

Marketing & End Use

Oilseed sunflowers take up the majority of the Australian crop with small areas of birdseed, confectionery and specialist sunflowers.

There are two oilseed types, namely

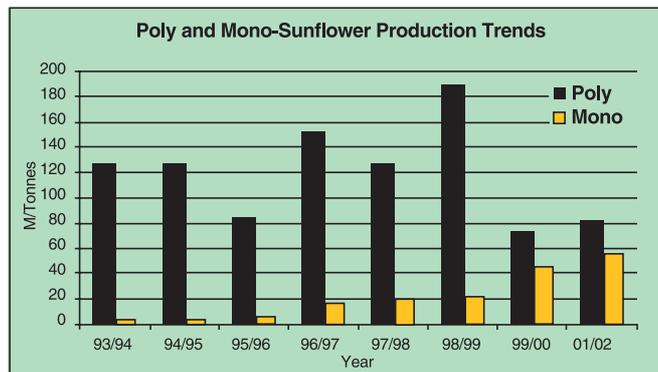
Poly: The type that has been traditionally grown in Australia. The oil is high in linoleic acid and referred to as polyunsaturated sunflower oil. There is an intrinsic demand for poly sunflower in Australia equivalent to 90,600 - 100,000 tonne of seed.

The oil is primarily used in margarine and bottled oils.

The polyunsaturated market is at present relatively stable.

Mono: A new development also known as high oleic sunflower.

Produces a monounsaturated oil which is high in oleic acid (greater than 80%) and low in linolenic acid (1%) which accelerates oxidation and reduces the useable life of the oil. Oils such as canola are high in linolenic acid. The biggest potential for this product is in the food services industry although some is used in margarines and bottled oils.



The benefits of mono sunflower oil are its good frying characteristics and its nutritional "healthy image".

The oilseed industry believes the prospects for replacing a significant portion of the imported palm oil used in the food services industry for frying applications are favourable.

In addition there are excellent opportunities in Asia. However, this potential will not be realised until there is a larger and more consistent domestic supply. Argentina and Europe are net exporters of Sunflower oil.

THE OILSEED INDUSTRY

The sunflower seed provides three products

- Oil for human consumption
- Protein meal for the livestock industry
- Hulls as a fibre source in beef feedlots or as mushroom compost.

The market forces for the two types of sunflower oil differ:

Poly

The manufacturers of products containing polyunsaturated sunflower oil require continuity and reliability of supply. They source product from both international eg. Argentina and the Australian crushing industry. The oil is bought ahead to ensure supply and as a hedge against a domestic crop failure.

The price that end-users and manufacturers will pay the Australian crusher for oil is determined by the cost of importing oil. The Australian crusher can only forward sell oil it is assured of receiving, ie. seed contracted by growers to the crusher.

Sunflower seed is rarely imported for crushing due to import restrictions, particularly from South America because of the presence of foot and mouth disease.

Currently the export market for poly sunflowers is trading at a discount compared to the domestic market. The likelihood of Australia returning to the export levels of the 1980s is remote due to the split between poly and mono sunflower.

Mono

Monounsaturated sunflower oil has experienced good growth in the Australian market but continuity of supply will have to improve so that end users are confident of meeting demand. Whilst this oil is a specialist product it is still competing with the cheaper palm oil therefore there is still some price sensitivity in the food service sector.



The development of this industry is currently reliant on domestic production relatively speaking.

Consequently the crushing industry is offering a price bonus for mono over poly sunflower to encourage growers to grow the crop and to compensate for the difference in yield between mono's and poly's, although this difference is now less than it was due to improved varieties.

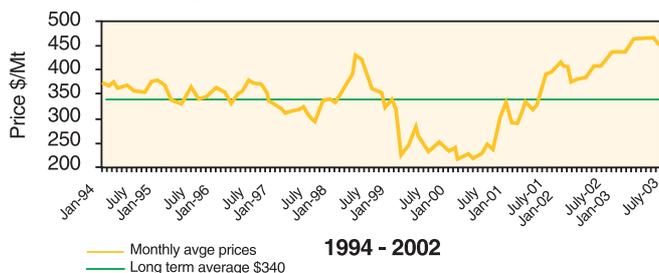
Mono sunflower offers good potential for growth to the Australian sunflower grower.

Sunflower relativity to other oilseeds

The sunflower price is driven primarily by the global vegetable oil market as is canola. Sunflower normally has an oil price premium over canola but canola has a higher meal value.

Soybean values are driven more by the meal market than the oil market. Therefore sunflower and soybean prices are not always comparable as they are influenced by different commodity markets.

Poly-Sunflower Price 1994-2002



Confection & Birdseed Sunflower Markets

There is increasing demand for confection sunflower seed both domestically and internationally, with the Spanish market showing good growth. The Chinese market for confection seed is enormous but the long seeded varieties required for this market are not yet available in Australia. Good prices are offered for confection seed with demand far outstripping supply over the past few years.

Organic Sunflowers

This is a growing market and the crushers who service this market are listed in the regional section.

There are many reputable companies in all sunflower growing regions who process and market birdseed, confectionery and other speciality sunflower products.

Marketing Strategies

Contrary to popular belief there is a number of selling options available to sunflower

growers. Not only are there different types of contracts and conditions, but also a number of buyers.

Whether the farmer chooses to

forward sell, join a pool or take a harvest price contract, he needs to be comfortable with that decision.

TYPES OF CONTRACTS AVAILABLE

Firm tonnage/Firm price

The most common type of contract which commits both buyer and seller to a set price for a set tonnage and delivery time. Production failure unless covered by a Force Majeure clause do not release the seller from the contract. This contract normally offers the best price.

Firm tonnage/No fixed price

The tonnage and delivery time are fixed and the grower has an agreed upon time to fix the price, commonly three months.

Hectare contract

The grower guarantees to supply the total production off a contracted area. The price paid will be the ruling price at the time of delivery unless all or part is converted to firm price/firm tonnage prior to harvest.

Hectare, minimum price

The contract provides a minimum price for the production from a given area. There may or may not be a minimum tonnage clause.

(Hectare contracts commonly have a price discount).

Mono

Currently there is a hectare contract for mono sunflowers with a specified bonus over poly prices. The grower guarantees delivery and can set the base price at any time through a set tonnage/set price contract.

Note: Whatever the contractual arrangements, keep in close contact with the buyer and advise promptly of any potential production shortfalls.

Selling forward

The sunflower market can be quite volatile during the season which offers growers the opportunity to increase their returns. In Australia it is common for sunflower markets to be stronger at planting time compared to harvest time, particularly for later sown crops. But like all similar occurrences, there are exceptions.

Therefore the development of a selling strategy to follow changes in the world market is as important for sunflower as for other crops. A recommended strategy is to sell progressively during the season, depending on the crop's progress and the growers opinion of prevailing prices.

Current sunflower agronomy practices have meant higher and more consistent yields. In addition the presence of more buyers offers the grower increased contracting and selling options. Therefore there are better opportunities today to increase prices through a marketing strategy rather than sell "off the header".

