OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

No. 138, January 2021

a) Global price review

In December, FAO's price index for oilseeds rose for the seventh consecutive month, up 3.5 points (or 3.0 percent) from November and marking the highest level since May 2014. By contrast, the oilmeal index remained virtually unchanged after increasing for five months in a row. In the meantime, the price index for vegetable oils moved up by 9.3 points (or 7.6 percent), reaching an eight-year high. All three indices remained sharply above the corresponding values of last year.

The latest increase of the oilseed index mainly reflected firming values of soybeans, rapeseed and sunflowerseed. International soybean prices rose for a seventh consecutive month, recording six-and-a-half year highs in December. While robust global import demand, especially from China, and higher than anticipated crushings in the United States of America continued to underpin prices, the soy market also reacted to developments in South America, where the 2021 crop entered into the vegetative phase. In early December, decent rainfall in southern Brazil and parts of Argentina's producing regions led to expectations of improved growing conditions, giving rise to a temporary relaxation in prices. However, international quotations rebounded in mid-December fuelled by both, prospects of reduced export availabilities in Argentina following prolonged strikes of port workers and fresh concerns over progressively dryer weather across the entire region. As for rapeseed, in December, international prices recorded a ninth successive monthly increase – prompted

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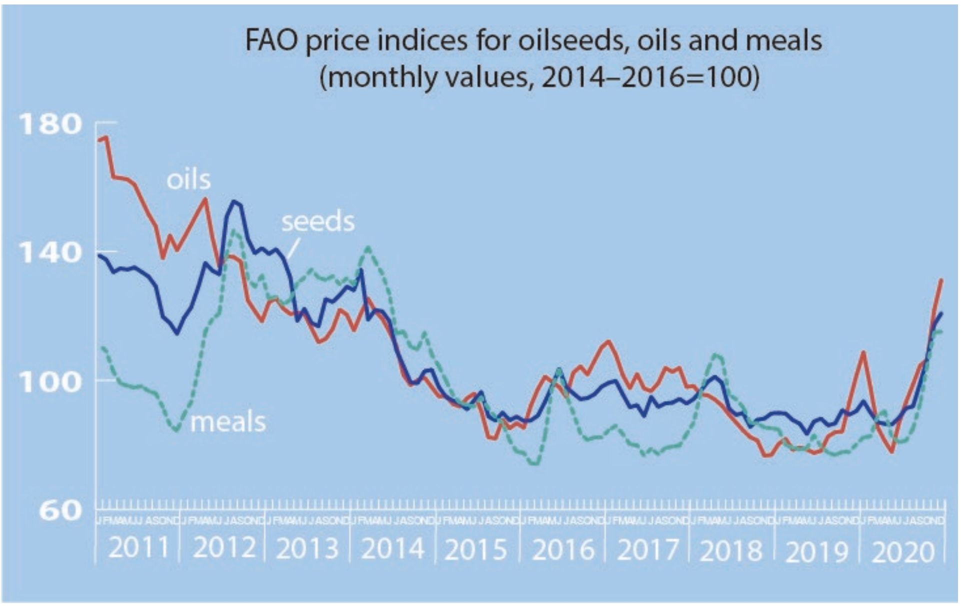

* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Markets and Trade Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market events selected from a variety of official and unofficial sources. Section b) of the present issue covers developments observed during **November** and **December 2020**. 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/.

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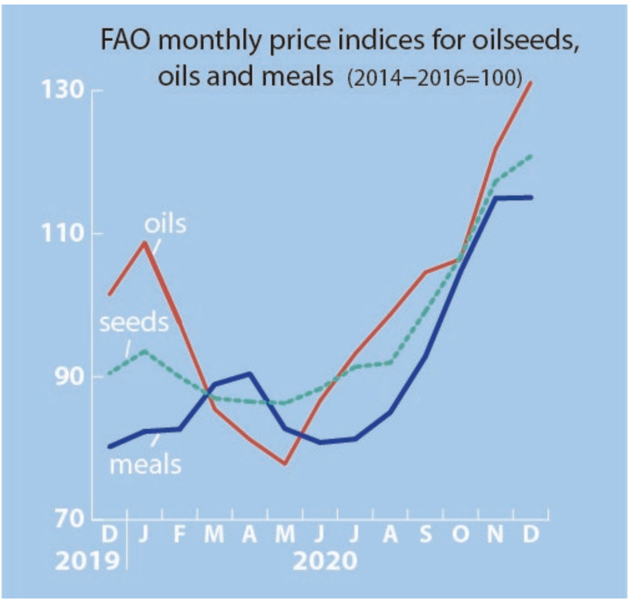
Global price review – *cont'd*

primarily by a downward revision in Canada's production estimate for the 2020/21 crop. Furthermore, in the European Union, the recovery of production in the 2021/22 season is expected to be limited due to below-average plantings, despite reports of favourable weather conditions across the bloc's western states. Sunflowerseed prices also remained on an upward trajectory, buoyed by sharply lower global output, while global export supplies were expected to shrink further, following the Russian Federation's decision to hike export duties to bring down domestic prices.

FAO's oilmeal index, contrary to the upward movement observed in oilseed prices, remained virtually unchanged in December, mainly reflecting stable soymeal quotations. Reportedly, the recent rise of soymeal prices to multi-year highs prompted margins in livestock production to fall, in turn causing lower imports by key consuming countries. On the other hand, prices received support from both, the release of reports confirming the rapid recovery in China's hog herds and the strikes in Argentina mentioned above, which affected crushing operations and port logistics in Argentina – the world's leading soymeal exporter.

With regard to vegetable oils, the persistent firmness in the price index stemmed primarily from higher palm oil values, while prices of soy, rapeseed and sunflowerseed oils also increased. International palm oil prices rose for a seventh month in succession, chiefly reflecting lingering supply tightness in major producing countries. Particularly, in Malaysia, persisting production slowdowns coupled with a brisk pace of exports gave rise to concerns over likely further contractions in domestic reserves, which by end-November had dropped to the lowest level since June 2017. In addition, market participants expected shipments by Indonesia – the world's leading supplier – to slow down following a hike in the country's palm oil export duties. As for soyoil, international prices climbed to seven-and-a-half year highs, mainly on account of rising uncertainties regarding Argentina's export, due to the prolonged strikes. While drew strength from the firmness of the palm oil market, rapeseed and sunflowerseed oil prices also received support from robust global import demand.

Looking at the annual averages, in 2020, all three indices posted marked year-on-year increases. The oilseed index averaged 96.6 points, up 9.8 percent from 2019 and the highest level since 2014, while the oilmeal index rebounded by 12.3 points (or 15.5 percent) but remained below the average recorded in 2018. In the meantime, the index for vegetable oils averaged 99.4 points, rising 19.3 percent from 2019 and marking a three-year high.



b) Selected policy developments and industry news

ARGENTINA – agricultural policy:
On 2 November, the Agricultural Ministry launched a stimulus and compensation scheme for small and medium-scale soybean farmers. Reportedly, around 40 percent of Argentina's soybean producers would receive compensation payments that will be calculated based on declared tonnage sold and hectares planted in 2019, with caps of ARS 20 million (USD 234 thousand) and 400 hectares per farmer. A total of ARS 11 550 million (USD 135 million) has been allocated to the programme.

ARGENTINA – export policy: In December, the Government tightened its foreign exchange control regulation mandating the conversion of proceeds from exports of agricultural products – including from soybeans and derived products – into Argentine Pesos within 15 days (counted from the time the sale takes place). Based on a new decree, companies that do not respect the deadline will see their export permits suspended. The measure is aimed at encouraging businesses to keep savings in Pesos rather than US dollar, thereby supporting the country's currency.

BRAZIL – import policy: As part of efforts to facilitate imports of soybeans (and derived products) and maize from countries outside the South American Mercosur trade bloc and in particular from the United States of America *(see MPPU Nov.'20)*, on 3 November 2020, the Government simplified the information requirements on import licences for genetically modified (GM) products intended to be used in animal feed. However, the USDA cautioned traders that there is no evidence to suggest that the new rules establish approval for GM soy and maize varieties that have not been explicitly authorized by Brazil's Technical Biosafety Commission (CTNBio). According to trade sources, Brazil – the world's number one supplier of soybeans – could import up to 1 million tonnes of soybeans in CY 2020, the highest volume in at least 12 years.

BRAZIL – biofuel policy: On 18 November, concerned about dwindling domestic supplies of soyoil (the primary raw material for biodiesel production in Brazil) and high food and beverage prices fuelling consumer inflation, the National Energy Policy Council determined that biodiesel producers may use imported raw material in addition to locally produced oils and fats.
The resolution does not specify how long the measure will remain in effect. *(See also MPPU Sep./Nov.'20 on other measures introduced to address Brazil's exceptional shortage in soyoil supplies.)*

CANADA – biofuel policy: In December, the Government published draft regulations for a Clean Fuel Standard (CFS), inviting public comments. Reportedly, final regulations to address the transportation sector's rising emissions will be released in late 2021, with regulatory requirements scheduled to come into force in December 2022. Canada's CFS is expected to drive investment and growth in the country's 'clean fuel' sector by providing incentives for the development and adoption of low-carbon fuels, including hydrogen and biofuels. Under the CFS biofuel producers will be allowed to create and sell credits, thereby providing opportunities for farmers and other feedstock suppliers. The Canola Council of Canada (CCC) views the CFS as an opportunity to diversify the domestic rapeseed market and increase value-added processing, while reducing reliance on volatile global markets. According to the industry body, the CFS will allow using rapeseed for biofuel production without complex and costly on-farm regulatory burden, since the absence of increased net land use would be sufficient to satisfy sustainability criteria.
The CCC estimates that under the CFS the biofuel content in transport diesel could rise to 11 percent by 2030, compared with the current 2 percent national requirement.

CHINA – public stockholding: Reflecting growing food security concerns, on 3 December, China's National Development and Reform

Commission (NDRC) published a draft law aimed at ensuring national food security and reforming the management of the country's strategic grain reserves. The initiative comes after a marked rise in the Government's grain purchases – especially of maize and soybeans – in 2020 *(see also MPPU July'20)*. Reflecting concerns about the management of public food reserves, the initiative aims at promoting the complementarity and efficient coordination of central and local reserves.
The draft law introduces comprehensive guidelines on storage, usage and rotation of central, local and 'social' reserves. Reportedly, local governments would be required to set up reserves of processed grains and vegetable oils in cities and regions where markets are prone to volatility.

CHINA / ARGENTINA – bilateral trade arrangement: China's state-owned grain corporation *Sinograin* confirmed its interest to renew the two-year old agreement regulating purchases of soybeans and soybean oil from Argentina *(see also MPPU Dec.'18)*. For 2021, *Sinograin* agreed to raise its soybean purchases from 3 to 4 million tonnes and those of soybean oil from 300 to 400 thousand tonnes.
For Argentina, at current average prices, the deal would translate into export revenues of USD 2 billion, compared to the USD 1.5 billion earned from sales to *Sinograin* in 2019.

EUROPEAN UNION – food standards (edible rapeseed meal): Following clearance by the European Food Safety Authority *(see MPPU Sep'20)*, rapeseed meal-based food ingredients have been approved for human consumption by the European Commission in December. According to industry sources, the new plant protein and fibre powder can be used as an ingredient in a variety of food applications and complies with numerous dietary claims.

EUROPEAN UNION – market regulation (olive oil): In November, the European Commission approved voluntary self-regulation of the Spanish olive-oil market by the country's main agricultural cooperative, *Cooperativas Agro-alimentarias*. The decision, which will be formally codified into the bloc's Common Market Organization, will allow members of the cooperative to withdraw surplus olive oil from the domestic market in years when production exceeds local demand and exports. *(See also MPPU July/Nov'19 & July'20)*

EUROPEAN UNION / UNITED STATES OF AMERICA – retaliatory import tariffs: Following the WTO ruling, on 13 October 2020, that the European Union may take counter-measures against the United States for providing illegal subsidies to aircraft maker Boeing, the European Commission introduced additional tariffs on a number of US products, including civilian aircraft, food, agricultural and industrial goods. Bulk agricultural imports from the United States subject to an additional duty of 25 percent as of 10 November 2020 include unshelled/shelled groundnuts and selected, minor vegetable oils like tung, jojoba and oiticica oil. As for groundnuts, in 2017–2019, annual EU imports of unshelled and shelled US groundnuts averaged 23 000 and 99 000 tonnes respectively, accounting for 29 percent and 16 percent of the EU's total imports. *(See also MPPU May/Nov.'19 & July/Sep.'20)*

FRANCE – pesticide regulation:
Following its decision to restrict – rather than outrightly ban – the use of glyphosate *(see MPPU Nov.'20)*, the Government announced that farmers voluntarily ending the chemical's use would receive financial support in the form of temporary tax breaks. In addition, public funding to help farmers change their agricultural equipment will be increased. France's National Research Institute for Agriculture, Food and Environment estimated that grain farms halting glyphosate use would face a loss in gross operating profits of up to 16 percent, amounting to extra annual costs of up to 80 euro per hectare. Reportedly, the Government is aiming for a 50 percent reduction

in the chemical's use by the year 2022. At EU level, the approval for glyphosate expires in December 2022, although the industry already submitted a dossier for its renewal.

INDIA – agricultural support

- Public crop procurement: In November, the Government continued procuring Kharif crops from farmers at fixed minimum support prices. Reportedly, based on proposals received from individual states, central authorities approved the procurement of 4.5 million tonnes of pulses and oilseeds and 123 thousand tonnes of copra.
- Fertilizer subsidy: As part of a stimulus package to boost the country's economy and with a view to encourage farmers to increase plantings in the impending Rabi crop season, on 13 November, India's Ministry of Finance earmarked an additional INR 650 billion (USD 8.89 billion) in fertilizer subsidies for the ongoing 2020-21 fiscal year – reversing a previous Government decision to reduce the fertilizer subsidy allocation by 11 percent.

INDIA – food standards & health policies

- Edible oil adulteration: The High Court of Tamil Nadu state passed an interim order banning the sale of edible oil in loose packets, citing concerns that such oil is widely adulterated, for instance by adding portions of cashewnut shell liquid and palm olein. India's national Food Safety and Standards Regulations actually prohibit the sale of edible oils as loose oil.
- Edible oil standards: The country's Food Safety and Standards Authority released for comment a set of new standards and modified existing standards for a variety of food products, including raw edible oils and multi-source edible vegetable oils.

INDIA – import policy: Concerned about rising food price inflation, the Government lowered import duties on crude palm oil from 37.5 percent to 27.5 percent, effective 27 November 2020. Reportedly, local palm oil prices increased strongly on the back of surging world market prices. The tariff reduction is expected to favour imports of palm oil, which, due to the corona-virus crisis, experienced lower demand from the hospitality sector. Meanwhile, the import duty for competing vegetable oils has been left unchanged at 35 percent. Domestic prices for sunflower and soybean oil also recorded sharp rises, as demand for these oils – which are primarily consumed within households – increased in the wake of the COVID-19 epidemic. Market experts didn't exclude upward corrections in the various edible oil import duties in the near future, in time to encourage domestic oilseed plantings in the forthcoming season.

INDONESIA – palm oil export duties: The marked rise in world palm oil prices recorded since mid-2020 has led to adjustments in Indonesia's export tariffs. On 30 November, the tax on crude palm oil exports was raised from USD 3 per tonne to USD 33, while, on 10 December 2020, the levy charged on crude palm oil exports changed from a fixed amount of USD 55 per tonne to a variable rate ranging from USD 55 to USD 255 depending on the commodity's price. The USD 55 rate kicks in when the benchmark price reaches USD 670, with every additional USD 25 price rise triggering a USD 15 levy increase – up to a maximum of USD 255 when the price exceeds USD 995 per tonne. The levies on refined palm oil products have also been raised progressively. For December, based on a reference price of USD 871 per tonne, the combined export tariff applied to crude palm oil cargoes amounted to USD 213 per tonne, composed of a USD 33 tax and a USD 180 levy.

INDONESIA – biofuel policy: The revision in the structure of Indonesia's levy on palm oil exports (see above) was introduced to increase fund raising in support of the country's ambitious biodiesel policy, which includes plans for lifting the country's mandatory blending rate from 30 percent to 40 percent in 2021 *(see also MPPU Sep.'20)*. Proceeds from the levy collection are used to subsidize biodiesel producers when the cost of palm oil-based diesel exceeds that of regular diesel. In 2020, as the price gap between the two fuels increased markedly, Indonesia spent

more on biodiesel subsidies than it collected through the export levy (IRP 25.7 trillion versus IRP 17–18 trillion, respectively USD 1.83 billion and USD 1.21–1.28 billion), according to official estimates. Owing to the revision in the levy's structure, the Government expects to raise IRP 36 to 45 trillion (USD 2.56–3.2 billion) in 2021 to fund both the its biodiesel programme and an oil palm replanting scheme for smallholder farmers. Regarding the allocation of biodiesel to the country's 20 biofuel companies, the Government distributed about 8.5 million tonnes in 2020, compared with the 9.6 million tonnes planned originally. In 2021, the Government expects to allocate 9.2 million tonnes, which points to a postponement of the planned rise in the mandatory blending rate – from 30 percent to 40 percent – to after 2021. Reportedly, the Government's more cautious approach results from an uncertain fuel consumption outlook due to the COVID-19 pandemic.

KYRGYZSTAN – export restrictions: The Government banned for a period of six months the export of selected agricultural products – including vegetable oils – outside of the Eurasian Economic Union (EAEU). The restriction has come into effect on 19 November 2020. An analogous ban was introduced in March 2020 with a view to secure domestic supplies during the COVID-19 crisis.

MALAYSIA – variable palm oil export tax: In January 2021, ending a 7-month duty free period *(see MPPU July'20)*, an 8 percent tax will be applied to the country's exports of crude palm oil. The tax scheme's maximum rate was established after the palm oil reference price rose above the MYR 3 450 (USD 855) threshold. The payable duty will amount to MYR 278 (USD 69) per tonne.

MALAYSIA – migrant labour policies: In November, the Government opened a six-and-a-half month window to regularize undocumented foreign migrants, with a view to address chronic labour shortages in certain sectors that have been aggravated by travel restrictions introduced in the wake of the COVID-19 crises. The country's plantation industry is among the sectors most affected by manpower shortages *(see also MPPU Sep./Nov.'20)*. The Malaysian Palm Oil Board and the sector's Palm Oil Association welcomed the Government's initiative, confirming that the move would help plantation owners deal with the acute lack of labour force – provided the newly regularized workers possessed the required skills or received appropriate training. Industry stakeholders are waiting to see the details of the regularization programme.

MALAYSIA – agricultural policy: According to media reports, the Government's 2021 budget proposal features a number of items concerning the palm oil sector. First, the draft budget includes an allocation to support implementation of the Malaysian Sustainable Palm Oil (MSPO) scheme, in particular the adoption of certification by smallholders. Second, the budget proposes a matching grant for investment in the mechanization of the plantation sector. Third, the budget envisages incentives to encourage the recruitment and training of locals in the plantation sector – a measure aimed at reducing persistent labour shortages. And fourth, the Government proposed a revolving fund for forest farming development. On the other hand, industry calls to rescind or revise a windfall profit levy collected from oil palm growers *(see MPPU Jan.'20)* have not been considered in the budget.

RUSSIAN FEDERATION – export policy/market regulation: In December, driven by concerns about rising domestic prices for staple foods, the Government revised the export duties for several oilcrops and derived products. The export duties on sunflowerseed and rapeseed were hoisted from 6.5 percent to 30 percent but not less than EUR 165 per tonne (USD 199). The higher duties came into effect on 9 January 2021 and will remain in place until end-June 2021. Expected to reduce shipments and lower local prices of the two commodities, the measures could also favour exports of the crops' derived

products. Reportedly, the Government also considered introducing a 15 percent export duty on sunflowerseed oil. Meanwhile, the Government brokered price agreements between crushers and retailers, which capped sunflower oil retail prices at RUB 110 per kg (USD 1.50) until March 2021. Toward end-December, the Government also decided to institute a temporary tax of 30 percent (but not less than EUR 165 per tonne) on soybean exports to secure domestic supplies amid rising global prices. The soybean duty will come into effect on 1 February 2021 and remain in place for five months. Observers expected the measure to affect producers in the country's far eastern regions, which rely on selling soybeans to neighbouring China.

TURKEY – import policy: On 5 November 2020, the Government announced that the 3 percent tariff and the flat duty of EUR 100 per tonne (USD 121) applied to sunflowerseed imports would be suspended for eight months until end-June 2021. Towards end-November, to secure sufficient supplies for local refiners amid surging international prices, the Government also lowered the import duty on sunflowerseed oil from 36 percent to 3 percent, while the applicable EUR 100 flat rate would be reduced to EUR 60 per tonne (USD 73).

UKRAINE – tax policies: With a view to support domestic food manufacturers, the Ukrainian Parliament agreed to cut the country's value added tax on selected agricultural products – including sunflowerseed, rapeseed, soybeans, linseed and other oilcrops – to 14 percent from the current level of 20 percent. VAT refunds on exports of the concerned commodities would be reduced proportionally.

UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND – agricultural policy: On 11 November, the UK Parliament approved the Agriculture Act that paves the way for a 7-year transition to a new compensation mechanism centred on the delivery of public goods, notably environmental protection, fostering biodiversity, sustainable soil management, and improving air and water quality.
At the same time, productivity improvements and technological uptake will be encouraged. Direct payments under the EU Common Agricultural Policy will be phased out between 2021 and 2027.

UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND – environmental policies: After completion of a public comment period *(see also MPPU Sep.'20)*, in November, the UK Environment Bill resumed passage through Parliament. *Inter alia*, the proposed legislation would support Government efforts to tackle "imported deforestation" stemming from UK imports of products like cocoa, rubber, soybeans and palm oil. Under the draft bill, greater due diligence would be required from the country's businesses, while the use of commodities that have not been produced in compliance with local laws protecting forests and other natural ecosystems would be banned. Furthermore, businesses would need to be more transparent about where they source products from, and companies failing to comply would be subject to fines.

UNITED STATES OF AMERICA – import measures (palm oil): Following investigations into alleged labour abuses, in December, the U.S. Customs and Border Protection (CBP) issued a withhold release order that allows the agency to detain shipments of palm oil and palm oil products originating from a specific supplier in Asia. An analogous measure concerning another Asian palm oil supplier was reported in September *(see MPPU Nov.'20)*.

BRAZIL, CANADA, JAPAN – pesticide regulations: In November, Brazil announced revised MRLs – i.e. maximum residue levels tolerated in food or feed products – for a pesticide used in soybean cultivation, while Canada and Japan established MRLs for a number of pesticides used on soybeans and other food crops.

Regional trade agreements – RCEP:
On 15 November, Australia, China, Japan, New Zealand, South Korea and the 10 members of ASEAN (Association of Southeast Asian Nations) signed the Regional Comprehensive Economic Partnership (RCEP) agreement. Overall, the agreement will significantly facilitate trade and reduce tariffs on goods among the 15 participating countries over the next ten years. The RCEP also strengthens rules on state-owned enterprises, competition, rules of origin, and product standards.

Sector development measures

- India – oil palm: An oil palm development project has been launched in the country's northeastern state of Manipur, where the responsible departments identified more than 66 000 hectares of land suitable for oil palm cultivation. The project is part of the National Mission on Oilseed and Palm Oil that aims to make the country self-sufficient in edible oils. Central government funding has been provided for the procurement of seedlings.
- France – protein crops:
The Ministry of Agricultural presented a strategy for the development of the country's protein crop production *(see also MPPU Nov. '20)*. Under the plan, the area sown with protein-rich crops would rise by 40 percent (from 1 million to 1.4 million hectares) in 2022 and double by 2030 (reaching 2 million hectares) – thus helping to lower the country's reliance on soybean/soymeal imports used as livestock feed. The plan also aims to address the issue that soybean imports can contribute to deforestation in supplying countries. Reportedly, the Government set aside a total of EUR 100 million over two years to encourage farmers to plant more protein crops and support relevant research.
- South Africa – olive oil: With a view to improve the viability of the country's olive industry, in November, the Government raised the levy imposed on importers, processors and producers of olives and olive oil when they first sell their product. The new levy amounts to ZAR 0.08/kg for olives and ZAR 0.40/litre for olive oil (respectively 5.3 US cents and 2.6 US cents). Collected by a local industry body, the assessment will be used to fund research projects, quality control and certification, consumer education and other related activities.
- Tanzania – oil palm & annual oilcrops:
The country's Agricultural Research Institute informed that it produced and distributed over 3 million oil palm seedling, all belonging to *tenera* hybrid varieties with yield potentials of 8–9 tonnes of oil per hectare, which compares to average yields of 1.6 tonnes for traditional *dura* varieties. Reportedly, the state institute is also conducting research on improved sunflower, sesame and groundnut varieties, with a view to improve domestic production and reduce the country's dependence on edible oil imports.
- United States of America – annual oilcrops:
In the state of Montana, oilseed growers, industry stakeholders and the Department of Agriculture are considering to establish 1 percent checkoff for rapeseed, flaxseed, mustard, safflower, soybeans and sunflower crops, with a view to fund sector-specific research activities as well as market development and education programmes. Assessments would be voluntary and would be collected at the first point of sale.

Dietary guidelines – nutritional scoring of oils/fats (European Union): The *Nutri-Score* food labelling system proposed for EU-wide implementation in 2021 is undergoing critical scrutiny by both industry and government officials in Spain. According to officials, the health benefits of extra virgin olive oil are not adequately reflected under the proposed scheme, which – by failing to distinguish between different types and grades of vegetable oil – is said to misinform and confuse consumers. *(See also MPPU Mar. '20)*

Biodiesel – industry measures (India):
To ensure food safety and prevent health hazards linked to the prolonged consumption of used cooking oil, food business operators in Kerala state decided to join the Repurpose Used Cooking Oil (RUCO) initiative launched by India's

Food Safety and Standards Authority (FSSAI). The concerned companies committed to provide used cooking oil to an FSSAI accredited service provider for conversion into biodiesel. *(See also MPPU Mar.'20)*

R & D – product development

- Biodegradable palm oil film:

A group of researchers developed a technology converting hemicellulose from palm oil waste into biodegradable film for food packaging. Hemicellulose is the main component of empty oil palm fruit bunches, a waste product of palm oil production. Reportedly, the inclusion of additives to make hemicellulose-based films electronically or photocatalitically active could expand the range of applications in the future.

- Shea-based cocoa butter equivalent:

A specialty oils and fats solutions company launched a sheanut-based cocoa butter equivalent (CBE) said to offer superior heat stability, fast crystallization and good sensory properties. The product is more abundant in stearic acid and has lower levels of saturated fats compared to cocoa butter and other more commonly used CBEs, the company informed. The sheanuts used are imported from the West Africa region.

R & D – varietal research (olive tree):
A team of scientists identified genetic variations that allow certain olive tree varieties to be resistant to *verticillium* wilt, a fungal disease for which no cost-effective treatment is currently available. Reportedly, the discovery could pave the way for the development of new resistant cultivars.

Marketing practices & industry initiatives

- Product authentication/fraud prevention (olive oil): To strengthen authentication of their products and prevent fraudulent practices typical for the olive oil industry, a Spanish olive oil cooperative and an Argentinian olive oil supplier joined the *IBM Food Trust* platform, which uses blockchain technology to trace products to their source, thus creating a verifiable transaction chain and allowing consumers to scan a QR code for information on a product's origin and subsequent processing. *(On recent, comparable initiatives see MPPU May/July'19 & Mar.'20)*
- Advanced information technology (soybean cultivation): According to the media, in the Brazilian state of Goias, information technology company *Huawei* joined a pilot project aimed at helping soy farmers raise productivity and enhance disease control. Reportedly, sensors placed in the fields, drones and on combine harvesters collect meteorological and other agronomical information for delivery to farmers in real time, using 5G communication and data processing technology.
- Advanced information technology (palm oil industry): A developer of AI-based solutions and software joined forces with a company that develops mobile-based enterprise resource planning technology to assist Indonesian palm oil players – farmers, transporters, aggregators and processors – in verifying their sales transactions through formal contracts and data digitalization. Applications include the creation of accurate earning ledgers for workers, who, in order to access basic banking services, need to build detailed income and credit histories.
- Food product marketing ('Palm oil free' labelling): According to media reports, the Malaysian Palm Oil Association (MPOA) filed a formal complaint demanding that global food company *Kraft Heinz* – a member of the global, industry-led palm oil certification body Roundtable on Sustainable Palm Oil (RSPO) – refrains from using 'No palm oil' product labels. Allegedly, the company's practice violates the RSPO's member code of conduct, which requires members to coherently promote the production, use and uptake of certified sustainable palm oil.

Futures markets

- Soyoil contract – India: On 1 December, the National Stock Exchange of India launched its first agricultural commodity futures contract on crude degummed soybean oil. The contract, which will be available on both the National Commodity and Derivative Exchange (NCDEX) and the Multi Commodity Exchange (MCX), is expected to help India's soybean oil processing and allied

industries hedge price risks. India is the world's leading importer of vegetable oils, with imports accounting for about 60 percent of domestic consumption.

- Palm oil futures – China: In December, overseas investors gained access to palm oil futures trade in China. Access has been opened on the Dalian Commodity Exchange. China relies strongly on palm oil imports and currently is the world's third-largest importer (after the EU and India) and the fourth largest palm oil consumer.

Sustainability initiatives – cross-commodity (industry activities)

- Sourcing policies: As part of its 'Sustainability Roadmap 2025', global aquafeed and animal nutrition group *Nutreco* reported that it is reviewing its soybean and palm oil sourcing policy, with a view to remove deforestation from its supply chains and ensure that the rights of local communities are respected. Committed to only source ingredients that are free from both illegal and legal deforestation by 2025, the company aims to simplify complex certification schemes used by procurement teams.
- Investor pressure: Aimed at slowing down deforestation, a group of institutional investors called on companies to improve transparency in their sourcing of palm oil, soybean, beef and other agricultural commodities. Reportedly, the investors' alliance plans to use satellite imagery and artificial intelligence to detect forest cover changes and identify companies whose supply chains involve deforestation.

Sustainability initiatives – cross-commodity (third party reports)

- Indigenous peoples rights: A coalition of Indonesian human rights organizations and international NGO *Forest Peoples Programme* called on the UN Committee on the Elimination of Racial Discrimination (UN-CERD) to consider the situation of indigenous groups following the recent passage of Indonesia's Job Creation Act – an omnibus bill introduced to stimulated economic recovery in the wake of the COVID-19 crisis. According to the claimants, the new law rolls back already limited protection of indigenous peoples, while further privileging the interests of the business community, specifically plantation companies and extractive industries. Passed in October 2020, the Act has come under scrutiny of numerous civil society groups, who expressed concerns that the new law would weaken not only labour rights but also undermine existing provisions to protect forests and environmental safeguards applying to the plantation sector.
- Forest protection: Environmental advocacy group Forest Conservation Fund urged companies buying palm oil, soybeans, paper and other commodities contributing to deforestation to actively protect forests – in addition to on-going efforts to free supply chains from unsustainable production practices. According to the NGO, currently available solutions for companies who want to offer deforestation-free products – primarily relying on certification schemes – have proven to be complex, costly and time-consuming and generally less effective than expected. Parallel company initiatives to actively protect forests, support forest-friendly development options and fund land tenure for local forest communities could be more cost-effective, the NGO argued.

Sustainability initiatives – soybean (industry sourcing policies): Global food companies issued a joint call asking the world's key commodity trading houses to stop sourcing, directly or indirectly, soybeans associated with deforestation in Brazil's Cerrado region, where about 60 percent of the country's soybeans are grown. Traders were urged to step up their own commitments and implement robust monitoring, verification and reporting systems within the region. According to the food producer alliance, none of the trading companies contacted agreed to the requests made. Furthermore, Brazil's soybean industry rejected a sudden introduction of zero-deforestation obligations in the region, arguing that national law allows Cerrado farmers to clear up to 80 percent of native vegetation on land owned. On the other hand, industry representatives said they were open to the idea of offering farmers financial compensation for protecting

native vegetation beyond their legal obligations. Reportedly, to date, only a few companies agreed to provide funding for such an initiative.
(On related private/public initiatives targeting Cerrado farmers see MPPU May/Dec.'18, Jan./May'19 & Jan./May/July'20.)

Sustainability initiatives – palm oil (industry sourcing policies): Global agri-trading firm *Cargill* announced that it was expanding its supply of segregated RSPO-certified palm oil in North America, in an effort to help customers meet their sustainability commitments. Segregation – as opposed to mass-balanced products – requires certified products to be kept separate from ordinary palm oil throughout the supply chain. Out of the four sale channels offered by RSPO, the segregated supply chain approach ranges below the 'identity preservation' model, which guarantees that products from a single identifiable certified source are kept separate and traceable throughout the supply chain.

Sustainability initiatives – palm oil (RSPO news)

- High forest cover countries (Africa): RSPO looked into how to balance conservation with economic development in high forest cover countries (HFCCs) such as the Democratic Republic of Congo, the Republic of Congo, Gabon and Liberia. While recognizing that HFCCs urgently need economic opportunities that deliver socio-economic benefits and safeguards to concerned communities, RSPO stressed that any interest in oil palm development within these nations needed to be pursued sustainably. The industry body defines HFCCs as countries with i) more than 60 percent forest cover and less than one percent of oil palm cover, ii) a deforestation trajectory that is historically low but increasing in recent years, and iii) a known frontier of palm oil, or where major areas have been earmarked for oil palm development.
- Market promotion – China: RSPO intensified its efforts to promote the consumption of sustainable palm oil in China. In November, the group participated in a Chinese retail trade fair to raise the awareness of retailers and consumers about certified sustainable palm oil and encourage them to support conservation efforts. Although China is the world's third largest importer of palm oil, certified palm oil continues to account for a small portion of the domestic market. *(See also MPPU May/Aug.'18, Sep.'19 & July/Sep.'20.)*
- Smallholder income diversification: RSPO reported that independent oil palm smallholders in Indonesia have been diversifying their income to reduce exposure to fluctuating palm oil prices and production by engaging in activities such as cattle grazing, producing compost (from cow manure and palm oil waste) for use in plantations, and planting cassava and other food crops between palms (in either young or aging plantations).
- Smallholder training: RSPO reported on on-going efforts to help oil palm smallholders and their supporting organizations to get access to high quality training aimed at achieving sustainable livelihoods. Reportedly, RSPO-trained individuals have been using creative approaches to train and engage smallholders globally to promote their understanding of sustainable practices.
- Production support/market promotion – Thailand: RSPO co-hosted a business forum with the German Agency for International Cooperation (GIZ) to discuss the role of Thai policy makers, business actors, and consumers in supporting the production and consumption of certified sustainable palm oil in Thailand, as well as encouraging Thai smallholders to gain better access to international markets through RSPO certification.
- Smallholder certification – Indonesia: RSPO recorded an increase in membership from groups of independent smallholders in Indonesia. Reportedly, in 2020, 2 149 new smallholders joined the certification body, raising the total number to 5 914 smallholders across 29 groups, with a total certified area of about 15 000 hectares. *(On RSPO's separate standard for independent smallholders see MPPU Jan.'20.)*

Sustainability initiatives – palm oil (third party reports)

- Labour rights issues: A coalition of NGO reported alleged labour abuses in a number of oil palm plantations in Indonesia. Reportedly, the palm oil from the concerned plantations was certified by the RSPO and entered the global supply chain, although provisions to protect labour and human rights feature clearly in RSPO standards. The NGOs invited the concerned companies to independently verify the allegations and, if warranted, publish plans for corrective action, including measurable targets that can be monitored by the public. Furthermore, the NGOs recommended that global palm oil buyers request plantations companies to systematically collaborate with labour unions.
- Industry initiatives – risks and options: According to a report by environmental advocacy group Carbon Disclosure Project (CDP), a group of companies linked to the Indonesian palm oil supply chain estimated forest-related risks to have costed them a total of USD 10 billion in 2020. Brand damage was perceived as the greatest risk, with a potential financial impact totalling US$ 4.2 billion. Risks of reduced demand and disruptions in sales and production capacity accounted for the remainder. In order to mitigate these risks and access the financial opportunities that deforestation-free value chains offer, companies need to pair clear target-setting with collaborative implementation on the ground, the NGO wrote. CDP's study is based on a questionnaire compiled by 125 companies that produce, source or use palm oil from Indonesia. The report finds that specific 'No Deforestation–No Peatland–No Exploitation' commitments are still lacking, particularly amongst downstream companies, while only a minority of companies supports ecosystem restoration and conservation projects. Acknowledging that companies willing to remove deforestation from their value chains are hampered by the inherent complexity of the palm oil supply chain, CDP urged businesses to i) strive for full product traceability, ii) improve accountability, iii) promote collaborative action, and iv) provide financial incentives to help scale sustainable practices and remove barriers to certification. Recommended multi-stakeholder initiatives include the use of certification methods that are based on jurisdictional approaches *(see also MPPU Dec.'17, Aug./Oct.'18, July/Sep.'19)*. According to media reports, the Indonesian Palm Oil Association questioned CDP's findings, underlining that local companies had complied with domestic industry standards.
- Company performance: An analysis of 100 producers, processors and traders of palm oil carried out by international conservation group Zoological Society of London (ZSL) showed that companies made progress in setting clear commitments to tackle deforestation, protect peatland and safeguard human rights. However, ZSL also found that a low percentage of companies provided detailed information on how they actually monitored deforestation, forest fire management, peatland conservation etc. The NGO called on palm oil producers, their investors, banks and downstream buyers to ensure that all targets are met, enforced and reported on. ZSL also underlined the importance of all stakeholders coming together to ensure appropriate action is being taken on the ground. The group underlined that palm oil is still regarded as one of the most efficient vegetable oil crops in terms of yield per hectare, meaning that a complete rejection of the product would only likely shift demand to less-efficient alternatives and lead to greater habitat destruction.

For comments or queries
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	International Prices (US$ per tonne) [1]					FAO Indices (2014–2016=100) [7]		
	Soybeans[2]	Soybean oil[3]	Palm Oil[4]	Soybean Cake[5]	Rapeseed Meal[6]	Oilseeds	Vegetable oils	Oilcakes/ Meals
Annual (Oct/Sep)								
2006/07	335	772	684	264	184	80	93	66
2007/08	549	1325	1050	445	296	133	153	109
2008/09	437	849	682	409	206	96	90	89
2009/10	429	924	806	388	220	100	109	92
2010/11	549	1308	1147	418	279	132	159	102
2011/12	562	1235	1051	461	295	132	143	111
2012/13	563	1099	835	539	345	131	120	129
2013/14	521	949	867	534	324	120	116	128
2014/15	407	777	658	406	270	95	93	99
2015/16	396	773	655	351	232	93	95	85
2016/17	404	806	729	336	225	95	103	81
2017/18	402	820	648	381	258	94	94	93
2018/19	370	744	523	328	247	88	80	81
2019/20	379	783	668	338	243	90	93	84
Monthly								
2019 – June	369	725	505	337	236	87	78	83
2019 – July	374	738	498	322	225	88	78	79
2019 – August	363	775	540	315	215	86	83	78
2019 – September	366	765	563	315	201	87	84	77
2019 – October	386	765	579	319	214	91	84	78
2019 – November	377	771	683	318	216	89	93	78
2019 – December	377	814	765	324	237	90	101	80
2020 – January	391	872	840	332	240	94	109	82
2020 – February	376	801	741	334	245	90	98	83
2020 – March	367	722	621	364	255	87	85	89
2020 – April	363	675	573	363	280	87	81	90
2020 – May	361	675	531	328	262	86	78	83
2020 – June	369	741	594	325	229	88	87	81
2020 – July	383	815	659	329	227	91	93	81
2020 – August	387	865	707	345	245	92	99	85
2020 - September	418	893	740	378	270	99	105	93
2020 - October	454	900	763	430	294	107	106	105
2020 - November	502	978	875	470	319	117	122	115
2020 - December	516	1036	963	468	328	121	131	115

[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 2014-2016 period. The indices are based on the international prices of five selected seeds, ten selected vegetable oils and five selected cakes and meals.

Sources: FAO and Oil World

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