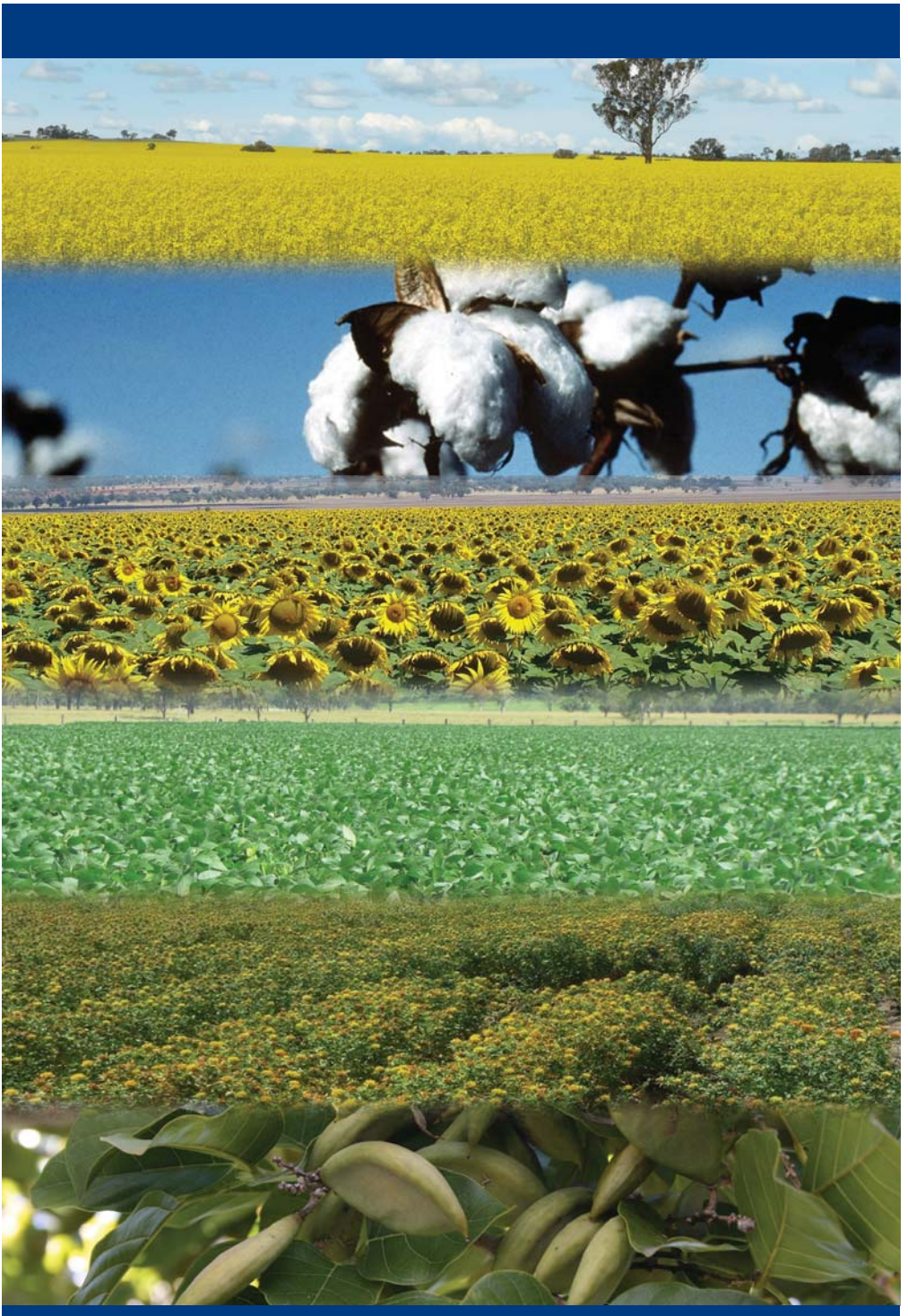


Oilseeds Industry Strategic Plan 2015-25



Australian Oilseeds Federation





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Forward

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

This Plan has been developed through industry consultation and external expert advisors. It is designed to deliver on the AOF Mission to provide leadership to the Australian Oilseeds Industry and coordinate activities that will optimize profitability through the value chain.

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

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

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

AOF Vision

A \$5 bln industry, sustainable, internationally competitive, well respected and cohesive where all participants add value through meeting market demand.

By 2025, the industry will have the capability of producing 8 million tonnes, creating \$5 bln of value amongst participants in the value chain.

AOF Mission

To provide leadership to the Australian Oilseeds Industry and coordinate activities that will optimise profitability through the value chain.

Executive Summary

Objectives

The Plan includes a number of objectives that are fundamental to achieving the Vision, grouped under four strategic themes:

- **Leadership** - Taking the lead in shaping industry's environment
- **Sustainability** - Proactively supporting industry's licence to operate
- **Market access** - Facilitating expansion into new markets while protecting those existing
- **Influencing demand** - Growing value by continually addressing end-user needs

Context

The Plan recognises the dynamic nature of global oilseed supply and demand, operating in the context of rapidly changing food and feed demand. The burgeoning demand for feed for animal protein production in Asia underpins the global oilseed complex and is expected to continue to be the primary driver for at least the next 5 years. Longer term, the global limits on arable land and water availability will continue to ensure the value of oilseeds remains strong, providing a firm supply driven price base to the industry.

The extent to which Australia is able to capitalise on these 'mega trends' is largely dependent on the efficiencies which can be extracted through the value chain to ensure Australia remains internationally competitive.

The emergence of the Ukraine and other former Soviet Union (FSU) states as a major exporter of canola threatens Australia's dominance as the number two canola exporter, with likely impacts felt in the key Australian markets of the EU and China. This threat, combined with continued growing supply of soybeans from South America, underpins the need for the Australian industry to continually strive for efficiency gains.

The Plan identifies the growing opportunity for canola meal and cottonseed as a major feed

input into the Australian and New Zealand dairy sector, as this sector consolidates and moves rapidly to more intensive production.

The Plan also highlights sustainability as a growing influence in food and feed production, as public opinion shapes policies of governments and NGOs. The Australian oilseed industry is well placed to adapt to these changing needs, and ensure it retains its 'licence to operate'.

Biodiesel demand for food-based feedstocks is likely to diminish over the life of the Plan as the sustainability gains greater scrutiny and second generation feedstocks become more viable. This places focus on the critical importance to maintain existing and develop new international markets for canola, which has enjoyed recent prosperity due to biodiesel demand. Consequently, Market Access is a key strategic theme for this Plan.

The future for the industry over the life of the plan remains buoyant, and Australia is well placed to ensure it retains and grows its value share in this global marketplace. The AOF, through this Plan, has the roadmap to provide the necessary support and advocacy to ensure the Australian industry is best placed to capitalise on the opportunities the future has for the industry, both locally and globally.

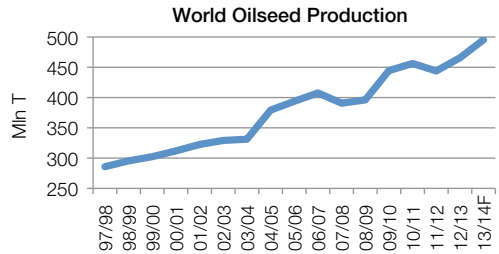
Future Outlook

Oilseeds – the 5-10 year outlook

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

- Supply and demand will be tighter, supporting firmer trends in prices.
- The main demand driver will be the demand for feed, particularly servicing developing regions.
- Supply growth will be limited due to limits on arable land, water access and productivity gains.
- Long term outlooks favour agronomic returns from oilseed crops over coarse grains.
- A reducing role for oilseeds as a biofuel feedstock due to economic and social pressures.

- Production will be dominated by Brazil, US, Argentina and China.
- Exports will be dominated by Brazil, US, Canada and Argentina, with emerging strength from the Black Sea region. Australia will remain a strong exporter of Canola and Cottonseed.



Drivers	Features
Changing world order	<ul style="list-style-type: none"> • Shift in economic power towards Asian sector • Increasing affluence in the developing world due to the urban drift in population and rising incomes • Increasing affluence driving meat consumption in developing countries; • Fragile growth in developed world • Trade liberalisation, but with rising technical barriers, sporadic trade protectionism • Rising volatility (climate, economic, geopolitical)
Community & consumer needs	<ul style="list-style-type: none"> • Demands for transparency of sustainable and ethical sourcing • Affluence driving broader health demands • Changing GM attitudes (growing acceptance and resistance)
Technology gains	<ul style="list-style-type: none"> • Biotech & crop protection gains and adoption • Crop productivity
Evolving business models	<ul style="list-style-type: none"> • Consolidation (across commodity, geography) and integration (through-chain) increasing in influence
Land use priorities	<ul style="list-style-type: none"> • Agronomic choice and climatic vulnerability • Scope for geographic expansion of agriculture • Water market constraints affecting cost and access

What shapes the future Australian supply chain

Australian industry outlook

The key features of the medium to long-term outlook are:

- Australia will remain an export oriented industry - canola and cotton seed will be priced at export parity and sunflower at import parity.
- Domestic oil demand will grow modestly.
- The growth potential for meal (domestic and export) will be governed by the potential for additional oil markets.
- Oil exports will tend towards targeted higher-value markets.
- Farm production is likely to trend upwards.

What will shape demand?

The major influences on future demand for Australian oilseeds are:

- Competitiveness of local oil and meal product against imports
- The ability to cater for market choice in the value chain
- Further intensification and expansion of livestock production
- Consumer and customer preferences (health and other attributes) for vegetable oils
- The future role of oilseeds in biofuel mandates

What will shape supply?

The future size and scale of the industry will be driven by:

- The relative profitability of oilseeds versus alternative crops
- The scope for further productivity gains through breeding, better management and technology improvements
- The ability to underpin grower confidence by continuing to deliver market choice through the value chain

Opportunities to improve value-capture

- Intensification of the dairy sector
- Increasing protein demand in China
- Increasing diversity of consumer preferences
- Growth in aquaculture production
- Increasing demand for sustainability credentials
- Improving product marketability through new variety development

Challenges and barriers

- Threats to loss of EU biofuel mandates and/or acceptance of GM feedstock
- Loss of acceptance and uptake of GM canola in Australia
- Erosion of domestic food processing competitiveness
- Disadvantageous trade agreements and trade barriers
- Inaction to address inefficient supply chain (crush, refining, logistics)
- Fluctuations in crop output limiting market expansion (especially sunflower and soybean)
- Growing competition from Ukraine and FSR in key markets



Canola 2025

Overview

The features of the outlook for Canola:

- Canola will remain Australia's largest oilseed crop as a rotational crop in cereal production
- Steady growth trend in output despite climatic variability
- Specialty varieties will continue to offer higher value
- Continued industry investment throughout the value chain due to size (breeding, agronomy, handling, processing)

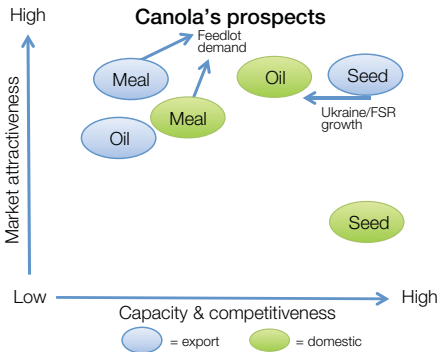
Future industry imperatives

Demand side:

- Maintaining access to key markets (EU, China, Japan)
- Maintaining market choice
- Influencing future meal demand in dairy rations

Capacity:

- Ensuring attraction and retention of a body of technical expertise in key areas (breeding, agronomy, pathology)
- Ability to influence market and community expectations
- Vigilance on Issues management



Advantages/opportunities	Challenges/barriers
Internal	
<ul style="list-style-type: none"> • Established markets across enduse applications • Reaching critical mass to warrant sustained investment 	<ul style="list-style-type: none"> • Excess processing capacity • Inefficiency in seed supply through variety proliferation
External	
<ul style="list-style-type: none"> • Further intensification of dairy and meat production 	<ul style="list-style-type: none"> • Share of global seed trade loss to Ukraine/FSR; • Climatic variability affects stability of supply • Imported oils

Cottonseed 2025

Overview

The features of the outlook for Cottonseed:

- Oilseed output entirely dependent on size of the cotton crop
- Production driven by lint price and water availability/price
- Key market expected to remain as livestock feed
- Oil use predominantly small scale domestic commercial users (take-aways, pubs, clubs)

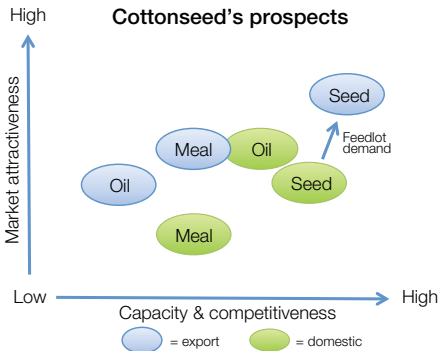
Future industry imperatives

Demand side:

- Maintaining market access for key markets
- Ensuring processing capability matches supply and demand requirements

Capacity:

- Building competitiveness in oil supply (esp vs imports)
- Ensuring end user oil versus protein needs are fed back to breeders



Advantages/opportunities	Challenges/barriers
Internal	
<ul style="list-style-type: none"> • Experienced, skilled production sector • Established markets across end use applications • Heavy capital investment equating to high exit barriers 	<ul style="list-style-type: none"> • Variable output dependent on size of cotton crop and priorities in cotton lint yield & value • Water availability • GM perception
External	
<ul style="list-style-type: none"> • Further intensification of livestock production driving seed consumption (local and export) 	<ul style="list-style-type: none"> • Imported oils

Sunflower 2025

Overview

The features of the outlook for Sunflower

- Small-scale sector – below critical mass
- End-user reliance on imports
- Domestic prices a function of import parity
- Key market expected to remain in health conscious domestic food markets with high-oleic oil
- Feed market (bird, horse) will remain important value-driver

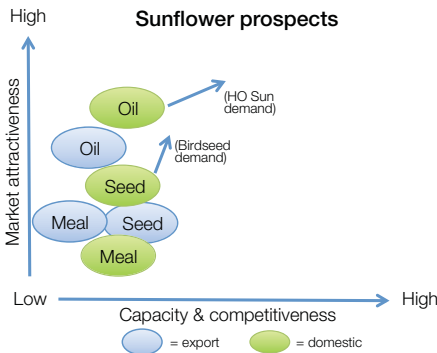
Future industry imperatives

Demand side:

- Ability to meet growing food demand for HO sun

Capacity:

- Introduction of Imi-tolerant sunflowers
- Remove market and related infrastructure barriers
- Increased grower knowledge, skills and confidence to manage profitable sunflower production
- Influencing ability to meet market and community expectations



Advantages/opportunities	Challenges/barriers
Internal	
<ul style="list-style-type: none"> • Quality reputation • Non-GM production systems • Profitable break crop • Birdseed provides value growth 	<ul style="list-style-type: none"> • Confidence of growers • Small-scale limits investment in skills, technology and facilities • Limited, fragmented promotion • High-cost processing logistics
External	
<ul style="list-style-type: none"> • Stable demand in premium health-conscious markets 	<ul style="list-style-type: none"> • Lower-cost domestic and imported oils • Well-established import supply chain

Soybeans 2025

Overview

The features of the outlook for Soybeans

- Small-scale sector – below critical mass
- Key markets split between culinary and full fat feed markets

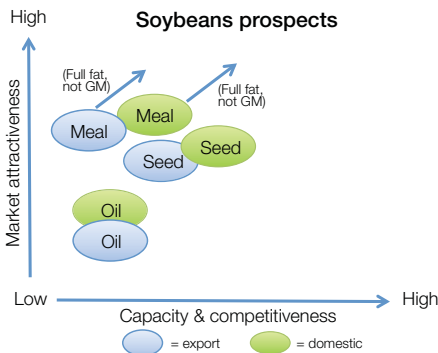
Future industry imperatives

Demand side:

- Full fat soy meal will become a stronger driver
- Culinary soybeans will remain a profitable sector
- Domestic sourcing preference over imports due to IP status of non-GM.

Capacity:

- Increase grower knowledge, skills and confidence to manage profitable soybean production
- Influence ability to meet market and community expectations



Advantages/opportunities	Challenges/barriers
Internal	
<ul style="list-style-type: none"> • Quality reputation- culinary beans • Non-GM production systems • Domestic market premium 	<ul style="list-style-type: none"> • Confidence of growers • Small-scale limits access to skills, technology and facilities • Limited, fragmented promotion • Limited new varieties
External	
<ul style="list-style-type: none"> • Growing demand in full fat feed markets • Growing (slow) demand in culinary market 	<ul style="list-style-type: none"> • Industry fragmentation, limiting opportunity to focus

Safflower 2025

Overview

The features of the outlook for Safflower

- Small-scale sector- closed loop systems
- Key market expected to remain in premium health conscious oil market.
- Emerging potential in industrial sector with super high oleic (SHO)

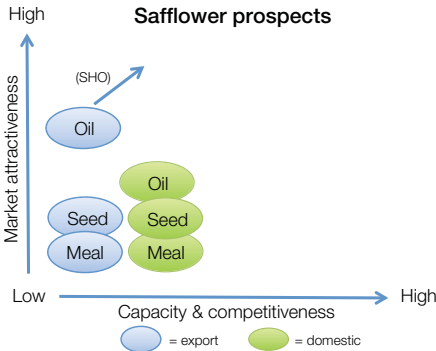
Future industry imperatives

Demand side:

- Ensuring effective segregation of SHO

Capacity:

- Maintaining sufficient domestic crush capacity
- Leveraging SHO agronomic learnings for broader industry.



Advantages/opportunities	Challenges/barriers
Internal	
<ul style="list-style-type: none"> • Quality reputation • Industry investment through SHO safflower 	<ul style="list-style-type: none"> • Small-scale limits access to skills, technology and facilities
External	
<ul style="list-style-type: none"> • Stable demand in premium health-conscious markets 	<ul style="list-style-type: none"> • Lower-cost domestic and imported oils

Other oilseeds

Overview

Small-scale oilseeds sectors include:

- Linseed
- Mustard
- Camelina
- Jatropha
- Pongamia

Linseed and mustard are geared towards food markets (whole seed for linseed; oil and seed for mustard), while the remaining seed types are grown for biodiesel.

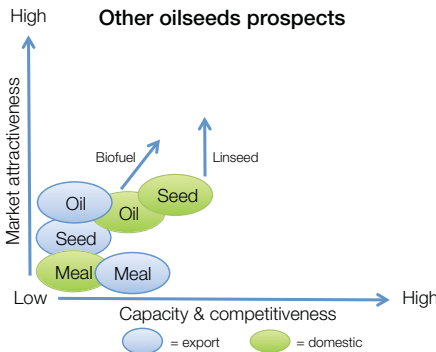
Future industry imperatives

Demand side:

- Ensuring effective segregation for non-food oils and non-feed meals from existing oilseed supply chains

Capacity:

- International competitiveness will be essential for sector viability and future prospects;
- Developing on-going relationships/ membership with these sectors to facilitate industry unity and dialogue



Advantages/opportunities	Challenges/barriers
Internal	
<ul style="list-style-type: none"> • Limited impact on existing oilseed hectares 	<ul style="list-style-type: none"> • Small-scale limits access to skills, technology and facilities
External	
<ul style="list-style-type: none"> • Organic / 'clean green' domestic linseed production 	<ul style="list-style-type: none"> • Biofuel viability dependent on biofuel industry competitiveness • Remaining competitive with linseed vs imports

Plan summary

Vision:

A \$5 bln industry, sustainable, internationally competitive, well respected and cohesive where all participants add value through meeting market demand

Priority areas of focus

Leadership

Taking the lead in shaping industry's environment

Sustainability

Proactively supporting licence to operate

Key strategies

- | | |
|---|--|
| <ul style="list-style-type: none">• Retain recognition as the leader on post-farmgate credentials• Facilitate and, where appropriate, initiate the flow of industry R&D funds to address end-user and supply chain needs• Maintain vigilance on industry risks, responding as appropriate• Strengthen global networks• Facilitate cohesion on industry-good agendas | <ul style="list-style-type: none">• Identify and articulate enduser sustainability/stewardship requirements along the supply chain• Support implementation of end-user certification & measurement schemes• Promote good stewardship throughout the supply chain |
|---|--|

Outcomes

- | | |
|---|--|
| <ul style="list-style-type: none">• AOF well-respected; seen as go-to oilseeds body | <ul style="list-style-type: none">• Oilseeds known for proactive and responsible stewardship |
|---|--|

Mission:

Through AOF, provide leadership to the Australian Oilseeds Industry and coordinate activities that will optimize profitability through the value chain

Priority areas of focus

Market access

Expanding into new markets while protecting existing

Influencing demand

Growing value by continually addressing end-user needs

Key strategies

- | | |
|---|--|
| <ul style="list-style-type: none"> • Monitor, articulate and address technical trade barriers • Engage with and influence bilateral and multilateral trade negotiations • Build stronger Government and Agency (state and federal) engagement • Foster strong engagement with related industry bodies • Maintain vigilance on development of industrial oil uses | <ul style="list-style-type: none"> • Actively promote benefits of oil and meal • Proactive management of demand-threat issues • Facilitate market choice on use of GM technologies • Ensure path to market for new beneficial technologies |
|---|--|

Outcomes

- | | |
|--|---|
| <ul style="list-style-type: none"> • More diverse and secure market options | <ul style="list-style-type: none"> • More profitable oilseeds supply chain |
|--|---|

Focus area: Leadership

Taking the lead in shaping industry's environment

Strategies	Major actions
Earn ongoing recognition as the leader on post-farmgate credentials	<ul style="list-style-type: none"> • Leading dialogue with key stakeholders on strategic industry priorities • Maintain timely and informative communications with members • Seek AOF profiling opportunities
Facilitate and, where appropriate, initiate the flow of industry R&D funds to address end-user and supply chain needs	<ul style="list-style-type: none"> • Identify priority investment needs • Close liaison with, and targeted approaches to, funding bodies e.g. GRDC, Pork CRC, Dairy Australia, AEGIC etc to influence investments
Maintain vigilance on industry risks, responding as appropriate	<ul style="list-style-type: none"> • Identify and document industry risks • Develop and maintain a high-level industry risk register identifying key partners for priority issues
Strengthen global network	<ul style="list-style-type: none"> • Strengthen relationships with Canola Council of Canada on collaborative matters • Proactive engagement with international industry bodies for market access initiatives e.g. JOPA • Continued representation on International Oilseeds Producer's Dialogue
Facilitate cohesion on industry-good agendas	<ul style="list-style-type: none"> • Proactively establish working groups to address industry issues and opportunities as they arise • Communicate to members on outcomes of working groups

Focus area: Sustainability

Proactively supporting licence to operate

Strategies	Major actions
Identify and articulate end-user sustainability/stewardship requirements along the supply chain	<ul style="list-style-type: none"> • Facilitating interface between end-users and supply chain • Interpret and effectively communicate current and emerging requirements to the supply chain
Support implementation of end-user certification & measurement schemes	<ul style="list-style-type: none"> • Act as trusted conduit between certification agencies/end-users and supply chain to ensure standardisation of metrics • Identify and evaluate opportunities for IP creation/ value capture for AOF related to certification and measurement
Promote good stewardship throughout the supply chain	<ul style="list-style-type: none"> • Identify stewardship needs through engagement with stakeholders • Create best-practice stewardship guidelines and communicate accordingly • Foster effective supply chain communication in relation to MRLs.

Focus area: Market access

Expanding into new markets while protecting existing

Strategies	Major actions
Monitor, articulate and address technical trade barriers	<ul style="list-style-type: none">• Work closely with members to identify technical trade barriers• Establish a register of trade issues by market (international and domestic) for seed, oil and meals• Work closely with GIMAF and relevant government bodies to prioritise and address issues
Engage with and influence bilateral and multilateral trade negotiations	<ul style="list-style-type: none">• Work closely with members to identify market access opportunities• Establish knowledge base of tariff and quota regimes in key markets• Work closely with GIMAF and DFAT to prioritise and address issues
Build stronger Government and Agency (state and federal) engagement	<ul style="list-style-type: none">• Establish platform of supporting evidence for Oilseeds' business case (size, value, scope, export earnings)• Target specific communication and engagement opportunities to present the case
Foster strong engagement with related industry bodies	<ul style="list-style-type: none">• Target appropriate industry group(s) to share and discuss issues, opportunities and solutions
Maintain vigilance on development of industrial oil uses	<ul style="list-style-type: none">• Track developments and articulate the implications for the value chain

Focus area: Influencing demand

Growing value by continually addressing end-user needs

Strategies	Major actions
<p>Actively promote benefits of oil and meal usage</p>	<ul style="list-style-type: none"> • Prepare for and conduct meal workshop for dairy • Continue updating and promoting meal guide for monogastrics • Tactically exploit opportunities as they arise for promoting benefits of oils
<p>Proactive management of demand-threat issues</p>	<ul style="list-style-type: none"> • Reinvigorate “Australian Canola” marketing program • Ongoing maintenance and review of demand-risk register including lead advocate body • Work with domestic and international partners to ensure alignment on major positioning and messaging • Develop and maintain industry action plans for priority risks
<p>Facilitate market choice on use of GM technologies</p>	<ul style="list-style-type: none"> • Ensuring trading standards continue to reflect market choice • Advocating the market choice position with policy makers and regulators • Promote strong track record in non-GM segregation
<p>Ensure path to market for new beneficial technologies</p>	<ul style="list-style-type: none"> • Formulate cohesive industry position on new technologies • Advocating agreed industry position

Implementing the plan

This Plan defines the primary role and functions of the AOF.

The Strategic Plan will be implemented through the AOF Annual Operational Plan, which details the specific actions to be undertaken each year. The Annual Operating Plan will operate for each Financial Year, and is authorised by the AOF Executive.

In order to successfully implement this Plan, the AOF will be positioned and resourced sufficiently in order to influence the industry's long-term agendas. It will be equipped to:

- Demonstrate strong leadership
- Develop strong sustainable programs.
- Effectively engage and represent all sectors where necessary in conjunction with other industry bodies.
- Facilitate significant ongoing co-investment.
- Effectively advocate at peak industry level.
- Compete for share of voice with competing bodies and industries.
- Maintain and build strong international linkages.

Reporting Progress

The AOF will report on progress against the Annual Operating Plan on a quarterly basis, and annually against this Strategic Plan.

Strategies and actions will be updated from time to time if significant events or market conditions, however the intent is that this Plan will be the guiding document for the AOF at least until the next Strategic Plan is prepared in 2020.

Appendix

Market size and value estimates

In preparing the volume targets outlined in this plan, each crop was reviewed in terms of its potential for growth as well as its vulnerability to seasonal variations to produce a 'minimum', a 'peak' and a 'likely' production level that could occur over the coming decade. In the case of canola and cottonseed, this analysis was done at a state level, and aggregated to a national figure. For sunflower, soybean and safflower, the analysis was completed at a National level.

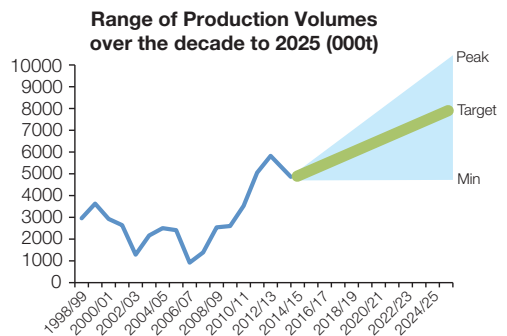
A document outlining the volume assumptions and analysis is available on the AOF website.

For value projections, current market value was determined by drawing on existing industry statistics for total production and ABS statistics for the value of exports (seed, oil, meal) and imports (crude oil) over the years 2011/12 through to 2013/14, combined with crush and refining values for domestically consumed oil and meal. The resultant rate per tonne (of seed produced) had a 10 year inflation growth factor applied, and the inflated rate averaged over 10 years and applied to the volume estimates.

The final analysis is represented in the table, with the volume range also represented in the graph.

The volume and value described in the Vision is the Target, being the mid-point between Median and Peak.

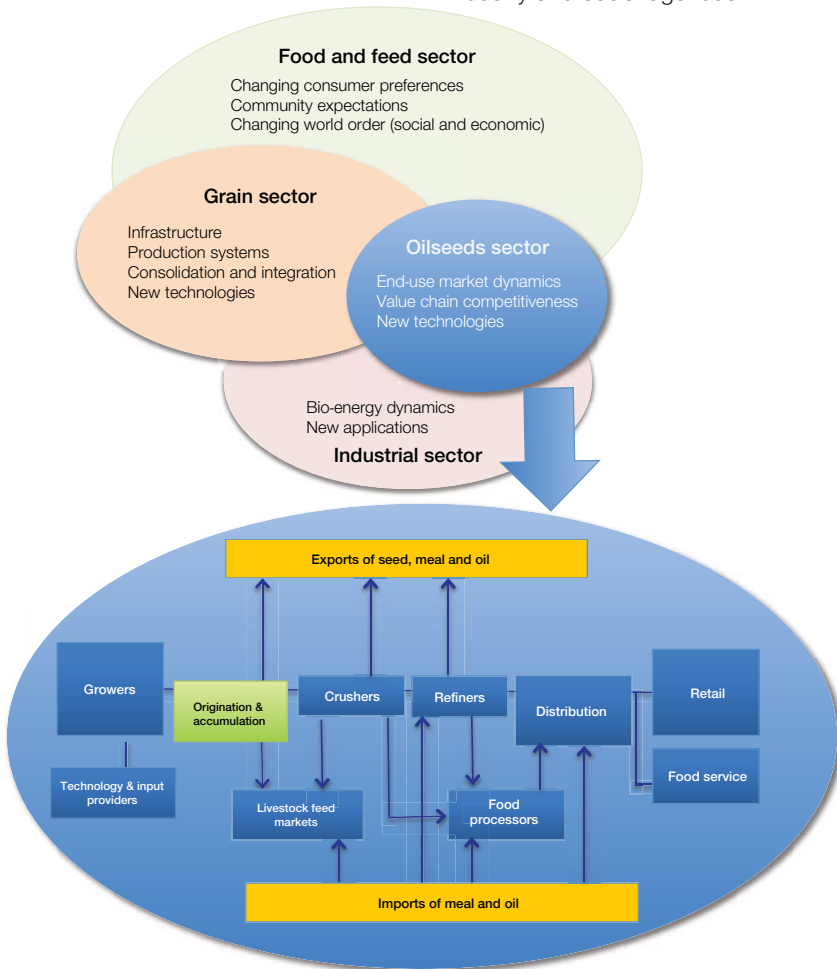
Crop	Million tonnes in 2025			
	Minimum	Median	Target	Peak
Canola	2.6	5.3	6.1	6.9
Cottonseed	0.9	1.1	1.4	1.7
Sunflower	0.03	0.11	0.17	0.23
Soybean	0.05	0.25	0.28	0.3
Safflower	0.05	0.09	0.11	0.12
Total Volume	3.63	6.85	8.05	9.25
\$/t	622	622	622	622
Value (\$Bln)	2.26	4.26	5.00	5.75



Appendix

The Plan is underpinned by the future drivers of the oilseeds sector, while also recognising the layered and interconnected contexts that affect participants and stakeholders in the sector.

This recognises that oilseeds value chain is impacted by major factors affecting the food, feed and industrial sectors, and also by dynamics shaping the grains sector which has significant overlap (e.g. infrastructure and ownership). The operating environment will be also directly influenced by a wider set of industry and social agendas.



References

- Area Projections- Page 19 – Yeruga Crop Research
- Value Projections- Page 19- AOF Analysis, Oilseed and Protein Solutions
- Image: Canola field Page 6- Elle Hardcastle
- Image: Cotton Harvest Page 7- Cotton Australia
- Image: Sunflower Page 8- Dr. Sue Knights
- This Plan was also informed by the following Strategic Plans:
 - Cotton Strategic Plan- Cotton Australia
 - Sunflower Strategic Plan- Australian Sunflower Association
 - Soybean Strategic Plan- Soy Australia Ltd.

Consultants

The AOF gratefully acknowledges the contribution from the following consultants:

Primary Consultant:

- Fresh Agenda

Supporting Consultants:

- Yeruga Crop Research
- BlueDog Agribusiness
- Oilseed and Protein Solutions

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