

Annual Report 2009-10



Australian Oilseeds Federation





Contents

AOF Office Bearers	1
President's Report	2
Executive Director's Report	6
2015 Strategic Plan Overview	12
Statistics	14



AOF Office Bearers

Trent Potter	– President	Charles Aldersey	– Treasurer
Robert Green	– Vice President	Robert Wilson	– Vice President

AOF Executive

Trent Potter	– President	Steve Marcroft	– Canola Association of Australia
Robert Green	– Vice President	Maree Crawford	– Australia Sunflower Association
Robert Wilson	– Vice President	Denis M'Gee	– Soy Australia
Charles Aldersey	– Treasurer	Jon Slee	– Oilseeds WA
Adam Davis	– refining sector	Richard Orton	– stockfeed sector
Rob Dickie	– export sector		
Mike O'Hare	– production sector		

Acknowledgments

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

Goodman Fielder	Unilever Australasia
Peerless Foods	Cargill Australia
Riverland Oilseeds	MSM Milling
Alba Edible Oils	Cootamundra Oilseeds
Ridley Agriproducts	CBH Group

President's Report 2009/10

Trent Potter

The past 12 months have once again been a very successful and busy year for the AOF, tackling the many challenges and opportunities that face the Australian oilseeds industry.

The past year, with favourable conditions in most growing areas, saw the best oilseed production in many years with total production of 2.6 million tonnes of oilseeds. This is the highest production in nine years, and harks back to the buoyant conditions of the late 1990's when crops of 2.5-3.0 million tonnes were common place. With higher summer rainfall this year, and good winter rains in the east, the 2010/11 season is shaping up to deliver another promising crop across the 3 primary oilseeds of canola, sunflower and soybeans.

The competitiveness of Australian canola on the world market also improved, with our major exporting state, WA, being permitted to grow GM canola. This move enables WA-grown canola to be marketed competitively on the world market alongside canola from other canola exporting nations, notably Canada. The exemption granted in WA also puts growers in that state on an equal footing with their counterparts in the east, with an additional tool in their 'weed management' toolkit.

The past season also saw the significant expansion of both high oleic canola and juncea canola, which both provided new opportunities for growers to improve their returns. Juncea enables growers in lower rainfall areas to more confidently include an

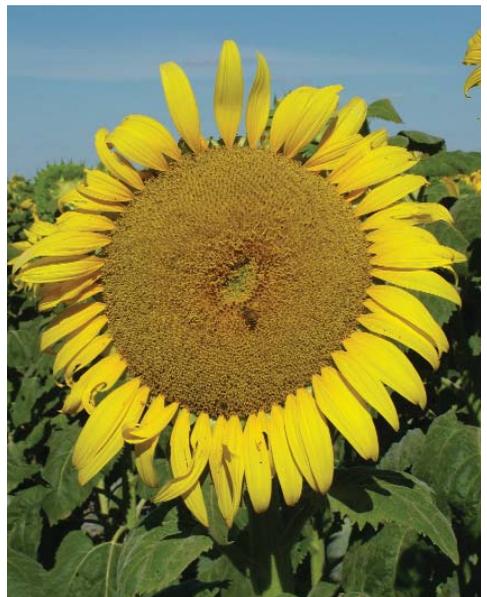


oilseed in their rotation, while the high oleic varieties provide growers with the opportunity to tap into the growing demand for high oleic oil for the food service and quick service restaurant business. The move by McDonalds to use a deep frying blend with a high proportion of high oleic canola, combined with the stated intentions of Yum ! (KFC, Pizza Hut) to do likewise, paints a promising picture for the high oleic varieties of both canola and sunflower.

During the year we continued our strong partnership with GRDC, working together to improve the sustainability and profitability of oilseed growers across the country. By the end of the financial year, we concluded the 4 year Better Oilseeds project, which saw over \$1 million invested in improving grower capability across canola, sunflower, soybean and safflower crops. I am pleased to report that during the life of the project, all 14 milestones were met in full, with many indeed exceeded. The success of this project gave us confidence to work with the GRDC in shaping the next major project which is designed around improving the profitability and sustainability of the overall farming system through the incorporation of broadleaf crops, such as oilseeds, in the regular rotation. With the GRDC brief focusing on broadleaf crops, we were presented with the opportunity of working with Pulse Australia, whose overall goals are similar to those of the AOF, and include a focus on improving grower capability. Together, AOF and Pulse Australia developed a joint proposal for GRDC funding, demonstrating how the reach and impact of both organisations can work to support the broader GRDC objectives around crop sequencing, by highlighting the important

roles pulse and oilseed broadleaf crops can play. The intent is that this one year project will pave the way for a 5 year project with GRDC and Pulse Australia, and negotiations to this effect are currently underway with our partners.

The past year also saw the updating of the AOF Strategic Plan. While the current plan was developed in 2004, to run from 2005 to 2010, many of the fundamental issues and opportunities identified then are just as relevant today. A separate section of this Annual Report provides a useful summary of the updated strategic plan, which will shape the AOF's activities for the next 5 years or more, suffice to say that issues around grower capability, market choice, industry profitability, market access and maximising the value of canola meal form the major themes for the intermediate future.



President's Report 2009/10 continued

The AOF continued to support the growth and development of Soy Australia Ltd throughout the year. Soy Australia Ltd was formed to bring to market new varieties of soybean developed under the GRDC funded CSIRO and NSW I&I National Soybean Breeding Program. By the 2010/11 planting season, Soy Australia will have available the first variety from the Program, 'Moonbi', designed specifically for culinary use, and tailored to the market needs of Japan and Korea, in particular.

In September of last year, after 4 years in the planning, the AOF hosted the World Congress on Fats and Oils and the 28th International Society for Fat Research (ISF) Congress. More than 500 delegates from over 45 countries attending the 4 days of the conference, listening to or delivering over

197 scientific and informational papers. While numbers were down on initial expectations, industry support for the Congress was strong, (despite the lingering effects of the GFC), and I am pleased to report that the running of this event, the largest in the history of the AOF, was around break-even for the Federation. I do need to pay tribute to the organising committee of the Congress who devoted countless hours over many years to ensure the overall success of the event.

And while on financial matters, it is pleasing to see that the AOF finished the year with a strong balance sheet, with net assets of \$518,000, up 18% from the previous year together with a modest surplus. This places the Federation in a strong position to continue to invest in the industry, and in



particular, demonstrate industry commitment to projects through co-funding arrangements with funding bodies such as the GRDC and the Pork CRC. The ongoing support of members through renewal of membership fees, and in particular, contributions to the Oilseed Development Fund continues to provide the necessary financial support to the AOF that enables it to make long term strategic commitments in the comfort and knowledge that there is ongoing industry funding.

For the future, there remain the challenges and opportunities that help unite this industry. In particular, driving cost out of the value chain should be seen as number one priority. From growing, through to bulk handling, processing and export, all sectors need to remain ever vigilant if we are to remain competitive in the world market. Cheaper imported RBD oils remain a present and growing threat, while the importance of maintaining quality and market choice requirements, especially for export customers, should never be overlooked. Ensuring the industry can maximise the value of canola meal is also a key driver for overall industry profitability, and the AOF is increasing resources in this area. The continuing trend towards healthier oils presents a strong opportunity to improve the value of the industry, while reducing the reliance on imported oils, and the AOF is taking an industry lead in this area with peak bodies such as the Heart Foundation, and various State and Federal government initiatives.

However, the challenges and opportunities of the future can only be effectively met with the strong industry support and engagement

that the AOF engenders, and I encourage you to continue to build your links with the Federation for the betterment and overall sustainability of the industry.

Finally, I would like to thank my fellow members on the AOF Executive, who assist in providing the strategic counsel, industry insight, and reasoned challenge that has helped position the AOF as one of the pre-eminent industry bodies in the agrisector.



Executive Director's Report

Nick Goddard

Highlights for 2009/10

- Near record oilseed harvest
- The expansion of GM canola into WA
- Strong industry contribution to the Oilseeds Development Fund
- Hosting the World Congress on Fats and Oils
- Conclusion of the very successful GRDC co-funded "Better Oilseeds" project
- Confirmation of funding from the GRDC for a new grower capability-building project
- Stronger, more engaged industry



Industry performance

The 2009/10 season was one of the best the industry has seen in many years, eclipsing the prior year by at least 60,000 tonnes. The good result was despite a drier than anticipated finish for canola in NSW and smaller sunflower and soybean crops. Western Australia delivered the majority of the oilseed production with a strong, but not record, canola crop of slightly less than 1 million tonnes. With strong prices for cotton lint, and sufficient water allocations, cotton production was significantly up on recent years, which served to bolster overall oilseed production for the past year.

Higher prices for maize and cotton, combined with a reported shortage of planting seed, served to produce one of the smallest sunflower crops in a number of years, at just 40,000 tonnes, half that of the previous year. Similarly, higher sugar prices, and the overall strength of cotton, reduced the soybean crop to around 60% of the prior year's harvest, at 65,000 tonnes. However, this is still well up on average production over recent years.

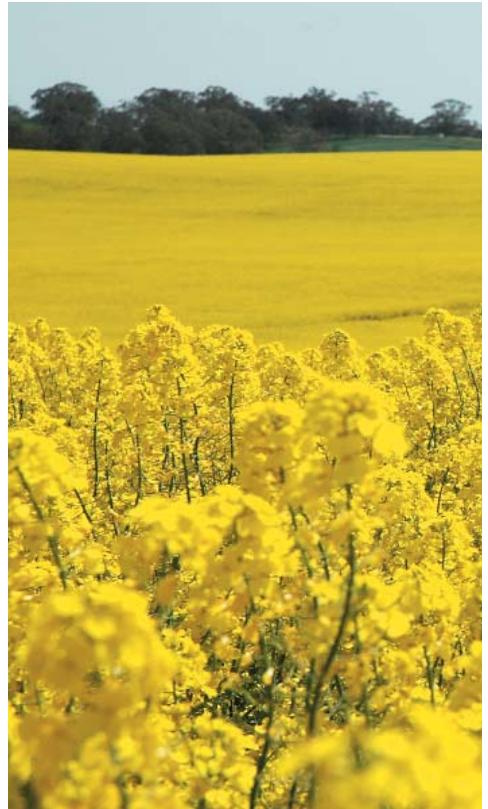
With an estimated 2.6 million tonnes harvested, this resulted in one of the largest volumes of oilseeds ever having been exported. For the year ending June 2010, over 645 million dollars of oilseeds were shipped from Australian ports. While this represents a strong exporting business, it was particularly pleasing to see the volume of oil, both crude and refined, which was exported. This amounted to over 120 million dollars of value-added exports, at an average of \$1195/tonne. By comparison, seed exports averaged \$477/tonne.

The international growth in the demand for oilseed meal has seen the market for Australian meal develop significantly over the past 12 months, with exports up over two and a half times the previous year's volume to yield an exportable value of nearly thirteen million dollars. While still a relatively small volume (32,000 tonnes), the current rate of growth and the size of the future opportunity presents real and tangible potential for Australian exports in the market.

The past year was the second year of commercial production of GM canola, with some 43,000 hectares harvested. This was a significant lift on the 9,600 hectares from the previous year, and paves the way for the firm entrenchment of GM canola in the farming mix as another effective tool for weed management. Planting for the third season was well established by the end of the financial year, with over 100,000 hectares sown. Significant in the increase was the decision by the WA government to grant a permit for the cultivation of GM canola in that state. This decision in January 2010 provided sufficient time for growers to become accredited and plan for the inclusion of GM canola where they felt it would be beneficial.

The dynamic nature of the oilseeds industry was again demonstrated over the past 12 months, with the announcement by Goodman Fielder of its intention to divest its commercial fats and oils business, and to out-source the production of its retail fats and oil brands. While the divestiture did not eventuate during the year, it did demonstrate the challenges that exist within the value chain in trying to maximise value and improve efficiencies.

With the ongoing importation of RBD oil, (over 33,000 tonnes of canola and soy in the 12 months to June 2010), the long term sustainability of the Australian industry relies on ensuring the Australian oilseed value chain maximising its efficiencies and striving to operate at a world class cost base. There will inevitably be ongoing changes in the dynamics of the Australian oilseed industry as players in the value chain continue to maximise agronomic performance, logistics efficiencies, processing and export operations.



Executive Director's Report continued

AOF performance

The majority of the achievements of the Australian Oilseeds Federation are delivered through programs funded through the Oilseeds Development Fund. This Fund is contributed to by participants in the supply chain by means of a voluntary levy on oilseed activities, on a cents per tonne basis for crushing, refining, meal production and exports. Over the past year, more than 250,000 dollars was contributed by industry to the Oilseeds Development Fund. The AOF is indebted to the organisations that contribute, as the Fund enables the AOF to deliver significant and tangible outcomes for the overall industry. With the resources of the Fund, the AOF is able to partner with other funding bodies such as the GRDC or the Pork CRC to expand the reach and improve the impact of the activities undertaken.

The 2005 Strategic Plan outlined five program areas for the AOF to apply its focus over the following years. The Australian Oilseeds Development Fund plays a key role in being able to deliver in the project areas. The five areas are:

- Stronger and more credible voice.
- Market and product development.
- Innovation.
- Grower capacity.
- Industry capacity and influence.

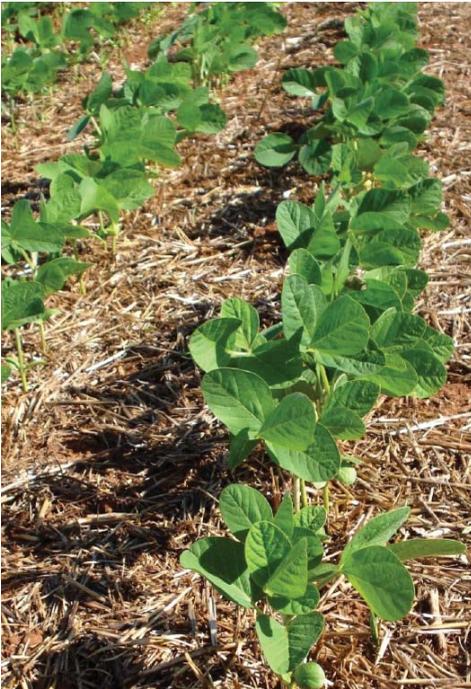
These program areas remain the strategic pillars that underpinned the majority of the AOF's activities in 2009/10

1. Stronger and more credible voice

In the past year, the AOF continued to represent the interests of industry with all stakeholders, including state and federal governments, the media, and special interest groups. The monthly AOF Crop Report remained a primary communication vehicle for the AOF, providing timely and industry developed estimates on major crops. The Crop Report is distributed to members on an exclusive basis 24 hours before being released to the general market, providing members with competitive insight not available elsewhere on the Australian oilseed crop. The AOF is very grateful to those from both industry and government who provide their time and information in the compilation of the monthly Crop Report. An additional communication and information piece developed during the year was the Weekly AOF News, which provides members with links to oilseed and other relevant news pieces from across the country and around the world.

The World Congress on Fats and Oils and the 28th meeting of the International Society for Fat Research in September 2009 reinforced the leadership position of the AOF, as hosting organisation. With over 500 attendees over the 4 days, the Congress provided a forum for researchers from around the world to present their latest research in the fields of nutrition, processing, seed breeding, aquaculture, biofuel, olive oil, oleo chemicals and more.

Other activities undertaken which served to entrench the leadership position of the AOF included the AOF Supply Chain Academy, held in May; the co-hosting of the Australian Grains Industry Conference in July; ongoing representation of the oilseed industry at the Grains Export Reform process; provision of informed comment to the media on matters of interest; the coordination of the canola 'Test Check' program; support of relevant conferences, such as the inaugural Summer Grains Conference in conjunction with Soy Australia, the Australian Research Assembly on Brassicas (ARAB) and the 19th International Symposium on Plant Lipids; and the revamping of the AOF website to be more user friendly.



2. Market and product development

Assisting with gaining market access for members and facilitating the introduction of new products is a key role of the AOF. During the past year, a significant impost was placed on canola exports to China, and the AOF continues to take the lead on this matter, working closely with AQIS to determine a satisfactory outcome. The GRDC funded Canola Quality Objectives Group project entered its third year, and has led to the scoping for a more focused and directed project related to optimising canola quality to ensure locally developed varieties remain competitive on the world market as well as meeting local end-user requirements for both oil and meal. While funding for this more focused project is not yet finalised, the AOF is confident of being able to secure sufficient funding to run this quality improvement program for a five year period.

3. Innovation

Working with members, the broader industry, and other stakeholders, the AOF continued to ensure market choice was able to be delivered to end users, in relation to GM/non-GM canola. Activities included presentations in conjunction with Grain Trade Australia to industry about the segregation protocols, providing regular media comments and the publication of brochure for growers titled "Keeping non GM canola non GM canola".

Executive Director's Report continued

4. Grower capacity

June 2010 saw the conclusion of the very successful GRDC co-funded "Better Oilseeds" project, which commenced in 2006. Over the four years of the project, over one million dollars had been invested in building grower capability with the four crops of canola, soybean, sunflower and safflower through the running of demonstration sites, the use of media to communicate timely and relevant messages, the holding of workshops, and the publication of a number of core booklets across all 4 crops outlining best practice. Specific mention needs to be made of the key drivers of this project, being Dr. Steve Marcroft, Dr. Sue Knights and Felicity Pritchard. Under their stewardship, all project milestones were met, with many exceeded, and they leave this project with the knowledge that they have played a significant role in developing and communicating best practice oilseed agronomy.

Building on the success of this project, the AOF in collaboration with Pulse Australia, developed a project to be run by both organisations to support the GRDC 'crop sequencing' initiatives. While only a 12 month project, both organisations are confident that this will develop into a longer term project aimed at building grower confidence and capability in the growing of oilseeds and pulses in the rotation.

5. Industry capacity and influence

The AOF has over many years developed a very effective model for strong industry engagement across the value chain, and this was further enhanced throughout the year. In addition to the quarterly AOF Technical and General meetings, which are always well attended, key items such as the Chinese canola restrictions, the expansion of GM canola, and new requirements in relation to canola shipments to the EU, served to galvanise the industry around a common purpose.

Although only a relatively small organisation, the AOF manages to exert its influence over a broad area, and to represent the many, often divergent views of the oilseed industry to stakeholders at all levels. The AOF Secretariat is extremely grateful to the support and guidance it receives from members, and looks forward to continuing to represent members with the purpose of building resilience and sustainability into the Australian oilseed industry.



Strategic Plan



Strategic Plan Overview

The AOF Strategic Plan provides the direction for the Federation to pursue over the next planning period by setting realistic but stretching goals, supported by specific objectives, from which a 12 month and longer term activity plan is formulated. By setting the objectives for the Federation, the AOF Strategic Plan effectively sets the direction for the Australian Oilseeds Industry.

The 2015 plan was a logical 'build' on the 2010 plan, developed for the period from 2005 to 2010. While many of the core issues and opportunities remain the same, the 2015 plan has enabled a refreshed look at the issues and opportunities and has led to the formulation of 14 objectives to achieve over the coming 5 years.

Underpinning all the activities is the overriding Vision of driving the industry to be sustainable and internationally competitive.

Our Vision

An Australian oilseed industry valued at \$3.3bln, sustainable and internationally competitive, delivering a range of high value products to satisfy market demand.

The value growth will be delivered through improved productivity, quality, and product mix combined with value chain efficiency gains.

Our Mission

To provide leadership to the Australian Oilseed industry and coordinate activities that will achieve optimised profitability for all sectors of the value chain.

Our Goals

1. To provide a whole-of-value chain approach to improving industry profitability while remaining internationally competitive.
2. To improve grower capability in efficient, sustainable and profitable oilseed production across both minor and major crops.
3. To work with value chain sectors to improve the market opportunity and value for canola meal.
4. To ensure that market choice can be delivered through the value chain- from farm gate to dinner plate.
5. To contribute to the development and profitable access for Australian oilseed and derived products to all new and existing domestic and international markets.
6. To be recognised by all stakeholders as the 'go to' organisation for Australian oilseed information, strategic direction, advice and support.

5 Year Plan

Sector support for profit

Objectives:

1. Provide leadership across the value chain in addressing issues that serve to impede value creation.
2. Work cooperatively with GRDC to maintain and foster grower confidence in oilseeds as part of a properly planned broadleaf rotation.

Outcomes:

- Improved industry profitability and LT sustainability
- Increased oilseeds in crop rotation.

Industry support/communication

Objectives:

3. Increase the proportion of canola meal in the feed ration
4. Promote Australian canola meal to the S.E. Asian markets.
5. Provide assurances to stakeholders that market choice is delivered.
6. Continue to build unity across the Value Chain
7. Provide relevant and timely response and actions when issues arise

Outcomes:

- Improved value for meal.
- Trust in the oilseeds value chain to deliver non GM

Market support

Objectives:

8. Respond quickly and appropriately to member raised market access issues.
9. Foster appropriate industry segregation protocols for new products
10. Provide the two-way end user market interface to crop sequencing group as part of Objective 2.
11. Continually lift the AOF 'offer'

Outcomes:

- More engaged membership
- AOF viewed as oilseed industry leader

Organisational capability

Objectives:

12. Market and deliver the benefits of ODF contribution
13. Continue to broaden the income base for AOF.
14. Strengthen core skills and knowledge base of ED

Outcomes:

- Stronger and more diverse income base.
- Strategically focussed organisation

Statistics

Table 1: Australian Oilseed Production

Source: AOF

'000 tonnes	2009/10	2008/09	2007/08	2006/07	2005/06
Canola	1936	1878	1069	512	1440
Sunflowers	40	81	75	20	95
Soybeans	64	105	35	30	56
Cottonseed	550	466	200	350	800
Other	10	10	10	10	20
Total	2600	2540	1389	922	2411

Table 2: Area and Production by State – Key Crops

Source: AOF

		2009/10		5 year average to 2009/10	
		Area	Production	Area	Production
		'000 ha	'000 tonnes	'000 ha	'000 tonnes
Canola	NSW	227	261	133	170
	Vic	234	391	174	244
	SA	184	298	154	195
	WA	745	986	499	758
	Total	1390	1936	960	1367
Sunflower	Qld	8	10	12	16
	NSW	19	30	33	46
	Total	27	40	45	62
Soybean	Qld	13	16	11	23
	NSW	17	47	14	35
	Vic	1	1	1	1
	Total	31	64	26	59

Table 3: Oilseed Exports by year

Source: ABS

'000 tonnes	2009/10	Av 5 years to 09/10
Canola	1238	707
Cottonseed	106	76
Canola oil	87	46

Table 4: Canola Exports by Destination

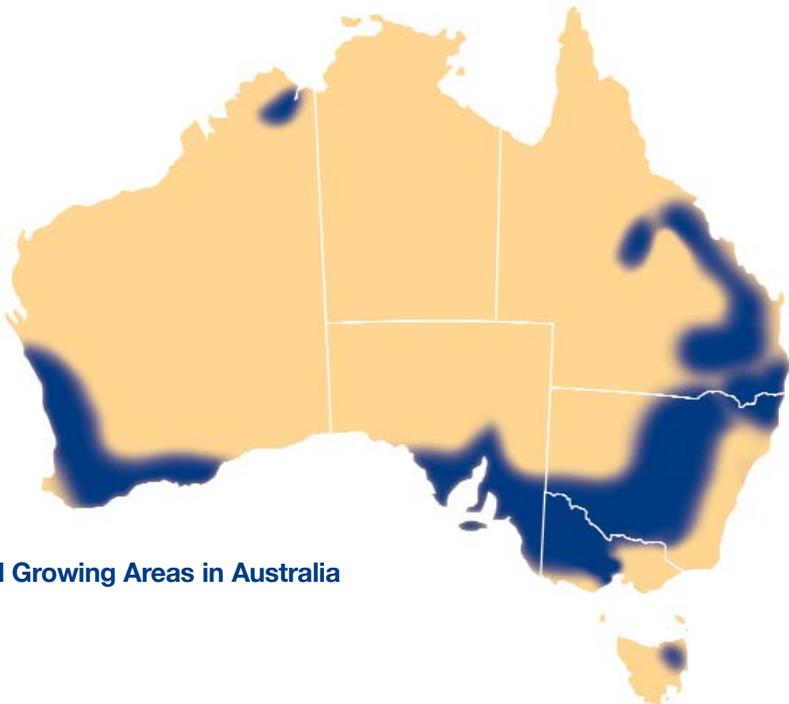
Source: ABS

'000 tonnes	2009/10	Av 5 years to 09/10
Europe	315	257
Pakistan	553	193
Japan	214	182
Bangladesh	76	28
China	0	9
Other	80	39
Total	1238	707

Table 5: Oil and Meal Imports by year

Source: ABS

'000 tonnes	2009/10	Av 5 years to 09/10
Canola oil	11	14
Coconut oil	11	12
Cottonseed oil	4	4
Olive oil	59	37
Palm oil	131	131
Soy oil	23	24
Sun & Saff oil	34	34
Palmkernel meal	129	79
Soybean	503	509

**Oilseed Growing Areas in Australia**

Australian Oilseeds Federation







Australian Oilseeds Federation

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