil's Cerrado region. The programme promotes crop production that foregoes further deforestation or conversion of native vegetation by offering long-term loans to farmers willing to commit to the approach. The initiative is aimed at limiting production expansion to land that has been cleared already, thus going beyond the existing environmental regulations. *TNC* estimates already cleared land in the Cerrado suitable for

soybean production at 25 million hectares. Under the programme, loans will be provided to individual, family or corporate farmers in eligible locations.

c) State sanctions: Earlier this year, Brazil's environmental agency IBAMA issued fines worth USD 29 million to five large trading firms as well as dozens of farmers for failing to respect embargoes that were put on illegally deforested land located across the country's Cerrado region. The case concerned grains grown on land declared off-limits for farming to allow native vegetation to regrow. IBAMA detected the concerned areas using geospatial data.

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
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
2017/18	402	820	648	381	258	153	154	182
Monthly								
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
2018 - March	432	830	684	427	294	162	157	203
2018 - April	441	824	663	447	304	164	155	213
2018 - May	432	787	659	443	282	161	151	211
2018 - June	389	783	631	391	264	148	146	187
2018 - July	378	774	591	382	267	145	142	184
2018 - August	379	763	561	365	282	146	138	178
2018 - September	357	755	545	347	277	139	135	169
2018 - October	369	759	529	347	272	142	133	169
2018 - November	372	735	482	340	276	143	125	166

[1] Spot prices for nearest forward shipment

[2] Soybeans (US, No.2 yellow, c.i.f. Rotterdam)

[3] Soybean oil (Dutch, f.o.b. ex-mill)

[4] Palm oil (Crude, c.i.f. Rotterdam)

[5] Soybean meal (44/45%,Hamburg f.o.b. ex-mill)

[6] Rapeseed meal (34%,Hamburg f.o.b. ex-mill)

[7] The FAO indices are calculated using the Laspeyres formula ; the weights used are the average export values of each commodity for the 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