ufop

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RAPESEED PRICE - RISING TREND

- Tight market supply and rising demand determine the direction.
- There is no alternative to rapeseed as an 'iLUC-free' raw material.

The price trend for rapeseed will continue and necessarily stabilise positively. This is the conclusion reached by the Union for the Promotion of Oil and Protein Crops (UFOP) in an analysis of the short- to medium-term development and recommends incentivising the exploitation of operational cultivation potential in good time before sowing. The reason for this is the mutually dependent regulatory interlocking, which begins with cultivation and ultimately extends to the use of raw materials, writes the association in its current market assessment for the turn of the year 2024/25. Once again, the axiom applies: 'Everything is connected to everything'.

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According to UFOP, rapeseed cultivation is facing increasing uncertainties and challenges as a result of weather and climate change-related problems as well as a more restrictive pesticide policy of the European Union. The aim of production technology is to exploit the genetically possible yield. With production costs rising at the same time, the producer price must - at least arithmetically - be expected to be positive compared to cereal cultivation in order to ensure competitiveness in crop rotation planning.

As is well known, each farm decides on the crop rotation once a year. This is also the risk for the processing chain, especially as far as biofuel, emphasises UFOP. Compared to soya or palm oil, rapeseed oil is in short supply and, when processed into biodiesel, is used in the winter months and as a blending component for biodiesel from waste oils with a high palm oil content in order to fulfil the biodiesel specification - EN 14214. UFOP expects that rapeseed oil will also have to be used for the production of hydrogenated vegetable oil (HVO) in the future.

Rapeseed has no alternative as an 'iLUC-free' raw material to close the 'palm oil gap'

From the association's perspective, there is no alternative to rapeseed as a crop because this crop is an 'iLUC-free' raw material - in contrast to palm oil. (iLUC = indirect Land Use Change, see Study: bit.ly/ilucenglish). According to the so-called iLUC hypothesis, the European policy of subsidising biofuels leads to the conversion of virgin forest areas for the cultivation of renewable raw materials, especially in third countries (Brazil, Indonesia). According to the hypothesis, this leads to global displacement effects in land use. The Renewable Energy Directive (RED II) makes it binding for all member states that biofuels with a high iLUC risk may no longer be counted as biofuels towards renewable energy targets from 2030 at the latest.

Many member states have already taken this step. UFOP therefore believes that a 'palm oil gap' of around 3.15 million tonnes (as of 2024) must be compensated for on the raw material side in the EU. The EU Commission has yet to decide whether soya oil must also be categorised as an iLUC raw material. The reasons for this are the development of cultivation areas in South America and the still unchecked forest fires in Brazil: 22 million hectares were affected there in 2024, an increase of 150 per cent compared to 2023 (German TV channel ZDF: bit.ly/Brasilien-Regenwald).

The proceedings initiated by the Indonesian government at the World Trade Organisation (WTO) against this exclusion rule enshrined in the Renewable Energy Directive (2018/2001) - RED II - were unsuccessful. As in the dispute between Malaysia and the EU, concluded in March 2024, the EU has now also more or less won this case. It should be emphasised that this is the first time that the WTO arbitrators have had to deal with measures against deforestation, taking particular account of the raw material or end product produced on this land. Concerning Indonesia a WTO panel currently confirmed the overall WTO compatibility of the RED II legal framework, albeit noting that certain aspects of the implementation and design of an EU Delegated Act under the Directive were inconsistent with WTO rules (bit.ly/indonesia_EU).

Quota obligations determine the development of global demand

In the USA, Brazil, Indonesia and the EU, oilseeds are cultivated for biofuel production. The framework conditions for their consumption have also been established as legally binding quota commitments - but with different motivations: with the exception of the EU, the aim of creating these framework conditions in the countries mentioned is to provide income-generating support for agriculture. In Indonesia and Brazil, the mandates for the blending of biodiesel were significantly increased in 2024; in Brazil from 15 per cent in 2025 to 20 per cent in 2030. In Indonesia, the blending share will increase from 35 to 40 per cent in 2025. For Brazil, this means an increase in production from around 6.5 million tonnes in 2023 to around 10.5 million tonnes of biodiesel. The land requirement will increase accordingly from around 9.3 to 15 million hectares - this corresponds to around 53 million tonnes of soybeans. The additional demand of around 4 million tonnes of soybean oil for biofuel production therefore does not represent an additional burden on the global market, according to UFOP.

In Indonesia, the quota increase means an increase in palm oil demand from 11 million tonnes in 2023 to an estimated 13.9 million tonnes in 2024. Added to this is the additional demand for raw materials in countries such as the USA and Brazil for the development and expansion of sustainable aviation fuel (SAF) production. In line with RED III, the production and use of SAF is also being accelerated in these countries through blending mandates: in Brazil, for example, starting at 1 per cent from 2027 and rising to 10 per cent in 2037.

The energy market is huge - categorising biomass potential appropriately

From UFOP's point of view, it should be noted that the physical volume requirement is very large compared to the global vegetable oil supply, despite the relatively small percentage blending targets (apart from Indonesia). UFOP also emphasises that the condition that only biofuels from waste oils in aviation and shipping are permitted or counted towards meeting the steadily increasing blending obligation under RED III in the EU does not lead to any supply or price-effective market relief. On the contrary, a premium is paid for better GHG values. It is to be expected that competition for these very limited available waste raw materials/oils will increase sharply (global production of vegetable oil 2023: approx. 223 million tonnes, roughly equivalent to the diesel consumption of the EU-27). The potential is limited, as waste oils also have their 'origin' in cultivation. Consequently, the differentiation between Part A or B in accordance with Annex IX of RED II makes no difference, but only leads to incentives for the relocation of raw materials and fraud that cannot be communicated to the public. The marketing year 2024 has made this clear once again with regard to the suspected fraudulent imports of biodiesel from China with all the consequences for GHG quota trading.

UFOP believes that the foreseeable demand gap in the EU must be closed with rapeseed oil. Against this backdrop, UFOP takes a positive view of the price trend for rapeseed as a raw material in the coming years and recommends that, in order to secure the raw material base for biodiesel/HVO production, an appropriate price signal in good time before sowing for crop rotation planning provides the incentive to align the extent of rapeseed cultivation with the given crop rotation restrictions in terms of the resilience of the farm's arable farming strategy.

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