



Australian Oilseeds Federation

Strategy 1998-2002

Building on the Past - Focusing on the Future

The Australian Oilseeds Industry

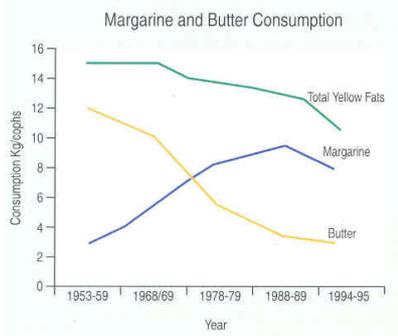
The Strategic Plan 1998-2002 was determined by members of The Australian Oilseeds Federation at a workshop convened in June 1997 and with Bowman Richards and Associates as facilitator; Rosemary Richards drafted the resultant Plan and compiled the final document as now presented.

GUIDE TO 1998-2002 PLAN

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AUSTRALIAN OILSEED INDUSTRY

The Australian Oilseeds Industry's second strategic five year plan - Strategy 1998-2002- encapsulates a period of consolidation for the industry, **building on the foundations** it has laid with its 1993-1998 Plan and **focusing on** initiatives that will drive **future profitability and sustainability**.



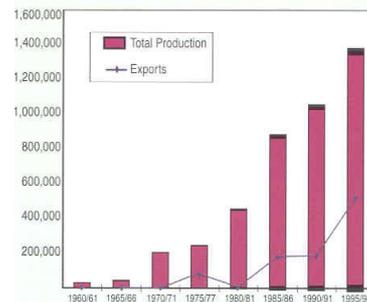
The Australian Oilseed Industry grew significantly through the 1960s and 1970s as the health message began to drive consumption of vegetable oils at the expense of butter and other saturated fats. This trend was a result of the link between the type of fat consumed and the heart disease being discovered and publicised by the health sector. Consumers recognised that the unsaturated fats found in oilseeds help to reduce blood cholesterol and this drove the consumption of vegetable oil products.

However since the late 1980s total fats usage has been declining and in the 1990s the dairy sector began to fight back in retail markets. During this period the “fat debate” increased in complexity as a range of products sought to capitalise on the consumers health awareness.

This has seen consumers become confused about the role of fats in the diet and the merits of individual products

Thus at the market level this led to a strong price focus and inadequate profits to drive market development. At the production level it led to a lack of industry confidence. This was enhanced by the fragmentation that existed within the industry but also the

- lack of agronomic skills and crop support activity
- need for variety improvement and better adaptation of varieties
- narrow range of crop types and
- poor market information and
- grower understanding of markets



This provided the impetus for the Australian Oilseeds Federation (AOF) to develop its first five year Plan, where key goals were to move the industry to a position of domestic self sufficiency in soft oils, replace imports of some hard oils and develop an export focus. Critically underpinning these was the goal to build grower confidence

The industry's 1993-1997 strategy has provided a solid foundation on which to consolidate industry performance and assess new opportunities. The industry is now characterised by strong and innovative leadership under the AOF. This has promoted a coordinated approach to industry development.

Through the Plan a firm funding base for the industry has been developed. This has been supported by substantial investment for the future by organisations beyond the farmgate

The results of the Plan are evident in the improved industry confidence which now exists with canola leading the way in crop expansion. Soybean production is improving and the industry is now focusing on building growth in sunflower production

Regular exports of canola, cottonseed and some speciality products (eg safflower) are now part of the industry although imports of soft and hard oils are still necessary to fill domestic shortfalls of some crops.

Through the Plan and improved communication the industry has provided clearer research and development priorities to research providers and funding bodies. This has resulted in improved variety performance and improved quality of end products. There has been considerable growth of new industries such as high oleic sunflower and light hilum soybeans.

THE AUSTRALIAN OILSEED INDUSTRY STORY

Crop (tonnes)	Five year average to 1992/93	1992/93	1993/94	1994/95	1995/96	1996/97
Canola	110,000	177,900	305,00	263,900	561,000	900,000
Sunflower	120,000	49,800	104,700	112,300	87,000	166,000
Soybean	80,000	48,900	81,300	27,600	72,500	99,000
Cottonseed	595,000	527,500	465,500	473,700	595,000	800,000
Other	25,000	27,200	53,800	20,400	45,000	30,000
Total	930,000	831,000	1,010,300	897,900	1,360,500	1,573,000

OILSEED PRODUCTION AND PROCESSING EXPANDS

The Australian Oilseed Industry is a world leader in research and innovation in oils and fats despite being a small producer by world standards. It is a competitive industry which operates in a free market environment.

Following a period of growth the industry stagnated in the 1980s as its products lost favour with consumers and other crops such as pulses, pushed oilseeds out of farmer's rotations. The industry remains a net importer and meeting domestic requirements for soft oils remains a key priority. Through its 1993 plan the industry has addressed both grower and consumer confidence issues and current indicators point to a strong and growing industry.

Oilseed production has increased significantly in recent years in part due to the grower confidence program put in place by the industry's 1993-1997 strategy. Whilst this growth has also been due to seasonal and market conditions increased crop support by AOF and its industry partners has ensured that oilseeds have maintained or increased their share of the cropping area.

Supporting these activities at the production level, the processing sector has undertaken considerable investment to upgrade and expand refining and crushing capacity. This investment has exceeded \$80 million over the past five years and has positioned the industry well to take advantage of future opportunities.

Canola has been the success story of the Australian oilseeds industry with production over the last five year period increasing by about 400% over the previous five year period.

In more recent years soybeans have also begun to make significant gains in terms of rebuilding production. The oilseed industry has not yet met its target of self sufficiency with imports of sunflower and soybean oil still required.

Some progress has been made in replacing imports of palm oil with the development of a monounsaturate sunflower industry and expansion of the cottonseed industry.

CONSUMER TRENDS DRIVE THE MOVE TO HIGH VALUE SOFT OILS

In response to consumer trends for healthier products the demand for canola and other monounsaturated oils has grown significantly.

Soft oils are increasing their share of the total fats and oils market with consumption of vegetable oils increasing from 16.7kg in the late 1980s to a current level of 20.1kg per person per annum. Despite this Australian usage of vegetable oils is lower than that of other developed countries such as EU (41.5kg) and Canada (35.2kg) although it exceeds the US at 172kg.

Oil Type	Tonnes	%
Total	476,000	
Soft vegetable oils	228,000	50
Olive oil	16,000	3
Palm oil	116,000	24
Tallow	95,000	20
Coconut	16,000	3
Soft Vegetable Oils		
Canola	97,000	41
Sunflower	58,000	24
Soybean	47,000	16
Cotton	36,000	16
Other	10,000	4

Domestic Consumption of Oils and Fats

The other clear trend in the edible oils and fats market as been the continued shift from polyunsaturated oils

towards monounsaturated oils as reflected in the increasing share of the market being won by canola and olive oils.

FOOD SERVICE WILL DRIVE FUTURE DEMAND IN AUSTRALIA

Utilisation of vegetable oils by the food service sector (which includes major food manufacturers restaurant chains independent food outlets and institutions) is approximately double that of the retail sector

The food service market in total will grow from approximately 33 per cent of the food dollar to 50 per cent (as in US). Family chain restaurants will enjoy strongest growth. The food service market for oils and fats will grow by 1-2 per cent per annum with a stronger lift expected around the year 2000.

The product mix trend will be away from tallow and palm oils to vegetable oils for deep frying products. This will see food manufacturers move slowly from the cheapest oils available towards healthier alternatives such as cottonseed and monounsaturated sunflower oils. Other growth areas will be in butter and cream alternatives in food service outlets.

The growth of imports of packaged vegetable and palm oil products from South East Asia, with export pricing on an incremental basis only is an area of potential vulnerability for the industry.

RETAIL VALUE TO INCREASE SLOWLY

The retail oils and fats market (excluding butter) in Australia has a current value of approximately \$610 million whilst the total fats and oils market (excluding butter) have a current value of over \$1 billion dollars due to the inability of domestic production to meet the intrinsic domestic demand that exists for these products.

Imports 1996/97	Tonnes
Soybeans	103,000
Soymeal	151,000
Olive oil	17,500
Palm oil	108,000
Soft oils (soy, sun, saff, canola, linseed)	46,000

Although the total market is experiencing a relatively low level of growth of around 1-2% per annum the retail margarine sector has been in decline for the past two years. This is the high value sector of the market and the sector that utilises almost exclusively Australian produced vegetable oils. The market value of margarine has begun to increase following increased consumer marketing efforts

As a consequence of technology the use of the word spread is emerging replacing in some product markets the word margarine. In part this change is determined by the legal compliance need relating to product definition.

Meal Type	Tonnes	%
Total	555,000	
Cottonseed	155,000	29
Soybean	150,000	27
Canola	135,500	24
Sunflower	57,000	10
Other	57,500	10

The retail market is likely to show little growth in the medium term although there may be some growth in bottled oils and salad dressings. The major task for the industry is to arrest the decline in margarine consumption. This will be assisted by the increase in lower fat specialty niche products.

The industry supports a program developed by the Australian Oilseed Products Group *Natural Oilseeds Nature's Finest*.

This is aimed at improving the public perception of oilseed based products and developing their understanding of the role of oils and fats in the diet. This program will be extended to schools over the course of the 2002 strategy.

The bottled oil market is expected to grow by approximately 1 per cent per annum with continuous growth in market share by canola and olive oils.

Again, imports provide a potential area of vulnerability for the industry as does the emergence and increased use of synthetic fat substitute products.

DEMAND FOR OILSEED MEALS GROWING

The livestock sector has been growing strongly bringing with it an increased demand for oilseed meals. To date a substantial share of this is met by imported soy meal. There is an intrinsic demand for High Pro soybean meal estimated to be around 200,000 tonnes annually.

As the production of canola and cottonseed has expanded the production and use of domestically produced meals has increased. This has been supported by considerable efforts by the AOF to establish the potential for using canola meal in rations and the commercial development of High Pro cottonseed meal.

The stockfeed industry remains reliant on imported soybean meal to meet its growing requirements due to the constraints on oil usage constraints on oil usage domestically.

IMPORTS TO DECLINE/ EXPORTS TO GROW

The major development in relation to exports over the past five years has been the growth in canola seed exports. These have increased from virtually zero in 1990 to over 300,000 tonnes in 1996/97 with further increases expected in 1997/ 98 and thereafter

Cottonseed exports have remained steady in the range of 130 –160,000 tonnes. There has been little change in exports of oil or meal.

Imports of palm and olive oil remain the most significant for Australia although there is a wide range of oils imported. This includes soybean and sunflower oil

In relation to palm oil imports the development of the monounsaturated sunflower industry and development of high oleic/low linolenic canola should assist to provide options for replacement of palm oil. Cottonseed oil also plays a major role in this market and has been successful in replacing palm oil in some food service segments in recent years.

In addition as mentioned previously considerable quantities of soymeal are imported. This exceeded 300,000 tonnes in the drought year of 1993/94 but has now declined to around 200,000 tonnes. This is expected to fall further as canola and cottonseed meal establish greater market share and domestic production of soybeans rebuilds.

INDUSTRIAL OILS AN EMERGING OPPORTUNITY

The current non food use of vegetable oils is about 12,000 tonnes (3% of total oil utilisation)

Opportunities exist for vegetable oils in

- Direct use in lubricants and inks
- Bio-diesel fuels
- Oleochemicals including pure fatty acids (eg oleic acid) fatty acid derivatives (eg erucamide) and alkyl units for polymers (eg nylon)

In the short term it is expected that linseed oil utilisation will remain stable at around 6,000 tonnes but that there may be increased industrial use of rapeseed, expansion of high erucic acid rapeseed and introduction of laurate canola.

In the medium term there is likely to be increased use of commodity vegetable oils in industrial applications and introduction of other speciality industrial oilseeds.

In the long term, mineral oil prices are expected to rise, thus making vegetable oils more price competitive. There is also likely to be an increase in nearby Asian markets for oleochemicals and biodegradable plastics from plants.

Participation in new opportunities will depend on targeted investment in local technology and strategic alliances with technology owners. Market development required to expand replacement of petrochemical based products, with most opportunity in export markets.

CANOLA – A SUCCESS STORY

Canola has been the oilseed, and indeed the grains industry success story of the 1990s. Its growth reflects the coming together of market demand and production capacity. At a time when markets were beginning to recognise the value of monounsaturated oils, the plant breeders and extension sector were able to develop disease resistant varieties and crop management practices that improved in field performance of canola.

As a result, the use of canola in canola specific and blended products has continued to grow and now represents the most significant soft oil used domestically.

The canola industry has also developed a strong export base for its production that exceeds domestic requirements. The industry is now focused on building new markets to cater for expanding production (including seed and oil) and developing a range of specialty products based on canola.

Japan is currently the industry's most significant market and AOF has been active over the latter part of its plan in seeking bonification from the Japanese market. A key focus of the 2002 plan will be to improve Australia's profile in Japan through the establishment of an Australian Oilseed Export Development Group.

As the industry continues to grow rapidly, on farm issues such as growers tightening rotations and increasing risk of disease may emerge as areas requiring grower education programs.

SOYBEANS - MEETING THE CHALLENGE?

The soybean sector is a very important component of the oilseed industry. Not only is there an intrinsic demand for the oil by domestic refiners, but also by domestic stockfeeders for meal.

The soybean industry was a target sector in the 1993-1997 plan and the AOF commissioned a review to establish the potential of the Australian soybean industry to meet the demand that existed. That review determined that the industry did have the potential to meet the challenge and this would be assisted by the release of new varieties that were in the pipeline. As such, the AOF is actively supporting an extension program for soybeans in order to expand production.

The soybean industry is very regional in nature and, as such, requires very targeted programs on a region by region basis. Soybeans have an opportunity to significantly increase the area sown, if profitability can be improved through better varieties and better crop management.

The industry's plan provided clearer targets for researchers in terms of quality and variety improvements. This includes a focus on yield, disease, maturity, adaptation across regions and weathering resistance.

A growing sector of the industry is production of light hilum beans for edible markets, domestically and in Asia. Obtaining an understanding of quality requirements for export markets is essential to continued export growth.

SUNFLOWERS - AT THE CROSSROADS

The sunflower industry is at a critical point in its development. The demand for products based on traditional polyunsaturate sunflower oil remains strong, however, at farm level the crop struggling to maintain its share of the cropping area.

The industry has received a boost over recent years with the growth of the high oleic or monounsaturate sunflower industry. This sector has exciting growth prospects, both as a competitor in the growing monounsaturate oils market, but more importantly in the growing food service market as a replacement for palm oil.

The key constraint for the sunflower industry over the past five years has been the inconsistency of supply. Whilst the Liverpool Plains and Southern Queensland form the key production areas, variability in production is exacerbated by the location of production, in particular Central Queensland, where planned production is difficult to achieve.

The AOF, in conjunction with the Australian Sunflower Association, has recently completed a review of the industry which will provide the framework for a targeted strategy for increasing production (in volume and consistency) of both high oleic and traditional poly sunflowers.

Whilst this industry plan is focused on production issues to build grower confidence and increase yields, it also highlights the potential for improving the value of sunflowers through improved quality of sunflower meal.

High oleic sunflower is an opportunity for the industry to inject a new enthusiasm into an old industry. High oleic sunflower oil has a real opportunity to substitute existing products used in high stability applications on basis of functional, health and sensory benefits offered.

Export opportunities for high oleic sunflower oil are also being realised and have potential to expand.



THE AUSTRALIAN OILSEEDS FEDERATION

OUR ROLE

The AOF is the peak industry body, with representation from all sectors of the industry. AOF provides leadership and coordination for the oilseed industry and has been the catalyst for industry development.

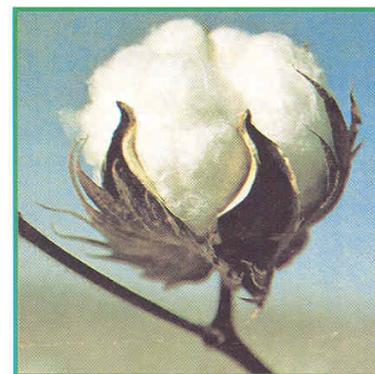
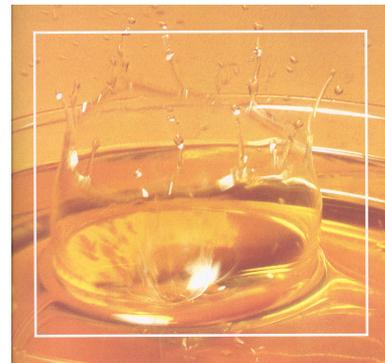
The AOF has close linkages with a number of industry, state and sector groups who play a very valuable role in providing linkages at the grassroots level and in identifying and communicating industry needs and priorities.

AOF encourages the active participation of all involved in the oilseed industry.

OUR STAKEHOLDERS

The AOF stakeholders include:

- growers
- crushers
- refiners
- marketers/exporters
- stockfeed sector (users and manufacturers)
- GRDC/researchers
- extension providers
- service providers
- consumers
- Government
- seed companies
- bulk handlers



OUR VALUES

- Equal participation by all members
- Complete industry integration
- Partnership with the commercial sector
- Partnership with the Grains Research and Development Corporation (GRDC) and Grains Council of Australia.

KEY GOALS

- Building grower confidence
- Enhancing profitability and sustainability of the industry
- Encouraging best practice across the whole industry
- Achieving domestic self sufficiency and minimising imports
- Promoting export growth

STRUCTURE AND OPERATIONS

The AOF structure is shown overleaf. The strengths of the AOF structure is the ability for everyone to participate equally, the linkages with industry groups and the flexibility to anticipate and respond to existing and emerging issues.

The AOF operates through general meetings, open to all members. The Oilseeds Development Fund (ODF) Group is responsible for the financial management of the ODF, but this is driven by industry priorities developed from the broader AOF. The ODF reports to the AOF directly through general meetings.

The AOF has a number of Groups that come together to manage particular projects or issues, or where appropriate,

this is handled through existing industry organisations. The AOF works closely with key industry groups such as the Canola Association of Australia, Australian Sunflower Association, the Australian Oilseeds Products Group, the Grains Council of Australia and GRDC.

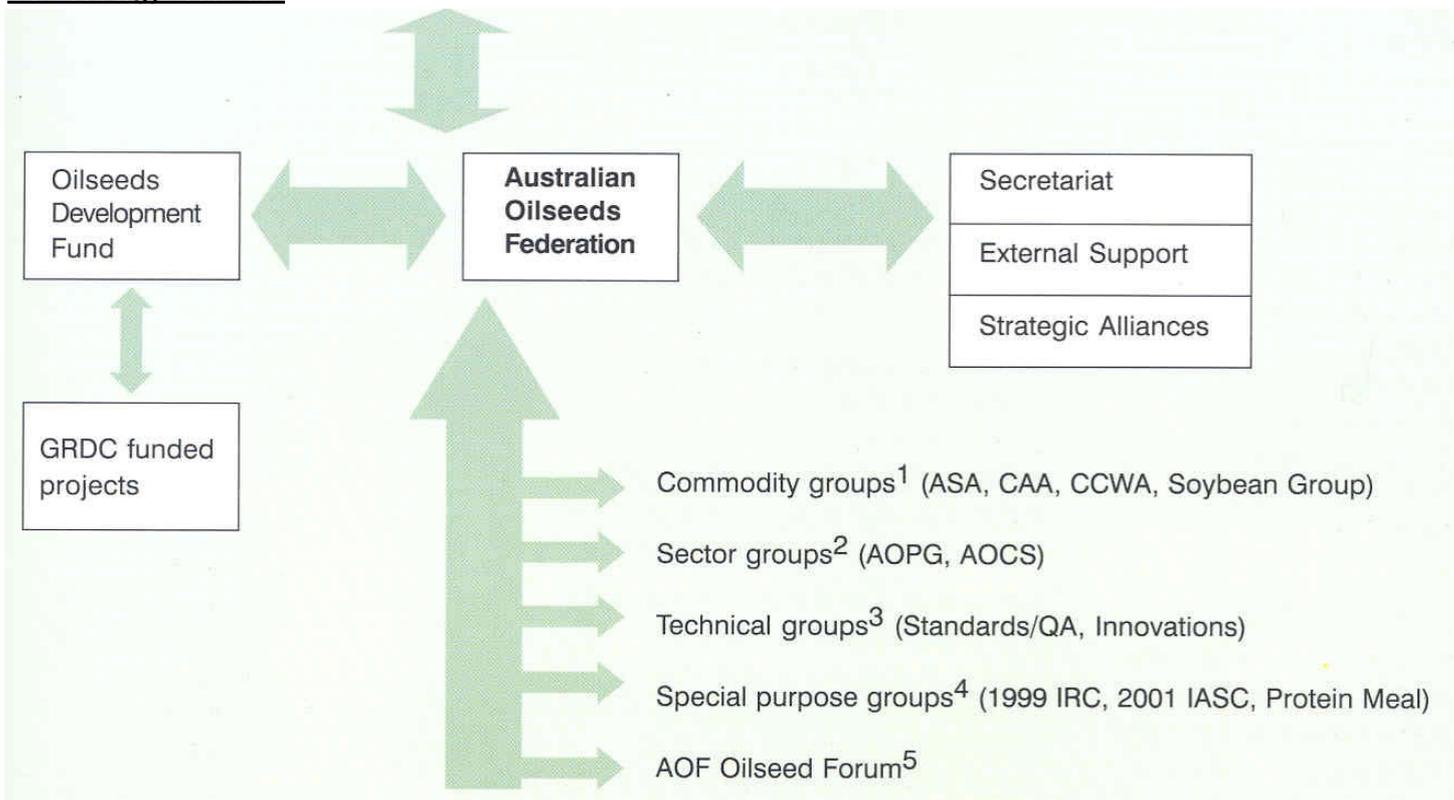
FUNDING

The AOF derives its income from membership fees, with the funding for implementation of the Strategic Plan provided through the ODF. The ODF is a voluntary fund to which refiners, stockfeed users/ manufacturers and crushers contribute levies.

This is supported by a partnership arrangement with GRDC, which provides funding for specific projects.



ODF Contributors
Cargill Oilseeds Australia
Meadow Lea Foods
FLORAfoods
Peerless Holdings
Caines Pty Ltd
Inghams Enterprises
Ridley Corporation
Millmaster Feeds
Seedex Pty Ltd
Steggles Limited
Riverland Oilseed Processors
Davison Oils
Grains Research & Development Corporation



¹ AOF sub committees or formal associations which operate independently to service specific commodity sectors. Provide grassroots feedback and priorities to AOF and manage AOF supported programs

² Formally structured groups, external to AOF, but which maintain a close liaison and provide feedback of sector needs and initiatives

³ AOF established groups to provide input on technical issues. May co-opt members from outside AOF

⁴ AOF groups formed on 'as needs' basis and disbanded once project completed. AOF member with direct responsibility back to AOF, but may co-opt non AOF members onto the group.

⁵ The oilseed forum is a biennial event conducted by the AOF

Abbreviations

- ASA Australian Sunflower Association
- AOCS American Oil Chemists Society Australasian section
- AOPG Australian Oilseed Products Group
- CAA Canola Association of Australia
- CCWA Canola Committee of WA
- IASC International Association of Seed Crushers (2001 Congress)
- IRC International Rapeseed Congress 1999

COMPETITIVE POSITION OF THE INDUSTRY

INDUSTRY - ADVANTAGES AND OPPORTUNITIES

The AOF Strategy 2002 builds on the strengths of the industry and looks to capture the opportunities that face the industry. It will do this in partnership with the industry's commercial sector, the growers and the research, development and extension sector.

The underpinning strength of the industry, developed through the previous five year strategy, is the unified industry that exists, with strong linkages between all sectors. The AOF acts as the peak body which brings all these sectors together and provides the catalyst for implementation of the Plan. The Biennial AOF Forum is a key activity for promoting interaction and planning within the industry.

At the production level, the industry has benefited from the need for diversity in crop systems and rotations. In particular, canola has expanded due to both its agronomic and economic benefits. There is extensive crop production potential still to be realised across many of the mainstream cropping areas. Increasing grower confidence in a vibrant industry willing to invest in its own future will drive future expansion of production.



The success of canola has provided a strong base for the industry to springboard other speciality products. The exports of canola and cottonseed also assist to provide stability to the industry.

The presence of strong players in processing, refining and crushing sectors has provided sufficient investment within the industry to ensure market opportunities can be captured. The expanding diversity in size and type of operator within the crushing sector also acts to underpin the diversification of the industry and the capture of niche opportunities.

A critical underpinning strength of the industry is its continual innovation and world class research capability. The Australian industry is a leader in research and development and this helps drive the industry's international competitiveness.

Also assisting the industry internationally is the recognition of the Australian industry as "clean and green". This is supported by quality assurance systems in place for most major commercial players, with this to be extended to the farm level.

For consumers, the industry produces a range of healthy, natural and quality branded products to meet current and future needs.

The industry is faced with a number of opportunities for future profitability and, potentially, growth.

On domestic markets, in addition to increasing consumer interest in healthy eating, there is a range of import replacement opportunities. These include:

AOF Strategy 1998-2002

- soybean meal replacement
- hard oil replacement, with cottonseed or high oleic oils
- self sufficiency in soybeans and sunflowers

There is also a range of export opportunities that exist. These will be driven, in part, by Australia's proximity to Asia and its population and income growth, but may also find niche opportunities in Europe and the US. Export opportunities exist for both seed and oil, as well as value added products. In addition, there is a growing market for edible soybeans in which Australian oilseed growers are establishing a reputation for a superior product.

Genetically modified oilseeds (GMOs) will provide an opportunity for the industry to improve its competitiveness by both improving on-farm productivity and developing new and innovative products.

ENSURING FUTURE COMPETITIVENESS

There are a number of issues the industry must monitor and address, if it is to maintain and improve its competitiveness.

- ***Control of the fats and nutrition debate***

The industry recognises the importance of consumers understanding the fat debate and nature of products it produces. It is important that this understanding is initiated amongst the youth of Australia.

The issue likely to have greatest impact at consumer level in the next five years is the acceptance or otherwise of GMO products. The industry must manage the introduction of these products carefully and support this introduction with an awareness and education program. The industry recognises this issue goes beyond the oilseed industry and believes that the Australian Food Council is the appropriate body to take leadership on this issue. ANZFA will also play a key regulatory role.

- ***Trade and Market Access***

Trade issues are an area the AOF must address over the next five years in order to maintain and expand its market access. Threats to the industry include potential imports of packaged food service products from SE Asia and removal of Non Injurious Price (NIP) protection for retail bottled oils.

Other trade issues that will impact on the industry are market access restrictions such as canola and sunflower into Mexico. The industry needs to monitor trade barriers and take appropriate action where these present a threat.

For user industries, domestic arrangements such as quarantine regulations relating to soybean meal and entry of imported chicken and pig meat are important factors.

Innovation by other suppliers is also a potential area of threat and the industry must maintain its position and investment in research and development. Ensuring access to overseas technology and adequate protection of intellectual property will be important elements in maintaining this edge.

- ***Food safety will be the issue of the future***

The industry must ensure it has high food safety standards in growing, storage, handling, transport and processing of oilseeds and products.

- ***Maintaining strong communication and industry linkages***

A current advantage of the industry is its strong linkages and funding support. As the industry's program expands, funding resources will need to be reviewed.

- ***Market development***

An area of opportunity for the industry is non-foods uses, however, there is currently a poor awareness of industrial applications and parameters for non food use.

The industry must continue to monitor and seek export opportunities for seed and oil to provide confidence to growers as the industry develops export markets and to assist the stockfeed industry meet its meal demand.

- ***Reliability of production***

For crops such as soybeans and sunflowers, this requires a committed effort to improve varieties and build grower confidence. For mature crops such as canola, maintaining disease resistance and enhancing varieties is critical. Biological threats to production also need to be monitored.

- ***Profitability***

Maintaining profitability of growers and providing crop support to ensure oilseeds remain a competitive crop option will be important in securing the industry's Plan.

- ***Benchmarking of performance***

- ***Managing, environmental constraints***

- ***Logistics and freight***

The industry needs to continue to seek ways to reduce the costs in the supply chain.

- ***Marketing arrangements and industry structure***

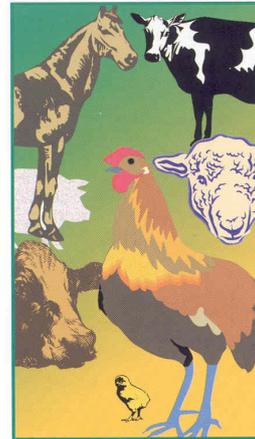
The industry is characterised by the presence on one major player within the crushing sector. Changes to the market and supply and the increasing diversity of oil types is likely to see new investment in this sector. Further, in relation to exports, there are regulations in some states restricting export to a single player. The industry needs to ensure the structures it has in place best suit its current and future prospects.

2002 TRENDS FAVOUR GROWTH FOR OILSEEDS AND PRODUCTS

MARKET TRENDS

There are a number of trends occurring domestically and internationally which indicate the potential for significant expansion in the use of oilseeds and products (both oil and meal). Some of the key drivers of growth will be:

- Consumer education regarding
- the role of oils and fats in the diet and the improving perception of vegetable oil based products
- Growth in the food service market coupled with recognition and availability of healthier fats
- Continuing concerns about health and demand for healthier low fat products



Health will continue to be a key trend leading to product quality and customisation of oil types

- Expansion of genetically modified products which will increase productivity of oilseed production and better match products to markets. This will require considerable consumer awareness and education to avoid adverse consumer reaction
- Consumers will continue to become more discerning and demanding about what they eat with particular emphasis on food safety and quality
- Income and population growth particularly in countries such as India and China who are traditional consumers of soft oils. Both countries but particularly China have significantly increased their imports in recent years with this expected to continue
- Changing trade environment in particular continued dismantling of tariff and non tariff barriers. This is expected to see a shift in trade from seed to products but is also likely to be associated with greater volatility
- Increased diversity of oil types and uses for both edible and industrial use. This will have implications for the processing and handling sectors to preserve identity



DIRECTIONS FOR AUSTRALIAN OILSEEDS, OIL AND MEAL

- Overall growth in domestic retail demand slow but continued shift to monounsaturate products
- Growing opportunities on domestic food service and commercial markets
- Emerging opportunities in
- domestic and export markets for industrial applications
- Domestic demand for meal
- growing in line with growth in livestock industries particularly the intensive industries
- Export opportunities for edible seed oils and value added products

MISSION

- To meet the requirements of the domestic market for oil and meal by 2003 where economically viable. This includes replacement of imported palm oil and soybean meal

This will require:

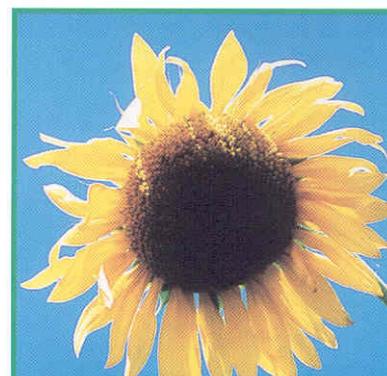
- 200,000 tonnes of soybeans
- 110,000 tonnes of polyunsaturate sunflowers
- 400,000 tonnes of canola
- 300,000 tonnes of cottonseed
- 50,000 + tonnes of other oilseeds
- To grow oilseed industry exports. This is expected to see at least 800,000
- Tonnes of canola seed and products exported and 700,000 tonnes of cottonseed and products, in addition to a range of other oilseeds such as safflower, high oleic sunflower, Linola and industrial rapeseed.

In meeting these targets, the industry will:

- Meet all food safety standards
- Encourage innovation and investment in research and development
- Be environmentally responsible
- Seek to maximise efficiency of each sectors' operations

CORE ELEMENTS OF THE AOF STRATEGY

- Improve profitability and sustainability of the industry
- Improve productivity to achieve domestic self-sufficiency and enhance domestic processing opportunities
- Promote and facilitate exports of oil, seed and meal and processed products
- Improve grower confidence



STRATEGIES

KEY PROGRAM AREAS

This industry strategy is a partnership with the commercial and government sectors.

The following strategies represent those key program areas where the AOF is actively involved through funding and/or commissioning activities or through providing lobbying and other support. It does not outline every task the industry needs to undertake many of which are being actively pursued by the commercial sector.

In particular issues relating to product development and some aspects of market development are the responsibility of the commercial sector and are being actively pursued by the refiners crushers and marketers. The common goals of these players and the AOF ensures that the strategies of all groups are targeted to meeting the industry's Vision and Mission. The AOF does see itself as having a role to play in monitoring developments in these areas and providing feedback to growers and others in the industry.



Similarly the funding and management of crop improvement and protection activities and other research activities undertaken by public and private institutions are not the province of the AOF. The AOF does however play a critical role in ensuring communication between these parties feedback of industry priorities from the grassroots sectors and extension of outcomes. This emphasises the AOF's role as a leader facilitator and communicator.

Some issues relating to trade and market access and logistics will again be the primary role of commercial players or other industry lobby groups such as Grains Council of Australia and the National Farmers Federation. The AOF does play a key role in highlighting issues impacting on the oilseeds industry and providing lobbying support.

GRDC plays a key role in both supporting the programs as well as funding activities in partnership directly with the AOF.

Thus the programs following are priority areas for AOF to tackle Specific action plans will be developed on an annual basis to assist in implementation of the strategies.

Program 1: Communication

Communication is the key Program for the AOF and provides the means by which it facilitates industry development. The core activity in the AOF's Communication Program is the Commodity News (to be known in future as Australian Oilseed News), which was developed as a tool to improve grower confidence. The Commodity News has established a strong position with growers. It is utilised by the soybean industry (and will be by the sunflower industry) as a means to communicate industry specific information to growers. The AOF meetings and the Forum are also key means of promoting industry cooperation and communication. As such, all AOF meetings will be General Meetings in future to encourage as broader industry participation as possible.

Objective 1 Targeted Communication Program to enhance industry linkages and promote benefits of growing oilseeds. Where possible, this should utilise existing networks and information tools



Performance Measure

- Improved grower confidence
- Improved industry communication/cooperation

Objective 2 Enhance the effectiveness of communication between the AOF and its stakeholders

Achieve Success Through

- Maintaining close linkages with crop and sector associations/groups
- All meetings to be General Meetings to allow maximum participation by members
- Secretariat to continue close liaison with these groups to ensure exchange of information and open communication
- Initiate and participate in joint projects where these meet the AOP priorities
- Open and regular communications with members in regard to the AOF activities
- Continue the AOF Forum as major initiative to bring all of industry together
- Provide formal reports to members at General and other meetings
- Communicate informally with members through Secretariat
- Seek feedback from members on the AOF activities, progress and priorities
- Regularly reviewing and revising the industry's Strategic Plan in line with changing market and industry conditions
- Develop annual operating and action plans to allocate responsibilities for implementation
- Review performance against key criteria defined in the strategy
- Revise strategies as necessary
- Benchmarking the AOF structure, funding, communication with members and activities
- Look at the AOF and speak to similar organisations to assess structure, communication with members, funding and costs

Performance Measure

- Member support of the AOF
- Achievement of goals and objectives outlined in the strategy

Objective 3 Maintain close relationship with GRDC and research/extension providers

Program 2 Crop development

Sub-program 2.1 Soybeans

The primary objective of this program is to improve soybean production. The AOF has carried out a review to determine the feasibility of investing industry resources in achieving this objective and concluded that it is a valid activity. This was based on the current competitiveness of soybeans across a range of regions and the expectation that new varieties for most core regions would be commercially available within 2-3 years. However, if significant achievements can not be made once these varieties are available, then the investment needs to be reviewed.

Specific objectives within this broad aim of improving production are:

- Improving protein quality
- Building grower confidence
- Variety development/profitability
- Product quality

Objective 1 Increase soybean production to 200,000 tonnes, with focus in targeted production areas

Achieve Success Through

- Improved varieties for targeted production areas
- Targeted extension programs to build grower skills and confidence
- Improving product quality
- Improving grower confidence
- Updating of industry plan and review of priorities
- Assisting development of the edible bean market
- Support germplasm access and new breeding technology (including GMO's) and including current breeding programs
- Breeding programs to continue to focus on yield, disease, maturity, quality, adaptation and weathering
- Support production in summer rainfall and coastal areas
- Continue to support beef 'n' beans program
- Using "beef 'n' beans" as a model, commence "sugar 'n' beans" program in Queensland and northern NSW and Rice'N'Beans Program in the Riverina
- Commission a report on soybean growth in sugar areas and use this in planning the "sugar 'n' beans" program
- Commission a report on production costs in relevant areas and use this to target extension programs

AOF Strategy 1998-2002

- Improve protein level in all varieties
- Develop and implement practices covering growing, managing and handling crops to meet quality needs
- in conjunction with all parts of the oilseed Industry, implement a Quality Assurance Program -HACCP
- Promote/ demonstrate the value of soybeans in new areas
- Develop grower understanding of needs of each market
- Develop information packages on production and marketing of soybeans which are regional specific and disseminate to growers
- Continue to communicate with growers In regard to production, marketing and industry development factors
- Review and update industry Plan every three years and reassess investment
- Establish or reaffirm priorities and communicate research, extension and other related groups
- Maintain close working
- relationship with Individual crop plans and organisations implementing them
- Develop understanding quality
- requirements of export markets for edible beans
- Communicate market
- requirements to breeders

Performance Measure

- Production of 200,000 tonnes of soybeans consistently
- Entry of new growers into the industry/Improved profitability of existing growers
- Bean/sugar rotations adopted
- Expanded exports of edible soybeans
- Bean/Rice rotation adopted

Program 2 Crop development

Sub-program 2.2 Sunflowers

Similarly to soybeans, the primary objective of this Program is to improve the production and consistency of production of sunflowers.

Objective 1 Increase sunflower production to a consistent 110,000 tonnes of polyunsaturates

Achieve Success Through

Targeted extension programs to build grower skills and confidence

- Support ASA extension program as detailed in the Sunflower Strategic Plan
- Improving quality of sunflower meal and oil
- Improve quality parameters i.e. select for better quality, protein and useable energy
- Review and assess the market potential of feeding sunflower meal to ruminants (dairy and feedlots) and establish trials to generate local data
- Improving grower confidence
- Monitor oil quality and improve grower awareness of importance of linoleic levels
- Promote/demonstrate the value of sunflowers in the cropping program
- Develop grower understanding of needs of each market
- Develop information packages on production and marketing of sunflowers which are regional specific and disseminate to growers
- Continue to communicate with growers In regard to production, marketing and industry development factors

Updating of industry Plan and review of priorities

- Review and update industry plan every three years and reassess investment
- Establish or reaffirm priorities and communicate research, extension and other related groups
- Maintain close working relationship with individual crop plans and organisations implementing them

Performance Measure

- Production of 110,000 tonnes of sunflowers consistently
- Improved profitability of sunflower production
- Improved quality of sunflower meal

Program 2 Crop development

Sub-program 2.3 Canola

The canola industry is in a much more mature stage of development than soybeans and sunflowers, being able to both meet domestic requirements and sustain a profitable export industry. The canola industry is well serviced by both public and private sector agencies through the seed production, breeding, research and development, extension and marketing aspects. Thus, the focus of AOF in relation to canola is in terms of broader issues such as trade development (refer to Program 4), new opportunities for both existing products and new oil types and export opportunities for oil.

Thus, AOF does not have a Crop Development/Extension Program as it does for sunflowers and soybeans, but does liaise closely with the relevant groups and organisations in the canola industry in order to provide support as particular issues emerge.

Sub-program 2.4 High Oleic Oilseeds

High oleic oils are seen as being a major plank in the industry's strategy to replace palm oil imports. Currently, monounsaturated sunflower is the only high oleic oil commercially available and is being used in both the retail and food service market. The greatest potential lies in replacement of palm oil in the food service market.

Objective 1 Develop commercially viable high oleic oilseed industry

Achieve Success Through

Implement recommendations of high oleic report

- Review the high oleic report and develop implementation strategy with industry
- Implement /Build high oleic sunseed production
- Improving yields of high oleic varieties equivalent to polyunsaturated varieties across key production regions
- Improving crop management practices to maximise yield potential
- Integrate high oleic sunflower production into extension programs for polyunsaturated sunflowers

Performance Measure

- Increased stable supply of high oleic oils matched to market demand

Sub-program 2.5 New/emerging crops

There are a number new or emerging oilseed crops such as sesame, olives and mustard. AOF will keep a watching brief on these industries and develop relationships with the relevant people to assess developments. As appropriate, AOF may wish to offer these industries the opportunity to come under the AOF umbrella.

Program 3 Consumer Education/Promotion

Objective 1 Improve consumer awareness of the value of oilseed based products in the diet and reduce consumer confusion in relation to fats in the diet

Achieve Success Through

- Promoting oilseeds as a natural product
- Educating consumers about the role of fats and oils in the diet
- Increasing grower awareness of consumer and end use of their products
- Support the Natural Oilseeds, Natures Finest program
- Identify opportunities for building on the back of this program to promote AOP and broader industry issues
- Assist in the development of information kits and folders/videos for growers and general public on the oilseed industry, but building the Natural Oilseeds, Natures Finest program
- Breeders to continue the focus on lifting the yield potential of high oleic varieties
- Improving crop management practices to maximise yield potential
- Improve quality parameters i.e. select for better quality, protein and useable energy
- Review and assess the market potential of feeding sunflower meal to ruminants (dairy and feedlots) and establish trials to generate local data

Performance Measure

- Increased consumption of oilseed products
- Increased consumer awareness and understanding of oilseed products and their role
- Improved grower knowledge of end product use and requirements for oilseeds

Objective 2 Ensure managed introduction of GMO products

Achieve Success Through

- AOF recognise the interests of its members, with issues relating to products handled through the Australian Food Council (AFC) and issues relating exports of seed through the AOF
- Be conversant with AFC report on GMO
- Smooth transition to GMO
- Developing GMO policy awareness and knowledge amongst AOF members
- Innovations and Technology Group to review specific issues/ problems from AFC report and other information sources to develop draft the AOF policy
- Circulate to members
- Understand specific oilseed export market requirements
- Ensure oilseed varieties carry identification of GMO status

Program 4 Trade Issues and Market Access

Trade and market access is a new program area for the AOF but is expected to be of considerable importance over the next five years. This is in response to both the maturing of the Australian industry and consistent export surplus and the expected changes to the trade environment as World Trade Organisation outcomes start to take effect. A key role for the AOF in supporting its industry partners will be in providing strong lobbying support as various trade related issues emerge.

The primary responsibility of export market development and identification of opportunities lies with the commercial sector. The partnership between the AOF and the commercial sector should involve close communication to allow the opportunities identified to be communicated to growers. The measure of success of this will be the volume of exports.

Objective 1 Develop improved access to the Japanese market

Achieve Success Through

Establishing an Australia /Japan Oilseeds Council

- Understand the Canadian model and adopt the best of this
- Develop a model for Australia, with the support of exporters
- IASC meetings to raise the Issue and exporter meetings with Japanese traders
- Inform Austrade and IRC committee
- Establish the Council

Achieving bonification in the Japanese market

- Continue to raise the Issue with the Japanese industry
- Major priority for the Australia/Japan Council to pursue
- Formulate acceptable criteria with industry before putting in place
- AOF to lead and coordinate

Performance Measure

- Council formed by 1999 IRC
- Meetings held
- Bonification achieved by 2003

Objective 2 Improve market access for Australian oilseeds and reduce the threat of subsidised imports

Achieve Success Through

- Identify trade barriers and support industry action to reduce these
- Close liaison with appropriate industry parties
- Lobby Government
- Support industry to maintain Non Injurious Pricing arrangements

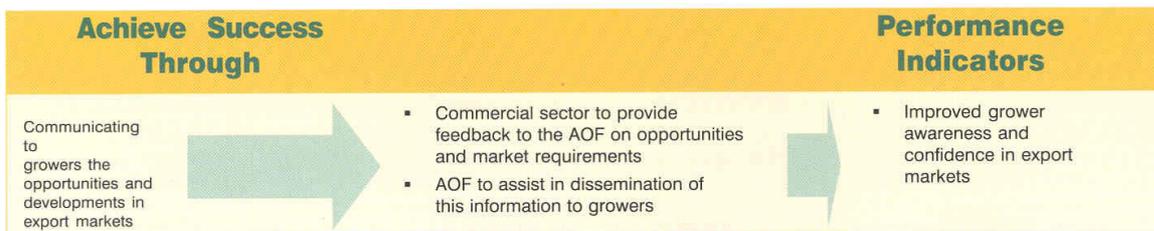
AOF Strategy 1998-2002

- Continually monitoring trade arrangements and initiating action where barriers are identified
 - Raise awareness within the AOP and participate in GCA sponsored trade advisory group
 - Use the AOF membership to put issues forward
 - Join the appropriate trade advisory groups Raise awareness within the industry
 - Develop database
- Prepare briefs for members travelling overseas and coordinate feedback from members on their return
- Identify market access restrictions eg canola and sunflower to Mexico

Performance Measure

- NIPS maintained
- Improved market access for Australian oilseeds
- Improved information base for industry

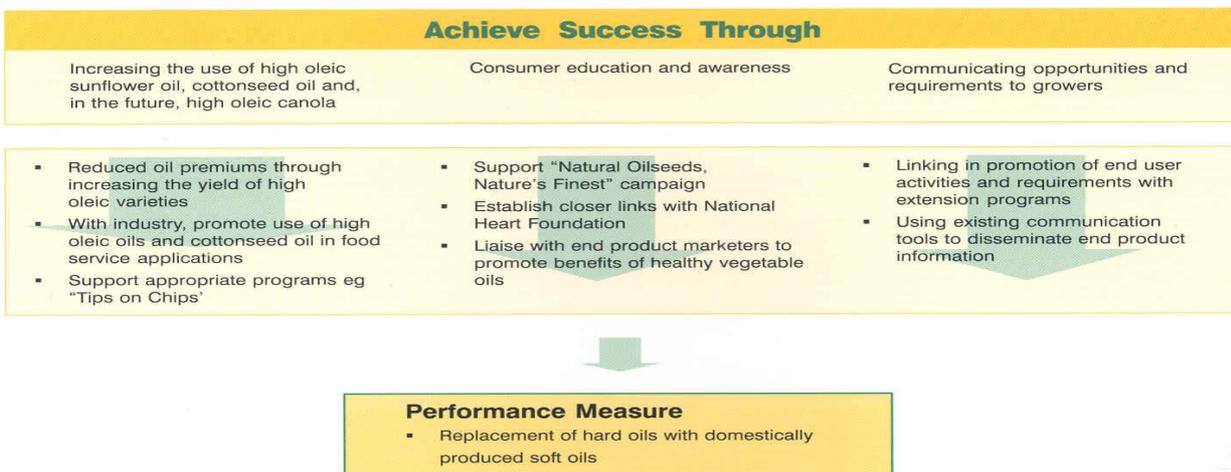
Objective 3 Improve grower awareness of export opportunities and requirements



Program 5 New Opportunities

This program consolidates some previous activities of the previous AOF program and picks up new opportunities that may emerge over the next five years. Whilst specific opportunities will be developed and commercialised by the private sector, the AOF has a role to play in increasing the awareness of industry players to opportunities, providing information on the status of opportunities and feedback to growers on implications of these opportunities.

Similarly to the Trade Issues Program above, the primary responsibility for development of many of these new opportunities will be the commercial sector. However, the AOF does have an important role to play in collecting and disseminating information and providing support to the commercial sector where legislation or other access barriers occur.



Objective 2 Develop opportunities for non food uses

Achieve Success Through

Increasing non food use of vegetable oils

Replacement of mineral oils

Increasing oleochemical use

- Commission a report on potential non-food use of vegetable oils.
- Review opportunities in non food use
- Develop action plan based on findings in the above reports

- Monitor developments in legislation to identify opportunities
- Monitor progress by research institutions and commercial players in relation to product development
- Develop market intelligence network to gather and collate information (technology awareness)
- Innovations and Technology Group to compile report on opportunities
- AOF to provide lobbying support as required

- Develop market intelligence network to gather and collate information (technology awareness)
- Assist industry to negotiate access to overseas technology

Performance Measure

- Preparation of report
- Acceptance of information

Objective 3 Increase availability and use of domestically produced meals

Achieve Success Through

Increasing industry's awareness of the value of vegetable protein meal and safe usage levels in rations

Improving the quality of domestically produced meals

Increasing exports of oil to increase the availability of meals domestically

- Review domestic replacement of high pro soybean meal with domestic canola/cottonseed meal
- Continue to support the protein meal initiative in relation to the dairy and pig industries i.e. nutritional review and trials to establish use of domestic meals
- Ensure dissemination of results from these trials and experiences of those using local meals over time
- Promote the benefits of canola sunflower and cottonseed meal

- Improve protein content of domestic soy meal
- Improve value of sunflower meal (refer earlier strategy)

- Identification of economically viable markets (primarily a role of commercial players)
- New oils – market identification by companies
- AOF to support commercial sector through lobbying and dissemination of information to growers
- AOF to continue lobbying for microeconomic reform and market access

Performance Measure

- Increased acceptance of canola meal in rations
- Improved meal quality
- Greater availability of meals locally

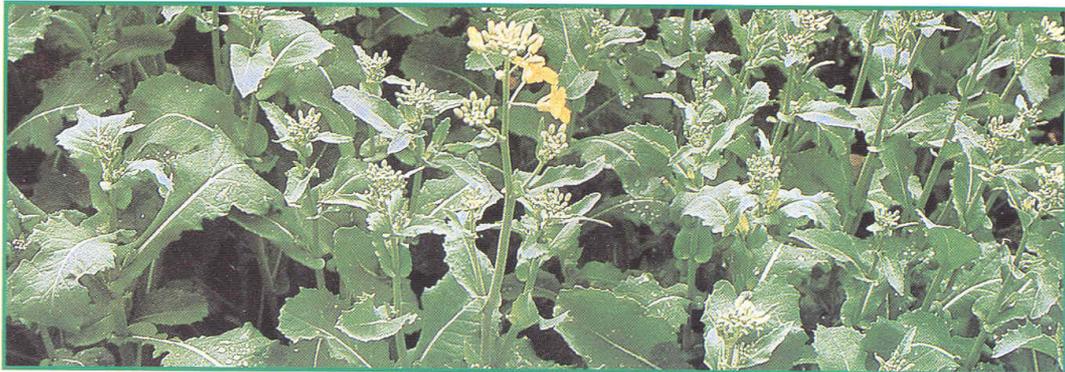
Program 6 Standards/Quality Assurance

Objective Improve the quality of Australian oilseeds and products

Achieve Success Through			
Implementation of a quality assurance system which improves farm product quality and meets customer requirements for food safety and quality	Ensuring Australian products comply with appropriate international standards	Ensuring identity preservation of multiple oilseed types as industry diversifies	Monitoring oil contents to ensure meeting consumer requirements

- | | | | |
|---|--|--|---|
| <ul style="list-style-type: none"> Observe Pulse Australia's/ Australian wheat industry's QA program Continue to support action on chemical residues e.g. information AOF to participate in formulation of a grains industry QA program Appoint person/s to review adaptation of existing systems to the oilseed industry | <ul style="list-style-type: none"> AOF identify relevant standards/organisations Adopt standards which are appropriate to Australian industry and internationally omparable Incorporate into the AOF technical and trading standards manual and disseminate to industry | <ul style="list-style-type: none"> Development of appropriate protocols to ensure identity preservation and product integrity Develop protocols with breeders, the AOF to be catalyst Report similar to market manual for growers re protocols Seed companies and the AOF to educate and communicate (leaflet, book, brochure) | <ul style="list-style-type: none"> Monitor oil and protein contents and other quality parameters from international competitors and maintain publishing of Quality of Australian Canola Expand to include other oilseeds AOF to collect data from competitor countries |
|---|--|--|---|

- Performance Measure**
- Improved quality
 - Production under QA
 - Industry standards internationally recognised and comparable
 - Establishment of a successful oilseed industry encompassing multiple identity preserved speciality oilseed types



IMPLEMENTATION

The Australian Oilseed Industry 2002 Vision will require a commitment of the oilseed industry to implementing the above strategies if the Vision is to become reality.

The industry believes the targets and opportunities established are feasible and will result in improved sustainability and profitability for industry. It will be up to the individual commercial entities in the oilseed industry to determine how they can use the framework of opportunities identified by the Vision to create their own business future. The 1993-1997 Plan has established a strong basis for this partnership and this Plan seeks to build on those foundations.

The AOF will take responsibility for implementing and monitoring and reviewing Vision 2002.



THE FUTURE IS IN OUR HANDS!





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Oilseed Development Fund**



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