Food and Agriculture Organization of the United Nations

OILSEEDS, OILS & MEALS
MONTHLY PRICE AND POLICY UPDATE *

No. 134, September 2020

a) Global price review

The month of August saw a rise in all three FAO price indices trailing the oilseed complex. The oilseeds index increased for a third consecutive month, rising by 0.6 points (or 0.6 percent) and marking the highest level since January 2020. The price indices for oilmeals and vegetable oils posted more significant gains of, respectively, 3.7 and 5.5 points (or 4.6 and 5.9 percent). While all three indices fared above their year-earlier levels, the vegetable oils index stood out with its 19 percent year-on-year gain.

The fresh rise in the oilseeds index mainly reflects steady gains in soybean and rapeseed values. International soybean prices continued to strengthen in August, reaching seven-month highs, underpinned by the following developments in the United States of America (US), where crops are approaching harvest time: i) concerns over both dry conditions across major growing areas and potential crop damages in the Midwest region caused by a derecho windstorm; ii) higher than anticipated domestic crushings in July; and iii) continued firm purchases of US soybeans by China. Positive comments by both the US and China regarding progress of their "phase one" trade deal also supported prices, as did the further tightening of exportable supplies in Brazil. According to market observers, upside momentum was contained by US crop-tour

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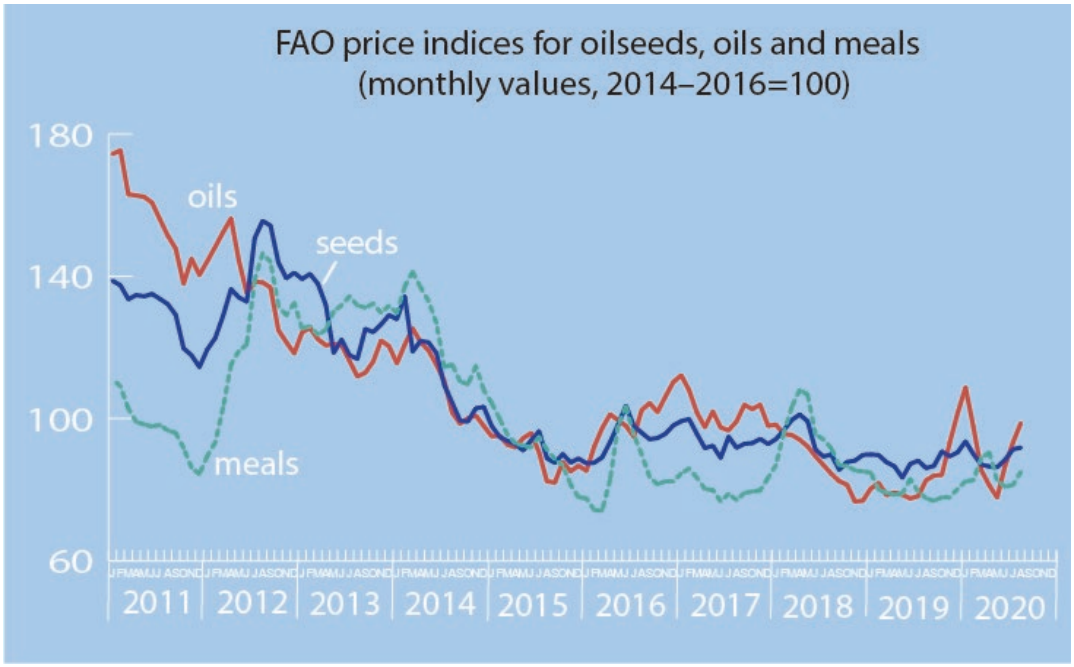


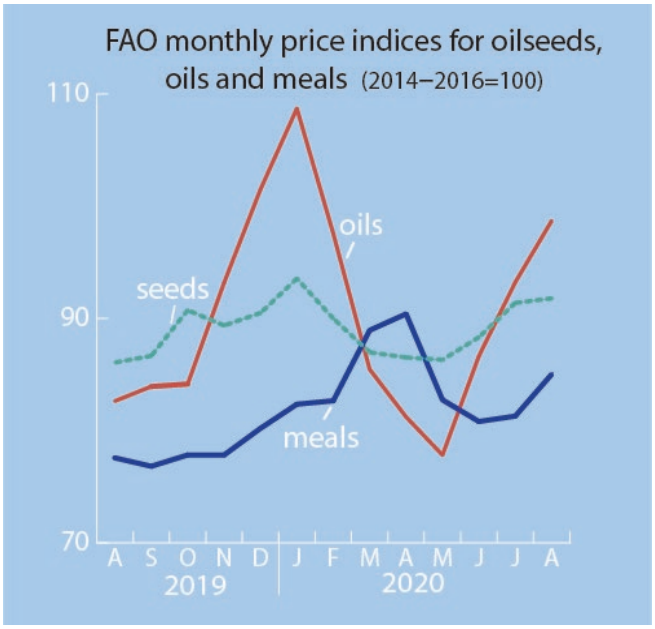
* The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Markets and Trade Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market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

Global price review – *cont'd*

reports of higher than expected pod counts and forecasts of record plantings for the upcoming season in Brazil. As for rapeseed, international quotations rose for a fifth successive month in August, fuelled by prolonged supply tightness in the EU and a deteriorating production outlook in Ukraine due to unfavourable weather conditions. Better than expected export performance in Canada also lent support to rapeseed prices.

In the case of oilmeals, the index's sizeable rise in August primarily stemmed from strengthening soymeal values. Besides the steady recovery in China's pig herd that boosted domestic feed demand, soymeal inclusion rates in Chinese feed rations were reported to have increased substantially, thanks to the product's competitive price relative to maize. On the supply side, the slow pace of crushings in both Argentina and Brazil – due to, respectively, reserved farmer selling and scarce availabilities following this year's record-high soybean shipments – also contributed to the rise in international soymeal quotations.

The fresh gain in FAO's vegetable oil index mainly reflects firmer palm oil values and, to a lesser extent, higher soy, sunflowerseed and rapeseed oil prices. International palm oil quotations appreciated for a third month in succession, reaching the highest level since February 2020. While palm oil production in leading producing countries would normally accelerate seasonally from August onward, this year, growth will likely be constrained by both protracted shortages of migrant labour, especially in Malaysia *(see policy section)*, and the lagged effect of low fertilizer applications and unfavourable weather conditions last year. Additional support to palm oil prices came from estimates of multi-year low inventory levels in Malaysia towards end-July. Meanwhile, soyoil values continued to rise amid better than anticipated uptake from the US biodiesel industry and tightening export availabilities in South America. The hike in soyoil prices observed in the second half of August is also imputable to spill-over effects from the soybean market. With regards to sunflowerseed oil, international prices increased for a fifth consecutive month reaching four-year highs, supported by robust import demand, notably from China, and deteriorating production prospects in the Black Sea region due to hot and dry conditions in pockets of major growing regions. As for rapeseed oil, the further rise in international quotations was fuelled by protracted tightness in global supplies.



b) Selected policy developments and industry news

BRAZIL – agricultural policy: In July, the Government presented its agricultural support programme for 2020/21, highlighting the package's renewed focus on small and medium-sized farms, fresh incentives for sustainable forms of production, a further expansion in the crop insurance programme, and the inclusion of commercial fishing/aquaculture into the public loan schemes. Overall, in the new season, producers will have access to different types of loans adding up to BRL 236.3 billion (USD 43.5 billion) – about 6 percent more than last season. Roughly 65 percent of the funds will be provided on concessional terms, with average interest rates ranging below those applied in 2019/20. Marketing assistance loans will account for three quarters of public credit, with the remainder being earmarked for various types of on-farm investment. Total government outlays for interest rate subsidies have been set at BRL 11.5 billion (USD 2.1 billion), or 15 percent above last year's level. At BRL 1.3 billion (USD 239 million), public outlays for crop insurance are set to expand sizeably for the third consecutive year. In 2020/21, 300 thousand insurance policies worth a total of BRL 52 billion (USD 9.6 billion) are expected to cover some 21 million hectares of farmland.

BRAZIL – pesticide regulation (dicamba): In July, the Government approved several dicamba-based herbicides used in the cultivation of genetically engineered soybean and maize. Recently, possible environmental risks arising from the chemical's use came under scrutiny in the US *(see MPPU July'20)*.

BRAZIL – import policy: In August, concerned about increasingly tight domestic supplies of soybeans, maize and rice (and corresponding price increases), the Agriculture Ministry considered to temporarily suspend the 8 percent tariff on imports of the said commodities from countries outside the Mercosur trading bloc.

BRAZIL – biodiesel policy: Concerned about potential shortages in soyoil and soyoil-based biodiesel amid a faster than expected rebound in domestic diesel consumption (following the slowdown caused by the coronavirus outbreak), in August, Brazil's National Petroleum Agency decided to temporarily lower mandatory admixture of biodiesel blended with transport diesel from 12 percent to 10 percent *(see also MPPU July'20)*. Reportedly, the lower blending requirement will remain in place until end-October. Industry sources estimate that each 1 percent increase in the country's biodiesel-diesel blend corresponds to about 600 million litres of additional production per year.

CANADA – GMO approval: Canadian authorities approved a GM rapeseed rich in omega-3 fatty acids for cultivation, stating that the new variety posed no increased environmental risk compared to conventional rapeseed. The oil and the meal derived from the seed were deemed safe for human/animal consumption. Reportedly, the company that developed the variety is still seeking regulatory approval in other relevant markets. *(See also MPPU Sep.'19)*

CHINA – import diversification (Myanmar): In line with previous efforts to diversify the country's import sources for feed ingredients, in July, China's General Administration of Customs initiated talks with the Agriculture Ministry of Myanmar about import procedures and food safety requirements for selected commodities, including soybeans, the media reported. While soybean cultivation can be found in Myanmar's Shan State, which borders China, limited access to quality seed, advanced pest management techniques and modern marketing tools are said to hamper the crop's expansion.

CHINA – market regulation (government auctions): Domestic auctions of oilseeds and oils from state reserves resumed in June 2020 and led – up to end-August – to the sale of about 1.56 million tonnes of soybeans, 145 thousand tonnes

of soybean oil, 104 thousand tonnes of rapeseed oil, and 6 thousand tonnes of sunflowerseed oil. Soybean sales consisted of about 700 thousand tonnes of domestically produced, non-GM beans and 900 thousand tonnes of imported GM beans, which, respectively, fetched an average per tonne price of CNY 5 057 and CNY 3 120 (USD 744 and 459).

EUROPEAN UNION – biodiesel anti-dumping/subsidy duties (United States of America): Following a request of the European Biodiesel Board, the European Commission decided to re-examine and possibly extend the anti-dumping/subsidy duties the bloc applies to biodiesel imported from the US. First introduced in 2009 and subsequently extended in 2015 *(see MPPU Sep.'09, Nov.'14 & Oct.'15),* the corrective duties were set to expire on 16 September 2020. The Commission now has 15 months to conduct its review, during which time the current duties will remain in place.
-On a separate note, the Government of the United Kingdom (UK) is considering to transpose the corrective duties the EU currently applies to biodiesel originating from both the US as well as from Argentina and Indonesia once the UK ceases to apply the bloc's Common External Tariff.

EUROPEAN UNION – food standards (edible rapeseed meal): The European Food Safety Authority (EFSA) determined that food-grade rapeseed meal can be safe for human consumption. Traditionally used as animal feed, the by-product from oil extraction becomes edible upon removal of the anti-nutrients typical for rapeseed. Following EFSA's favourable opinion, the product's commercialization will have to be authorized by the European Commission and Member States. *(See also MPPU Mar.'19 & July'20)*

EUROPEAN UNION – GMO approval (rapeseed): EFSA issued a positive safety assessment regarding the use of a newly developed GM herbicide-tolerant rapeseed. The new variety's use as food and feed was deemed as safe as that of conventional rapeseed. Taking into account the agency's opinion, the European Commission and Member States are called to decide about the variety's formal approval.

EUROPEAN UNION – pest control (*xylella fastidiosa*): Based on recent research carried out by EFSA and experience gathered in the different EU outbreak areas, the European Commission amended its regulations regarding the control of *xylella fastidiosa*, the disease that has affected olive groves across the bloc. Under the new rules, the size of "infection zone", i.e. the area around infected plants where trees must be uprooted, has been reduced by half, as has the "buffer zone" (around affected areas), which is aimed at preventing the spread of the disease to unaffected areas. In addition, individual "buffer zones" will be determined based on whether the disease is actively spreading and what eradication measures have been taken. Furthermore, Member States will be required to i) intensify their surveillance activities in order to identify outbreaks more rapidly; ii) develop contingency plans and protocols to be applied in case of outbreaks; and iii) conduct awareness building activities. In regions where eradication of the disease is no longer feasible, concerned authorities should concentrate their efforts on containment measures. The new regulations also envisage increased scrutiny of high-risk product movement within the EU, along with strict criteria for third country imports.

EUROPEAN UNION – market regulation (olive oil): To address problems arising from excess supplies and persistently low prices in the European olive oil market, EU policy makers are considering to allow olive oil producing Member States to regulate production and supply through measures that improve the operation of the market without distorting competition. Reportedly, corresponding provisions could be included in a set of transitional regulations that will govern the bloc's agricultural policies until a new Common Agricultural Policy is introduced in 2022.

INDIA – sector development measures (palm oil): India's Telangana State sought Malaysia's expert assistance in the development of the state's oil palm industry. Reportedly, the two parties agreed to work together in the transfer of relevant technologies in oil palm cultivation and palm oil processing. While Malaysia is eyeing an expansion in its exports, Telangana's Government envisages a rise in local oil palm cultivation from the current 20 000 hectares to 690 000 hectares, inter alia by offering subsidies and other incentives to growers.

INDIA – GMO policy: On 21 August, the Food Safety and Standards Authority of India (FSSAI) issued an interim order requiring traders to declare, from 1 January 2021 onward, that major imported crop products – including maize, wheat, rice and soybeans – are not genetically modified and are of non-GM origin. The required GM-free certificates will have to be issued by the competent national authorities of exporting countries. Subsequently, the agency clarified that the new order will not apply to processed food products prepared with the concerned commodities nor to products imported for use as animal feed.
The interim order is expected to lead to stricter inspection of imported consignments at Indian ports.

INDONESIA – sliding export tax (palm oil):
For August and September, Indonesia's progressive export tax for palm oil will stay at zero, as the respective reference price remained below the USD 750 per tonne threshold that triggers taxation. September marks the sixth consecutive month of tax suspension. Meanwhile, the USD 55 per tonne palm oil export levy remains in place.

INDONESIA – biofuel policy:
Contrary to recent statements that the planned shift to 40 percent mandatory blending of biodiesel into regular diesel (B40) would be postponed to 2022 *(see MPPU July'20),* in July, the Indonesian Government announced that policies to raise the national blending mandate were back on track, with B40 implementation scheduled for July 2021. Reportedly, the gradual recovery in mineral oil prices contributed to the change in plans, as it helped improve the competitiveness of palm-oil based biodiesel. Indonesia's biofuel policy is aimed at absorbing a growing share of domestic palm oil production, while reducing the country's GHG emissions and cutting diesel fuel imports. On a separate note, in August, a Finance Ministry official stated that further increases in the country's palm oil export levy to support the government's biodiesel programme could not be excluded in the future. Furthermore, official sources reiterated that – different from B30 biodiesel, which contains 30 percent of fatty-acid-methyl-ester (FAME) – B40 biodiesel would combine 30 percent of FAME with 10 percent of 'renewable diesel' derived from palm oil using hydro-treatment *(see also below).* The new formulation, which entails higher production costs, is said to be more suitable for vehicle engines due to a higher cetane value. Reportedly, blends with FAME content above 30 percent faced resistance from car makers, as such fuels require special handling and equipment, can corrode engine gaskets, and tend to solidify at low temperatures.

INDONESIA / EUROPEAN UNION – trade dispute (EU renewable energy policy):
On 29 July, at the request of Indonesia, the WTO established a panel to review certain measures taken by the EU on palm oil and palm oil-based biofuels, citing alleged possible inconsistencies with provisions under the GATT 1994, the Agreement on Subsidies and Countervailing Measures, and the Agreement on Technical Barriers to Trade. Eighteen countries, including Malaysia and other producers and exporters of palm oil and palm oil-based fuel, reserved their third-party rights to participate in the proceedings. *(See also MPPU Jan'20)*

ITALY – disease control (*xylella fastidiosa*):
The Italian Government approved payments of over EUR 68 million (USD 80) to farmers in its Puglia region who suffered damage by *xylella fastidiosa* in 2016 and 2017. Reportedly,

additional funds might be made available for post-2017 damage. In addition, the local Government earmarked EUR 40 million (USD 47 million) for investments to support plantings of tolerant or resistant olive tree varieties.

MALAYSIA – trade measures (palm oil)

- Image protection: Malaysia announced a number of new initiatives to fight growing criticism, in certain countries, about palm oil's alleged negative environmental impact.

To promote the commodity's qualities at local and international level, the Government launched the slogan "Palm oil is God's gift", which is set to replace a domestic pro-palm oil campaign launched in 2019 *(see MPPU May&Nov.'19)*. Reportedly, Government actions to safeguard the oil palm industry will concentrate on: i) promoting the nutritional benefits of palm oil internationally; ii) sponsoring scientific studies on the product's properties; iii) supporting R&D activities to create new value-added products; iv) strengthening selected export markets, particularly India, China, Pakistan and the US; v) penetrating the African and Middle Eastern regional markets; and vi) pursuing regional trade consultations and bilateral free trade agreements. In July, Malaysia also announced that it was ready to follow Indonesia's path of requesting WTO disputes consultations with the European Union regarding the latter's planned ban on palm oil-based biofuel *(see MPPU July'20)*.

- Export promotion (Myanmar):

The Malaysian Palm Oil Council encouraged the country's palm oil traders to set up joint ventures in Myanmar in a bid to raise Malaysia's market share in that country. In addition to seeking partnerships with Myanmar companies in the consumer and hotel-restaurant-café sector, Malaysian traders have been directed to invest in storage and processing facilities to facilitate the distribution and production of palm oil in Myanmar.

- Certification progress: Official sources provided the following update regarding the implementation of the country's mandatory sustainability certification: as of 30 July, more than 85 percent of Malaysia's 5.9 million hectares of oil palm plantations and around 90 percent of the country's 452 palm oil mills obtained the Government-sponsored Malaysian Sustainable Palm Oil (MSPO) certification. In addition, nearly all of the country's organized smallholders, who cultivate 679 thousand hectares of plantations, have been certified. Meanwhile, the training of independent smallholders in implementing best agricultural practices for eventual admission to MSPO's group certification schemes continued. Meanwhile, as of July, 162 clusters of independent smallholders involving 62 thousand growers with 238 thousand hectares managed to obtain certification. In regard to independent smallholders, certification proves particularly challenging due to the absence of valid land titles and/or the use of temporary land titles and part-time or contract farming.

MEXICO – pesticide regulation (glyphosate): In August, the President of Mexico announced that the use of glyphosate – a herbicide widely used in soybean cultivation – would be gradually phased out by late 2024 due to safety concerns. Reportedly, the Federal Ministries of Environment and Agriculture and Rural Development are working jointly to establish a schedule for the chemical's gradual withdrawal. The herbicide's use will be prohibited within government agencies and projects with immediate effect.

PAKISTAN – market regulation: The Government is considering to take action against domestic cooking oil and ghee producers who – contrary to recent agreements – failed to lower the retail price of these essential commodities, local media reported *(see also MPPU July'20)*.

UNITED KINGDOM – environmental policy: The UK Government invited comments from local and international stakeholders about a proposed measure that would prohibit large businesses to use commodities grown on land that has been deforested illegally. Under the proposal, businesses and retail chains above a certain size

would be required to prove where products such as cocoa, rubber, palm oil and soybeans came from and whether they were produced in line with local laws on environmental protection. *(See also MPPU Sep.'19 on comparable initiatives at EU-level)*

UNITED STATES OF AMERICA – biofuel policy: The US Department of Agriculture confirmed that it was making available up to USD 100 million in competitive grants for activities designed to expand the availability and sale of renewable fuels. The funds are part of the USDA's recently launched Higher Blends Infrastructure Program, which is aimed at increasing the sale and use of higher ethanol and biodiesel blends by expanding the infrastructure for renewable fuels derived from US agricultural products. Funds will be used to assist transportation fuelling and biodiesel distribution facilities with converting to higher blends by contributing to relevant costs and/or offering sales incentives for the installation of fuel pumps, related equipment and infrastructure. *(See also MPPU May'20)*

UNITED STATES OF AMERICA – relief programme: On 17 August, the US Government approved a Federal Disaster Declaration following the impact of a derecho windstorm, which, according to USDA estimates, impacted 37.7 million acres (15.3 million hectares) of farmland across the Midwest, including a substantial part of Iowa's maize and soybean crops, infrastructure and storage facilities. USDA assistance will be made available to impacted farmers through various farm programmes.

UNITED STATES OF AMERICA / EUROPEAN UNION – trade dispute (aviation industry subsidies): On 12 August, following a bi-annual review, the US Trade Representative decided to leave unchanged the 'corrective tariffs' the US charges on selected agricultural imports from the EU, including packaged olive oil from Spain *(see MPPU May/Nov.'19 & July'20)*.
In July, the European Commission had called on the US to lift its countermeasures on the grounds that, in the meantime, EU Member States had taken action to ensure full compliance with the WTO aircraft dispute ruling.

Commodity-specific, bilateral trade agreements – China / European Union:
In July, China and the EU signed an agreement on the protection of geographical indications for a range of agricultural products, including soybean from Muling, a county in China's Heilongjiang province.

Comprehensive, bilateral free-trade agreements – European Union / Viet Nam:
The Free Trade Agreement between the European Union and Viet Nam has come into force on 1 August, entailing the full liberalization of EU oilseed and oilseed product exports to Viet Nam and a 3-year phase-out of Viet Nam's tariff on EU olive oil imports *(see also MPPU July'19 & May'20)*.

National pesticide regulations:
During the July-August period, the competent authorities of Brazil, Japan and the US introduced new MRLs – maximum residue limits tolerated in food or feed products – for specific pesticides used on major crops including soybeans and other oilseeds.

COVID-19 related measures

- Security measures – China:

After port authorities found that crew members on several soybean cargoes arriving in China's eastern seaports tested positive for COVID-19, the concerned vessels were detained, preventing cargoes from being unloaded. Ship owners were required to either replace the concerned crews or quarantine them for at least 14 days. Reportedly, the measures stoked fears among traders and crushers about potential, significant slowdowns in the overall clearing process at Chinese ports.

- Cargo safety certificates – China:

Argentine and Brazilian grain and oilseed exporters expressed concern about China's request that incoming cargoes be accompanied by official documentation certifying coronavirus-free

status *(see MPPU July'20).* South American exporters also held talks with counterparts in the US and Canada to agree on a common response to China's request. Reportedly, instead of guaranteeing that cargoes are virus-free at the time of delivery, traders offered to certify that all sanitary precautions to prevent contamination in their facilities and at ports were taken.

- Labour market issues – Malaysia (incl. industry initiatives): The country's oil palm industry is affected by temporary restrictions on hiring migrant workers that were introduced in the wake of the COVID-19 epidemic. Reportedly, Malaysia's palm oil industry relies on foreign workers – primarily from Indonesia, India and Bangladesh – for around three-quarters of its labour force. When the Government closed its borders following the COVID-19 outbreak, many foreign workers left the country's oil palm plantations, and now plantations owners are struggling to locally recruit the required labour force, according to industry sources. Apparently, the Government's hiring restrictions worsened the sector's chronic labour shortage. The Malaysian Palm Oil Association estimated that the country could lose up to 25 percent of its potential palm oil yield. In August, to address the issue, the Malaysian Palm Oil Board announced that it was working on a plan to incentivize Malaysians, especially the youths, to join the plantation industry. In the meantime, as the September-November peak production season approaches, the country's producers stepped up their efforts to i) make plantations jobs more attractive to locals, and ii) accelerate the mechanization of harvesting and other field work and the automation of mill operations so as to reduce reliance on labour.
- Certification adaptation (industry initiative): The global, industry-led palm oil certification body RSPO (Roundtable on Sustainable Palm Oil) reported that it has been working closely with its members, certification bodies and accreditation agency to adapt to the COVID-19 pandemic by modifying its various audit regimes, while maintaining their integrity and credibility. Under RSPO's Supply Chain Certification system, annual surveillance and recertification audits are now conducted remotely, while a combination of remote and on-site checks has been introduced for Principles & Criteria audits. Furthermore, the validity of licences under the RSPO's traceability system 'PalmTrace' has been extended beyond the customary duration.
- Temporary production halts (industry initiative): In July, global grains trading and processing companies *COFCO*, *Bunge* and *Renova* decided to temporarily halt production in selected facilities in Argentina as a result of increased instances of COVID-19 among workers. Soybean deliveries were redirected to other ports and third-party facilities within Argentina.
- Farmer support (industry initiative): Chemical group *BASF*, cosmetic products company *Estée Lauder* and civil society group *Solidaridad*, which jointly implement a project to promote sustainable palm oil production among independent smallholders in Lampung, Indonesia *(see MPPU July'19),* informed that they provided COVID-19 hygiene kits to participating farmers and their families.

Biofuel – industry initiatives

- Waste oil-based biodiesel (China): According to local media, China's largest oil refiner, state-owned company *Sinopec*, plans to step up its involvement in the domestic biofuel market by expanding its B5 production and accelerating research on B10 – i.e. diesel blends containing, respectively, 5 and 10 percent of biodiesel derived from used cooking oil. Reportedly, the company also intends to raise the number of its gas stations selling biodiesel.
- Non-edible feedstock (India): A group of Indian researchers is working on the production of biofuels from various oil-rich non-edible seeds from plants and trees such as neem, castor, *cascabela thevetia*, *madhuca longifolia* and *delonix regia*. Reportedly, the concerned production processes still require improvement to make the end-products suitable for use as transportation fuel.
- Renewable diesel (Brazil, Indonesia, US): Following the successful completion of tests on an industrial scale, Brazil's refiner *Petrobras*

announced that the company is ready to launch production of oils/fats-based 'renewable diesel' (also known as 'green diesel' and 'hydro-treated vegetable oil' or HVO), once approval is granted by the competent national authority. Produced under high temperature and hydrogen pressure via catalytic hydrogenation of a blend of diesel fractions and vegetable oil, renewable diesel is considered chemically identical to mineral diesel. According to industry estimates, the new type of fuel reduces GHG emissions by 70 percent compared to mineral diesel and 15 percent compared to conventional, esterification-based biodiesel. Reportedly, compared to conventional biodiesel, renewable diesel offers the following benefits: i) improved combustion quality due to an elevated cetane number; ii) high stability to oxidation and low water absorption; and iii) low contaminant levels. Furthermore, the fuel can be added at any proportion to high-performance diesel. Currently, Brazil's refining industry produces an estimated 5.35 million tonnes of conventional biodiesel per year, with soyoil accounting for more than 70 percent of the feedstock employed. Reportedly, the introduction of renewable diesel remains controversial within the country as it could affect domestic soybean demand. Meanwhile, in Indonesia, state-owned energy company *Pertamina* reported that it successfully conducted trial production of renewable diesel made entirely from refined palm oil (as opposed to palm oil-based fatty-acid-methyl-ester), using catalytic cracking and hydrogenation. According to *Pertamina*, additional work will be required to make the new type of fuel economically viable. Meanwhile, the company plans to test the production of jet fuel containing 3 percent renewable diesel. In the US, in the coming years, a number of refineries in California and North Dakota are expected to shift from refining petroleum to producing renewable diesel from various vegetable oils, animal fat as well as used cooking oil. Reportedly, the refiners expect to benefit from a variety of federal and state subsidies for climate-friendly fuels as well as policies specifically mandating the use of low-carbon fuels. As a result, market observers do not exclude future supply shortages in animal fats and used cooking oil – two feedstock that qualify for additional credits under California's Low Carbon Fuel Standard.

Transports & logistics – Brazil:
Protesting indigenous tribes temporarily blocked Brazil's highway BR-163, the artery that connects Mato Grosso state to grain and oilseed trans-shipment ports in the Amazon basin. The tribe's grievances against the Government include insufficient protection from COVID-19 outbreaks, the lack of consultation over the planned construction of the Ferrogrão railway running parallel to the highway, and overdue environmental reparation payments. The country's Vegetable Oil Industries Association estimated that the blockage can the affect the shipment of up to 50 000 tonnes of maize and soybean per day.

Palm oil – grievance case:
A US-based anti-trafficking NGO filed a petition against one of the world's largest palm oil suppliers based on alleged evidence about instances of unlawful wage policies and recruitment practices. Filed with the US Customs and Border Protection agency, the petitioner called for a ban on US imports of palm oil produced by the concerned company. Acknowledging that the industry's complex supply chain poses important challenges, the company said it hoped to work with the NGO to investigate the allegations and, if warranted, take corrective action, the media reported. Reportedly, two similar petitions were filed last year against the world's top producer of crude palm oil. Earlier this year, Malaysia's press reported that the country's Minister of Primary Industries urged palm oil industry players and relevant associations to promote good labour practices and organize awareness programmes in forced and child labour, adding that an in-depth study on the sector's labour practices was being conducted.

Palm oil – RSPO news

- Market promotion – China:

Together with CFNA, China's Chamber of Commerce of Foodstuffs and Native Produce, and the World Wildlife Fund, RSPO organized two public events in China, renewing its efforts to promote certified sustainable palm oil in China and transform the Chinese palm oil market. While until now the share of certified palm oil in the Chinese market has not grown much, the organizers share the view that China will play a critical role in driving the global market transformation of sustainable palm oil. According to the certification body, the number of Chinese RSPO members has increased to 222, of which three-quarters are from mainland China. *(See also below)*

- Market promotion – Indonesia:

RSPO co-hosted a virtual event with Indonesian media focusing on the organization's Shared Responsibility concept *(see MPPU Jan. '20).* Market participants discussed about means to achieve a better balance between supply and uptake of certified sustainable palm oil in Indonesia. Reportedly, in the world's largest palm oil producing country only 13 percent of certified production finds a local buyer, suggesting that, for the time being, sustainable forms of palm oil consumption are not a major concern for Indonesian consumers.

- Fire prevention: Reportedly, in Indonesia, a group of independent smallholders certified by RSPO intensified its efforts to ensure fire mitigation procedures are fully implemented, in compliance with RSPO's standards. According to RSPO, the organization's members continue to strive to prevent fire and monitor hotspots within and around their concessions as the dry season is approaching in Southeast Asia. *(See also MPPU July'20)*

Third party studies

- Sustainable palm oil – market prospects (China & global): A study released by *CDP*, a not-for-profit organization that supports companies and governments to measures and disclose their environmental impact, examined China's potential role in transforming the global palm oil value chain and protecting Asia's tropical forest. China was chosen because it is the world's third largest buyer of the commodity (after India and the EU) and because its industry is highly consolidated, which is said to give its companies particular leverage power. *CDP*'s report stresses that companies in China and worldwide have come under pressure from customers, investors and policymakers to source palm oil more sustainably, especially by decoupling deforestation from their operations. While the ongoing shifts in market demand can translate into significant reputational and regulatory risks for businesses, opportunities available to those who adopt sustainable sourcing practices can be substantial, including access to funding tied to a company's sustainability performance, says *CDP*.

On the regulatory side, the Chinese Government has advocated for sustainable commodity sourcing and introduced policies that require companies to manage the environmental impact of their business, according to the study. Nonetheless, the report also underscored that direct cooperation between consuming and producing countries is crucial to achieve sustainable palm oil production.

- National palm oil certification (Indonesia):

Following a recent Presidential Regulation announcing the overhaul of Indonesia's mandatory certification for sustainable palm oil, ISPO *(see MPPU May'20),* in May 2020, a set of revised draft principles & criteria and implementing regulations has been circulated to stakeholders for comment. Reportedly, civil society groups found that the following aspects require further consideration:

i) in regard to the conversion of indigenous lands to palm oil plantations, the fact that a large part of the country's indigenous lands is not legally recognized is said to undermine efforts to protect the right of local communities to 'Free, Prior and Informed Consent' (FPIC);
ii) it remains controversial whether the programme's ban on forest conversion should only apply to primary forests and peatland or be extended to all types of natural forest, i.e. including secondary forests; and

iii) detailed provisions for independent monitoring and oversight of ISPO are considered paramount to guarantee the system's credibility.

- Certified palm oil – sustainability criteria: A new study on the expansion of oil palm cultivation in Southeast Asia since the mid-1980s and its progressive impact on the environment sparked a debate on whether or not it is appropriate to certify plantations as 'sustainable' on account of their on-going production methods – while ignoring past loss of forests and wildlife on the concerned concessions. The study suggests that certified palm oil might not be as sustainable as previously believed because often deforestation rates are measured in certified plantations that included little remaining forest at the start of the assessment. According to the media, in this regard, RSPO acknowledged that it does not account for past deforestation when certifying plantations and stressed that its standards focus on making members adopt sustainable practices that avoid the recurrence of past problems.

Responsible sourcing

- Palm oil: In its annual report on sustainable palm oil, global agribusiness firm *Cargill* claimed to be on track to eliminate deforestation from its supply chain by the end of 2020. Reportedly, by end-2019, over 90 percent of the company's palm oil volume globally was covered by 'No Deforestation, No Peat and No Exploitation' (NDPE) policies and some 60 percent of direct traders and refiners had put in place a credible NDPE implementation plans covering their supply chains. Furthermore, the company stated that it established a clear and transparent process for managing and resolving NDPE grievances. It also highlighted its work with individual smallholder palm farmers in several countries to help them produce palm oil sustainably. Over the next five years, the company plans to renew its sustainability efforts, focusing on the following areas: ensuring compliance, addressing leakage, supporting smallholders, protecting human rights, aligning with local government programmes, and improving transparency.
- Palm oil, soybeans: Global consumer goods company *Unilever* announced that it would test, in partnership with a US tech company, a new geo-location technology, in a bid to further enhance transparency in its soy and palm oil supply chains. Reportedly, the company is redesigning its approach to traceability to ensure that the land cultivated by its suppliers was not connected to deforestation. In the case of palm oil, satellite images will be combined with geo-fencing and anonymous cell-phone data using artificial intelligence and scalable data science, *Unilever* said. Allegedly, the new approach will allow to determine the individual farms or plantations that are most likely to be supplying the palm oil mills in the company's extended supply chain, in turn facilitating the detection of possible deforestation issues. The pilot programme, which will be applied to a small number of palm oil mills and refineries in Indonesia and soy warehouses in Brazil, is meant to complement the company's existing monitoring tools, notably the radar-based monitoring system introduced last year *(see MPPU Nov.'19).* Other initiatives include new partnerships with direct suppliers to help local mills and smallholders move towards NDPE production and the introduction of a transparent grievance procedure to foster the detection and resolution of critical cases. To promote transparency, the company started releasing detailed lists of its palm oil suppliers, records of grievance cases, and lists of suspended growers, mills and suppliers.
- Soybeans: In an effort to better understand the sustainability profile of its suppliers, China's global grain trading company *COFCO* plans to track 100 percent of the soybeans it sources in Brazil by 2023. The project will in part be funded by a large, sustainability-linked loan the company took out last year *(see MPPU July'19).*

Sustainable coconut production

- Industry initiatives: One year after an inaugural roundtable meeting on sustainable coconut production *(see MPPU July'19),* cocoa/chocolate company *Barry Callebaut* and the U.S. Agency for International Development

(USAID) reconvened coconut buyers to continue their discussions about how to achieve sustainable expansion in global production. Participants agreed to concentrate their efforts on the following activities: i) replanting of aged trees and promotion of intercropping; ii) improvement of farmers' access to markets, finance and technology; and iii) harmonization of buyer requirements and enhancement of product traceability. Reportedly, *Barry Callebaut* committed to engage all its suppliers in the design of adequate interventions, while global foods and drinks company *Nestlé* pledged to identify the origin of 80 percent of coconut in its supply chain and achieve responsible sourcing of at least 70 percent. In addition, 10 companies joined a public-private partnership set up last year to promote sustainable production of coconut oil in the Philippines and Indonesia *(see MPPU Jan./Mar.'20).*

- Harvesting practices: A civil society group in the UK claimed that, in Thailand, monkeys used to pick coconuts are mistreated. The NGO invited consumers to refrain from buying coconut products, putting at risk Thailand's sales in Britain and other European countries. According to the media, Thailand's Commerce Minister rejected the NGO's allegations, and underscored that coconut harvesting by monkeys is not a major part of the industry, adding that the animals are mostly a tourist attraction and are not mistreated in the process. The Government has met with representatives of the industry to discuss about possible solutions. Reportedly, one way to reassure importers would be to introduce traceability of coconut products, which would allow buyers to track products back to individual growers and their respective harvesting practices.

R & D – varietal research (rapeseed transcriptome): A gene transcriptome, consisting of reference transcripts of over 100 000 rapeseed genes, has been released by a team of Chinese researchers working for the Oil Crops Research Institute under the under the Chinese Academy of Agricultural Sciences (CAAS). The database is expected to open new opportunities for functional genomic research on rapeseed. *(See also MPPU Sep.'19 & Mar.'20)*

R & D – product development (rapeseed protein): In the EU, a manufacturer of animal feed and a nutritional company set up a joint venture to develop – as an alternative to meat and dairy products – plant-based protein using non-GM rapeseed for the global food market. Allegedly, the new products will have enhanced functional properties, a high nutritional value and a balanced taste profile.

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)								
2004/05	275	545	419	212	130	64	65	51
2005/06	259	572	451	202	130	62	67	49
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
Monthly								
2019 – January	381	746	534	343	273	90	80	85
2019 – February	380	766	558	330	263	90	82	80
2019 – March	371	730	527	320	248	88	78	79
2019 – April	365	733	534	318	244	87	79	79
2019 – May	347	738	510	320	234	83	79	79
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

[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