

Annual Report 2018-19



Australian Oilseeds Federation Inc.
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Membership Listing (Financial as at June 30, 2019)

Association Members:

Grain Industry Association of Western Australia (GIWA)	Stockfeed Manufacturers Council of Australia (SFMCA)
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Producer Members:

Grain Growers Limited

Corporate Members:

100% Bottling Company	Grain Growers Limited
Adams Australia Pty Ltd	GrainCorp Oilseeds
ADM Trading Australia Pty Ltd	Hyfeed
Advanta Seeds Pty Ltd	Intertek Testing Services (Australia) Pty Ltd
Alba Edible Oils	Louis Dreyfus Australia Pty Ltd
Australian Superintendence Company	Macquarie Oil Co.
BASF Agricultural Solutions	Natura Holdings Pty Ltd
BEC Feed Solutions Pty Ltd	NuSeed Pty Ltd
Braid Logistics	Peerless Holdings Pty Ltd
Cargill Australia Ltd	Perten Instruments Australia Pty Ltd
Centre State Exports	Rivalea Pty Ltd
CHS Broadbent Pty Ltd	Riverina Oils Pty Ltd
Commodity Inspection Services	Seednet
Dow AgroSciences Australia Ltd	SGS Australia Pty Ltd
Emerald Grain	Wilmar Gavilon Pty Ltd
GenTech Seeds	Windermere Oilseeds Pty Ltd
Glencore-Viterra	
GO Resources Pty Ltd	

Honorary Members:

CSIRO Plant Industry	NSW Department of Primary Industries (NSW DPI)
Department of Agriculture and Fisheries (Qld)	SA Research and Development Institute (SARDI)
Grains Research and Development Corporation (GRDC)	

Life Members:

Warren Burden	John Bostock	Barry Lathlean	Rod Mailer
Alan Leadley	John Lamont (Dec)	Julie McMinin (Dec)	Phillip Salisbury
Bob Colton	Philip Stanton	Ron Bowrey	
Bryce Bell (Dec)	Robert Green	Rosemary Richards	
Don Bacon-Hall	Owen Laws	Allan McCallum	

Contents

Membership Listing	Inside Front Cover
AOF Executive	1
President's Report	3-4
CEO's Report	5-8
Oilseed Industry Strategic Plan 2016-2025	9-11
Statistics	12-13

AOF Executive

President	- Robert Wilson
Vice President	- Trent Potter
Vice President	- Dan Morgan
Vice President	- Kevin Charlesworth
Treasurer	- Lachlan Herbert
Public Officer	- Michael Tighe
Consumer sector representative	- Andrew Jones (GrainCorp Oils)
Crushing sector representative	- Cameron Pratt (GrainCorp Oils)
Exporting sector representative	- Andrew Freebairn (Glencore)
GIWA representative	- Michael Lamond
Production sector representative	- Vacant
Refining sector representative	- Michael Tighe (Peerless Foods)
Seed sector representative	- Kevin Morthorpe (GenTech Seeds)
Stockfeed sector representative	- Duncan Rowland (SFMCA)
Chair, Canola sub-committee	- Don McCaffery (NSW DPI)
Chair, Soy Australia sub-committee	- Simon Crane (Seednet)
Chair, Sunflower sub-committee	- Kevin Charlesworth (Grower)
Chair, Technical Committee	- Geoff Masters (to March 2019)
CEO	- Nick Goddard
Administration	- Elle Hardcastle

Acknowledgments

The Australian Oilseeds Federation sincerely thanks the following contributors to the Oilseed Development Fund for their ongoing support:

Alba Edible Oils	Peerless Foods
Cargill	Ridley Stockfeeds
Goodman Fielder	Riverina Oils Pty Ltd
GrainCorp Oilseeds	Unilever Australasia / Upfield Foods



President's Report 2019

Rob Wilson

“There's money in mud” and “Rain makes grain” are truisms that have seemingly disappeared from the Australian vernacular. There is no doubt that the drought has not only ravaged the landscape through much of Australia, but also ravaged many farming and family enterprises, and having a knock-on effect in country towns and other regional communities.

While the optimists are counting the kookaburra's laughing, the echidna's roaming the paddocks, the gums in blossom, and other anecdotal signs that rain is on the way, all the science is pointing one way. We are more likely than not to be facing warmer and drier seasons in the years ahead, and this is driving a major re-think on how agriculture will operate in the future. This is particularly relevant for oilseeds, due to the tighter planting window, greater susceptibility to frost, and temperature impact on protein and fatty acid levels.

Pleasingly, the industry is ahead of the curve and developing new and novel ways to prepare for the likely future scenarios. In Queensland, the soybean industry has been trialing winter production of soybeans in the Burdekin, with good success. The more reliable winter rain combined with the warmer temperatures is looking like it will offer a viable compliment to the summer soybean production.

Long season and grazing canola are driving earlier planting dates with the aim of utilising any late summer/early winter rainfall and moisture for germination and establishment, rather than rely on seemingly unpredictable

and late Autumn breaks. Canola farmers are beginning to enjoy a beer and some two-up on Anzac Day, rather than be on the back of a seeder. The growing use of and practice of grazing canola is also proving to be of great benefit for mixed croppers during winter.

Earlier planting for canola also has the possibility of fundamentally changing the canola trading and pricing environment, with crop estimates and prospects beginning to take shape much earlier in the season than has traditionally been the case.

Change is inevitable, and just as Australian agriculture is adapting to meet the changing environment, so too, the Australian Oilseeds Federation is shaping itself for the future.

During the year the AOF Executive reviewed the current funding model which has been heavily dependent on membership fees and additional contributions from the processing sector. This model has grown to become inequitable, unbalanced and not proportional to member's involvement in the oilseed industry. At the same time, the Executive reviewed the day-to-day operations of the AOF and has identified areas for improving the value proposition to members.

In July this year, AOF members' representatives were surveyed to help shape the Executive's thinking about where resources should be applied, according to the AOF activities that members value most.

The results provided clear and unambiguous direction for the AOF as it enters its 50th year.

The following table outlines the relative value members place on the activities of the AOF.

Valued Most	Valued Least
Trading Standards	Trade Missions (Out Bound)
Codes of Practice	Hosting International Conferences
“Go To” point	Trade Missions (In Bound)
Technical Projects	Weekly News
Government Submissions	Holding APVMA permits
Media Commentary	Export Facilitation

Mixed feedback was delivered on the value of Quarterly Meetings, Crop Reports and Quality of Australian Canola publication

This feedback gives some direction as to what the AOF should be doing more of for its members, and what it should less of. This direction will be important as the AOF begins to develop its next 5 year Strategic Plan for the organisation and for the industry.

The 'elephant in the room' remains the formation of the Industry Good Company, an industry owned umbrella organisation to undertake several the essential 'industry good' functions across all commodities. I am pleased to report that GRDC has recently stepped up to take carriage of this project, and it is progressing well. However, despite the positive signs, the AOF Executive has re-affirmed the AOF 'business as usual'

position and to remain focused on member and broader industry needs until such time as there is a firm 'Industry Good' alternate proposition to put before members.

As we head into another very tough canola harvest in both the East and the West of the continent, and the likelihood of a challenging summer cropping outlook, I am heartened by the fact the industry positioning itself to be able to deal with the challenges ahead. Flexible sourcing arrangements combined with innovate business planning will enable the crushing sector and the seed production sector to weather the impacts of the current drought, while input suppliers and bulk handlers are able to adjust their operations to cope with the changed circumstances.

I am very proud to have led the AOF over the past two years. Business demands have meant that I will be standing down as President at the 2019 AGM and handing the baton to a new President, who will have the task of shepherding the Association through the transition to a more focused and value-delivering industry group.

In conclusion, I would like to thank the AOF Executive for their ongoing support, and in particular, the leadership team of Dan Morgan, Trent Potter, Kevin Charlesworth and Lachy Herbert. I would also like to recognise the efforts of our CEO, Nick Goddard, whose dedication to the role has ensured that the AOF continues to deliver for its members, and for the industry at large.

Rob Wilson
President

CEO's Report

Nick Goddard

The 2018/19 season was marked by the continuing drought. While the drought commenced the previous season, residual soil moisture from the very wet 2016/17 year enabled most crops to produce acceptable yields in that year. Lack of summer rain over the summer of 2017/18 set the scene for this season, with summer crop production of soybeans and cotton severely impacted and much of the East Coast canola planted dry.

By December 2018, Australian oilseed production was down 42% on prior year, and down 37% on the prior five-year average.

However, the industry is resilient and has weathered the trying crop conditions very well achieving a number of notable outcomes.

Highlights for 2018/19

- Continued strong canola trade with the EU, remaining Australia's single largest export destination, absorbing over 80% of all canola seed exports.
- Japan re-emerges as a significant buyer, after 4 years of lower exports.
- Exports of crude and refined canola oil to the US and China continue to grow.
- Riverina Oils crushes its one millionth tonne of canola
- AOF holds successful return of the AOF Forum

Industry performance

The winter cropping conditions were similar, but generally drier than 2017. Rainfall for the first half of the season was decile 1-3 (well below average to below average) for most of south-eastern Australia, which was similar to the start of the prior year. The seasonal break was late for many regions, arriving mid-late May, and into June in some areas. From July through to the end of September, rainfall was decile 1 (lowest 10% of years) for most of NSW, decile 2-5 for Victoria and decile 1-3 for most of South Australia, and generally lower than 2017. Rainfall in Western Australia for the same period was mostly decile 2-6 and better than the eastern states. Severe rainfall deficiencies through spring, in combination with severe frosts in late August and above average temperatures, resulted in a much-reduced yield.

The summer cropping season was characterised by dry conditions in traditional sunflower growing and inland soybean areas, with reasonable rain on the North Coast of NSW and Queensland sugar coasts. The high cost of water in the Riverina resulted in only a small area of seed production being undertaken.

Exports of canola seed were the lowest in a decade with 1.56mmt exported, over 80% of which was exported to the EU. Japan re-emerged as a strong buyer, taking over 200,000t, while Canada and the Ukraine displaced Australia as a major supplier to the UAE. Exports of canola oil remained stable at around 150,000t, with China, the US and New Zealand constituting the major destination markets. The strong domestic demand for



CEO's Report continued

canola meal due to the drought resulted in very small meal exports this year.

Industry capital investment continued in oilseed processing, refining and end-product capacity, demonstrating overall industry confidence in the growth prospects for increased value adding on shore. Significant productivity milestones included the crushing of the one millionth tonne of canola seed at the Riverina Oils plant in Bowmen, NSW, the commissioning of a 5 MW biomass-fuelled boiler at MSM Milling, to replace the costly LPG fuelled furnace, and the commissioning of additional expeller capacity at AusOils.

Seed production was commenced for the super high oleic safflower, following OGTR approval for commercial release the prior year, while the final trials were completed for three new varieties of soybeans.



Outcomes by Strategic Themes:

Market Access Theme: *Expanding into new markets while protecting existing*

The AOF hosted a successful visit of a delegation of Japanese oilseed buyers and processors. The visit of 13 delegates, accompanied by 12 AOF-member representatives covered two days, and included visits to the Emerald site at Melbourne Port and the Grain Corp Terminal at Geelong, with formal and informal discussions covering matters such as MRL, changes to Japanese labelling laws, GM segregation and future Japanese processing capability.

The EU remained a core market to protect, with tightening chemical regulations in this market a key focus for AOF. The AOF hosted a reception at the Australian Embassy in Berlin for German canola buyers, as a side meeting to the International Rapeseed Congress, with representative from the Brussels embassy also attending. Germany is Australia's single largest destination for canola, and it was important to acknowledge this publicly to both Australian government officials as well as major buyers in Germany.

Simplifying grower compliance with production and supply of certified sustainable canola was an ongoing project for the AOF, with a significant Milestone achieved this year. Contracts were signed with National Grower Register (NGR), Commodity Inspection Services (CIS) and Control Risks for the development and execution of the Central Office for ISCC Certification, under the

auspices of the AOF. Six companies became the founding partners for a consortium to operate under the Central Office, these being, ADM, Bunge, Cargill, Center State, Grain Corp and Glencore.

Sustainability Theme: *Proactively supporting license to operate*

The AOF continued to ensure appropriate off label permits were applied for when the need arose throughout the year, particularly with minor use permits for crops such as soybean, sunflower, linseed and mustard. By providing a conduit to the APVMA for issuing of off label permits, ensures growers are able to effectively manage the pests and diseases in their crops while ensuring this is done within a permitted framework.

The AOF also updated and made available the 'Desiccation and Crop Topping' guide to provide growers with a useful guide as to permitted chemicals for these uses at harvest time. This was a joint project with Pulse Australia.

Influencing Demand Theme: *Growing value by continually addressing end-user needs*

Ensuring that the oilseeds industry grows, and the resultant oil and meal meet customer needs, is critical for the success of the industry. This requires constant feedback through the value chain, from customer to processor to seed breeder, with the AOF playing a fundamental role in this process.

The GRDC Market Intelligence project managed through AEGIC, and undertaken by AOF, detailing the key market characteristics and requirements of the Australian, Chinese

and Japanese markets was concluded. While the project resulted in a comprehensive report covering each country, the key outputs of the project were summarised in a document produced by AEGIC, titled "Market Insights, Canola" and made available to AOF members.

Leadership Theme: *Taking the lead in shaping Industry's environment*

The AOF continued to demonstrate its leadership of the industry through a broad range of initiatives throughout the year.

The AOF successfully held the AOF Forum in October 2018, in conjunction with the AGM, with a full program of eleven invited speakers covering subjects as diverse as aquafeed, processing innovations, and bioenergy.



Belinda Smale, speaking at AOF Forum, 2018. Over 50 delegates attended, which include representatives from both members and non members.

CEO's Report continued

Ongoing planning continued for the World Congress on Oils and Fats, (Sydney, February, 2020), with calls for abstracts opened, and the program beginning to take shape.

The AOF was also represented at a number of international events, including the International Society of Fat Research and American Oil Chemists Society annual meeting (St Louis, USA) as a pre-cursor to, and promotional opportunity for, the upcoming Sydney World Congress on Oils and Fats; the International Oilseed Producer's Dialogue, (London) and the International Rapeseed Congress (Berlin) in preparation for this event being held in Sydney in 2023.

AOF, as the peak industry body for the oilseeds industry, has the responsibility to take the leadership role for the industry.

As much as 50% of the secretariat's time is allocated to ensuring the AOF provides the leadership expected of it by its members. This includes liaising with other peak industry bodies on matters of common interest; dealing with government departments, state and federal; providing informed media commentary on issues and crop conditions; and providing regular and relevant communication to members.



The AOF continued to maintain its role on the GTA Trade and Market Access Committee, and on the Committee for Plant Breeding Innovation; provided active involvement in the Australian Grain Industry Discussion Group (AGIDG) and GIMAF; consulted regularly with DAWR, both directly and through the Grains and Plant Products Export Industry Consultative Committee (GPPEICC); and participated in the GIWA Oils Council and Agricultural Biotechnology Council of Australia (ABCA).

Membership liaison and communication is another aspect where AOF has consistently demonstrated leadership. The AOF Weekly News, Crop Reports and ad-hoc member communication, combined with addressing member queries throughout the year has provided direct and immediate value back to members.

The AOF Secretariat is once again extremely grateful to the support and guidance it receives from the AOF Executive and involved members in developing and executing plans designed to build value, resilience and sustainability into the Australian oilseed industry.

Finally, my personal thanks to Elle Hardcastle, who provides tireless administrative support for the AOF, ensuring the 'wheels keep turning' and maintaining the professional image of the AOF.

Nick Goddard
CEO

Oilseed Industry Strategic Plan 2016-2025

Every five years the AOF prepares the industry Strategic Plan, outlining the focus areas for the organisation for the coming five years, with a longer term horizon out to ten years.

The Plan outlines the common industry-good initiatives that ensure the industry is placed in the best possible position to achieve its Vision. While the plan builds on the strong foundations of the past, it recognises the need to proactively shift focus to take advantage of changing opportunities in order to optimise profitability through the value chain.

The Plan will be used to guide AOF's strategic direction and industry co-investment activities in meeting the AOF's Mission.

The Plan intentionally focuses on addressing post-farmgate issues and opportunities while recognising that some end-user needs will directly influence on-farm activities and require AOF involvement.



Oilseeds – the 5-10 year outlook

Major features of the global outlook for demand and supply of oilseeds are:

- Supply and demand will be tighter, supporting firmer trends in prices.
- The main demand driver will be the demand for feed, particularly servicing developing regions.
- Supply growth will be limited due to limits on arable land, water access and productivity gains.
- Long term outlooks favour agronomic returns from oilseed crops over coarse grains.
- A reducing role for oilseeds as a biofuel feedstock due to economic and social pressures.
- Production will be dominated by Brazil, US, Argentina and China.
- Exports will be dominated by Brazil, US, Canada and Argentina, with emerging strength from the Black Sea region. Australia will remain a strong exporter of Canola and Cottonseed.

Industry Volume Projections

Million tonnes by 2025

Crop	Minimum	Median	Target	Peak
Canola	2.6	5.3	6.1	6.9
Cottonseed	0.9	1.1	1.4	1.7
Sunflower	0.03	0.11	0.17	0.23
Soybean	0.05	0.25	0.28	0.3
Safflower	0.05	0.09	0.11	0.12
Total Volume	3.63	6.85	8.05	9.25
\$/t	622	622	622	622
Value (\$'000)	2257	4260	5006	5752

Strategic Plan 2015-2025 Summary

Vision:	
A \$5 billion industry, sustainable, internationally competitive, well respected and cohesive where all participants add value through meeting market demand	
Priority areas of focus	
Leadership Taking the lead in shaping industry's environment	Sustainability Proactively supporting licence to operate
Key strategies	
<ul style="list-style-type: none"> Retain recognition as the leader on post-farmgate credentials Facilitate and, where appropriate, initiate the flow of industry R&D funds to address end-user and supply chain needs Maintain vigilance on industry risks, responding as appropriate Strengthen global networks Facilitate cohesion on industry-good agendas 	<ul style="list-style-type: none"> Identify and articulate end-user sustainability/stewardship requirements along the supply chain Support implementation of end-user certification & measurement schemes Promote good stewardship throughout the supply chain
Outcomes	
AOF well-respected; seen as go-to oilseeds body	Oilseeds known for proactive and responsible stewardship

Mission:	
Through AOF, provide leadership to the Australian Oilseeds Industry and coordinate activities that will optimise profitability through the value chain	
Priority areas of focus	
Market access Expanding into new markets while protecting existing	Influencing demand Growing value by continually addressing end-user needs
Key strategies	
<ul style="list-style-type: none"> Monitor, articulate and address technical trade barriers Engage with and influence bilateral and multilateral trade negotiations Build stronger Government and Agency (state and federal) engagement Foster strong engagement with related industry bodies Maintain vigilance on development of industrial oil uses 	<ul style="list-style-type: none"> Actively promote benefits of oil and meal Proactive management of demand-threat issues Facilitate market choice on use of GM technologies Ensure path to market for new beneficial technologies
Outcomes	
More diverse and secure market options	More profitable oilseeds supply chain

Statistics

Table 1: Australian Oilseed Production

Source: AOF

'000 tonnes	2014/15	2015/16	2016/17	2017/18	2018/19
Canola	3,431	3,098	4,200	3,645	2,310
Sunflowers	40	25	29	19	16
Soybeans	69	50	40	37	17
Cottonseed	500	650	1,322	943	821
Other	20	10	10	15	10
Total	4,060	3,833	5,601	4,657	3,174

Table 2: Area and Production by State (Key Crops)

Source: AOF

		2018/19		5 year average	
		Area '000 ha	Production '000 tonnes	Area '000 ha	Production '000 tonnes
Canola	NSW	190	200	483	687
	Vic	300	400	379	581
	SA	200	260	234	326
	WA	1,200	1,450	1,237	1,743
	Total	1,890	2,310	2,333	3,336
Sunflower	Qld	6	6	12	13
	NSW + Vic	11	10	12	13
	Total	17	16	23	26
Soybean	Qld	8	11	10	16
	NSW	6	6	12	26
	Vic	-	-	1	1
	Total	14	17	22	43

Table 3: Primary Exports

Source: ABS

'000 tonnes	2018/19	Av 5 years to 2018/19
Canola	1,570	2,362
Cottonseed	77	188
Canola Oil	151	151



Table 4: Canola Exports by Destination

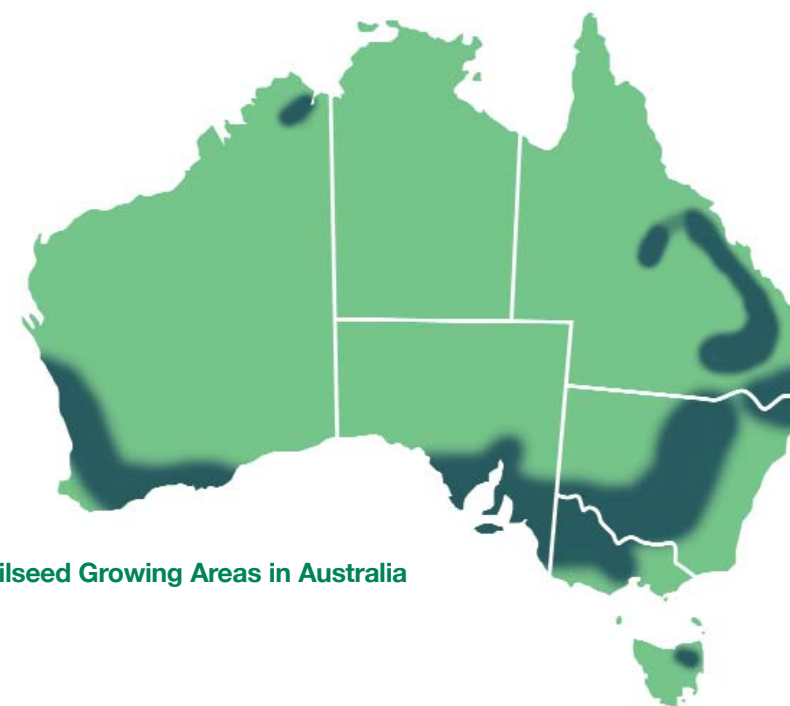
Source: ABS

'000 tonnes	2018/19	Av 5 years to 2018/19
Europe	1,268	1,828
Japan	202	162
China	30	138
Malaysia	25	23
Nepal	20	28
Bangladesh	4	9
UAE	0	94
Pakistan	0	39
Other	22	40
Total	1,570	2,362

Table 5: Oil and Meal Imports

Source: ABS

'000 tonnes	2018/19	Av 5 years to 2018/19
Canola Oil	13	19
Coconut Oil	13	13
Cottonseed Oil	30	16
Olive Oil	33	29
Palm Oil	141	129
Soy Oil	24	27
Sunflower & Safflower Oil	63	60
Palm kernel meal	177	59
Soybean meal	984	802



Oilseed Growing Areas in Australia