

Annual Report 2013-14



Australian Oilseeds Federation Inc.
PO Box H236, Australia Square NSW 1215
Tel **02 8007 7553** Fax **02 8007 7549**
www.australianoilseeds.com

Australian Oilseeds Federation 

Membership Listing (Financial as at June 30, 2014)

Association Members:

Stockfeed Manufacturers Council of Australia Grain Industry of Western Australia

Producer Members:

Grain Growers Association Limited Victorian Farmers Federation
NSW Farmers Association

Corporate Members:

100% Bottling Company	MSM Milling Pty Ltd
Adams Australia Pty Ltd	National Biofuels Group
Alba Edible Oils	Natura Holdings Pty Ltd
Atlantic Pacific Foods	Noble Resources Aust
AusOils Pty Ltd	NPZ Australia
Australian Superintendence Company	NuSeed Pty Ltd
Bayer Crop Sciences	Pacific Seeds Pty Ltd
BEC Feedsolutions	Peerless Holdings Pty Ltd
Braid Logistics Australia Pty Ltd	Perten Instruments
Cargill Oilseeds Australia Ltd	Riverina Bioenergy
Cootamundra Oilseeds Pty Ltd	Riverlea
Dow AgroSciences Australia Ltd	Seednet
DuPont Pioneer	SGS Australia
Emerald Grain	Simplot
Glencore	Sucrogen Foods
HyFeeds	Sumitomo Australia Pty Ltd
Louis Dreyfus Australia Pty Ltd	Toepfer/ADM
Merels Foods Australia Pty Limited	Unilever Australasia
Merricks Capital	Wilmar Gavelon
Monsanto Australia	Windermere Oilseeds Pty Ltd

Honoray Members:

CSIRO Plant Industry	GRDC
Department of Primary Industries and Fisheries (Qld)	NSW Department of Primary Industry

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AOF Office Bearers

Robert Wilson	- President	Lachlan Herbert	- Vice President
Trent Potter	- Vice President	Charles Aldersey	- Treasurer
Jon Slee	- Vice President	Adam Davis	- Public Officer

AOF Executive

Robert Wilson	- President	Kevin Charlesworth	- Sunflower Sub-committee/ASA
Trent Potter	- Vice President	JS Rao	- Stockfeed Sector
Jon Slee	- Vice President	Robert Quinn	- Crushing Sector <small>(to May, 2014)</small>
Lachlan Herbert	- Vice President	Ashley Palmer	- Refining Sector
Charles Aldersey	- Treasurer	Jonathon Mack	- Consumer Sector
Adam Davis	- Trading Sector	Justin Kudnig	- Seed Sector
Dane Robertson	- Export Sector	Nick Goddard	- Executive Director
Mike O'Hare	- Production Sector/ NSW Farmers	Elle Hardcastle	- Administration
Don McCaffery	- Canola Sub-committee		

Acknowledgments

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

Alba Edible Oils	Peerless Foods
Cargill Australia	Ridley Stockfeeds
Cootamundra Oilseeds	Grain Corp Oils.
Goodman Fielder	Unilever Australasia
MacSmith Milling	



Strategic Plan 2010-2015 Overview

Our Vision

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

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

Our Mission

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

Our Goals	Strategic Thrust	Objectives	Outcomes
<ol style="list-style-type: none"> To provide a whole-of-value chain approach to improving industry profitability while remaining internationally competitive. To improve grower capability in efficient, sustainable and profitable oilseed production across both minor and major crops. 	 <p>Sector support for profit</p>	<ol style="list-style-type: none"> Provide leadership across the value chain in addressing issues that serve to impede value creation. Work cooperatively with GRDC to maintain and foster grower confidence in oilseeds as part of a properly planned broadleaf rotation. 	 <ul style="list-style-type: none"> Improved industry profitability and LT sustainability Increased oilseeds in crop rotation.
<ol style="list-style-type: none"> To work with value chain sectors to improve the market opportunity and value for canola meal. To ensure that market choice can be delivered through the value chain from farm gate to dinner plate. 	 <p>Industry support/communication</p>	<ol style="list-style-type: none"> Increase the proportion of canola meal in the feed ration. Promote Australian canola meal to the S.E. Asian markets. Provide assurances to stakeholders that market choice is delivered. Continue to build unity across the Value Chain Provide relevant and timely response and actions when issues arise 	 <ul style="list-style-type: none"> Improved value for meal. Trust in the oilseeds value chain to deliver non GM
<ol style="list-style-type: none"> To contribute to the development and profitable access for Australian oilseed and derived products to all new and existing domestic and international markets. 	 <p>Market support</p>	<ol style="list-style-type: none"> Respond quickly and appropriately to member raised market access issues. Foster appropriate industry segregation protocols for new products. Provide the two-way end user market interface to crop sequencing group as part of Objective 2. Continually lift the AOF 'offer'. 	 <ul style="list-style-type: none"> More engaged membership AOF viewed as oilseed industry leader
<ol style="list-style-type: none"> To be recognised by all stakeholders as the 'go to' organisation for Australian oilseed information, strategic direction, advice and support. 	 <p>Organisational capability</p>	<ol style="list-style-type: none"> Market and deliver the benefits of ODF contribution. Continue to broaden the income base for AOF. Strengthen core skills and knowledge base of ED. 	 <ul style="list-style-type: none"> Stronger and more diverse income base. Strategically focussed organisation

President's Report 2014

Robert Wilson

It is with great pleasure and pride that I can present the 2013/14 Australian Oilseeds Federation Annual Report. As the Federation approaches its 45th year, in an industry with a history of over 100 years, oilseeds has certainly earned its place in the Australian economy as a key pillar of the agricultural sector.

As the industry begins to shape the Federation's 2025 Strategic Plan, there is little doubt that the future holds immense and diverse opportunities for the industry, but not without its challenges which will require leadership and advocacy. The AOF is well positioned and well prepared to provide the leadership required over the coming decade to drive industry to new heights.

The past year has been another successful year for the AOF, delivering on its mission to provide leadership to the industry and coordinate activities aimed optimising profitability for all sectors of the value chain.

Industry competitiveness and efficiency remains at the forefront as being the single most important factor for long term industry sustainability and competitiveness on the world stage. The falling \$A has served to strengthen export returns, while reducing the attraction for imported refined oils, and while this is an important factor in improving short-term returns, industry efficiency improvements will remain the key driver for stronger returns.

The capital investments announced or commissioned by a number of processors, refiners and exporters is a strong sign of continued confidence in the industry. Grain Corp Oils, Cootamundra Oilseeds and MSM have all announced or commissioned new plant aimed at improving overall supply chain efficiency, while investments announced in bulk port loading facilities in both WA (Bunbury) and NSW (Newcastle and Port Kembla) are

aimed at further improving Australia's export competitiveness of bulk oilseeds.

Despite these investments, up-country infrastructure bottlenecks and inefficiencies continue to hold back the overall competitiveness of the industry, with Australia having a cost impost of some \$28/tonne versus Canada in moving bulk grain over 400km to port. The Federal Government's Agriculture White Paper, to which the AOF has provided a submission, is expected to explicitly identify this inefficiency; however the solutions will be neither quick nor inexpensive. In the meantime, gaining efficiencies in other aspects of the supply chain will be essential to maintain our international competitiveness.

Exports continue to take a growing share of the industry value creation, with exports over the past 12 months reaching \$ 2.3billion (the second highest on record, exceeded only by the \$2.5billion the previous year). The growth in exports of value-added products is a very pleasing development, with oil, both crude and refined, meal and other bi-products, amounting to \$222million. The ratification of the Japan FTA and the bi-lateral agreement for the Korean FTA will provide further support to the value growth and opportunity for exports of Australian oilseeds, oil and meal. The likelihood of a China FTA being finalised, will only further strengthen Australia's international opportunities and competitiveness. The AOF has already commenced discussions with the Department of Foreign Affairs and Trade in relation to the opportunities for oilseeds, oil and meal into the EU, although the prospect of an EU FTA is still some time away.

However, maintaining existing trade remains the priority, with the AOF undertaking a number of initiatives through the year to

strengthen existing international markets. This included on-going work with the Australian Department of Agriculture and Chinese Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) to ensure on-going canola trade to China; commencement of work to determine domestic greenhouse gas emissions for canola production for access to the EU post 2017; and a visit to the Japanese Oilseed Processors Association (JOPA) highlighting key quality parameters of Australian canola.

During the year, the AOF continued to lead with building grower capability through oilseed specific grower training across sun, soy and canola held in conjunction with Pulse Australia, and through timely and relevant communication and fact sheets.

The AOF continued to strengthen its position with key stakeholders, such as government, in particular DAFF and DFAT, while representing the oilseeds industry within strategic industry groups such as Agricultural Biotechnology Council of Australia (ABCA), Grain Trade Australia (GTA), the Grains Industry Market Access Forum (GIMAF) and the Australian Grains Industry Discussion Group. (AGIDG)

The Executive of the AOF met in May 2014 to commence the planning process for the 2015-2025 Strategic Plan, identifying the major 'global' trends facing the industry. This was then shared with members in July, and developed into the final Strategic Plan, to be unveiled later in 2014.

The Federation continued to enjoy very strong support from member companies, in particular, Alba Edible Oils, Cargill Australia, Cootamundra Oilseeds, Goodman Fielder, MacSmith Milling, Peerless Foods, Riverland Oilseeds (Grain Corp Oils) and Unilever Australasia through continued contribution to the Oilseed Development Fund. Member

companies also made staff available to attend meetings, sit on committees and on working groups. It is only through support of members that AOF is able to deliver for industry in the manner that it does, and I would like to express my gratitude to those members companies and their representatives who continue to support the AOF.

AOF has once again finished the year in a strong financial position, with sufficient reserves to meet commitments for the following 18 month period. The financial strength of AOF is critical at a time when industry is reviewing funding levels for industry associations.

The next decade will be very different for both the industry, and for grain industry associations, and the AOF is actively working with other industry bodies through the AGIDG to explore opportunities to improve the collective efficiency and cost base of the peak industry bodies, while harnessing the strength that each body has in their respective industry.

Finally, I would like to thank my colleagues on the AOF Executive for their commitment and support, in particular Jon Slee, Trent Potter, Charlie Aldersey and Lachlan Herbert, who interact regularly with me and the Executive Director in ensuring both day-to-day activities, and longer term strategic direction for the AOF in meeting member's need for both the present and the future.

Lastly and most importantly, thanks must go to our Executive Director, Nick Goddard for his day-to-day management of the AOF. We are extremely fortunate to be in such good hands.

Robert Wilson

President

Executive Director's Report

Nick Goddard

Highlights for 2013/14

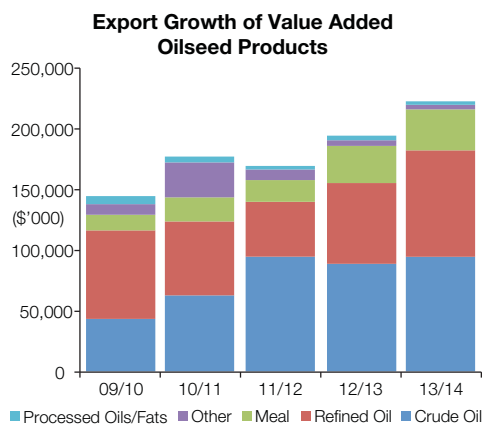
- Total crop production at 5 million tonnes across the 4 primary oilseeds, being the third consecutive year at or above this level;
- Continued strong exports of oilseed products, reaching 3.9 million tonnes, with an FOB value exceeding \$2.3bln;
- Record crude and refined oils and fats exports at \$185 million, up 17% on prior year;
- China moves to number 2 export destination with over 945,000 tonnes shipped earning \$590 million. The EU remains number 1 at nearly 1.5 million tonnes.
- 6th successful year of GM canola, with a near 60% increase in area, accounting for 14% of total area.
- AOF Visit to JOPA (Japanese Oilseed Producer's Association)
- Third successful year partnering with Pulse Australia in delivering the Better Break Crop Program, running 13 workshops across the three funded oilseed crops.

Industry performance

The 2013/14 winter crop season fared very well, managing to extract the last of the stored sub-soil moisture to deliver the second largest canola crop on record, at 3.9 million tonnes. Prices also remained firm throughout the season, with average FOB canola export prices over \$600/tonne.

The dry finish to the winter, and very dry start to the summer, hampered summer oilseed planting and production, with cotton, sunflower and soybean production all well below the five year average.

The export program, however, was strong with over 3.9 million tonnes of oilseed, oil, meal and soy flour exported for the year, for a value of \$2.3 billion. The value added components continue to grow, now valued at over \$260million, up from \$144 million in 2009/10.



The value added components provide the ability to open and grow new markets, such

as India, Nepal, Egypt, and Vietnam for refined and crude oils, while building on existing strong markets for meal such as New Zealand, and South Korea.

Significant capital investment was announced during the year, with Grain Corp Oils announcing a \$125 million investment to move margarine production and packing from Murarie in Qld to new packing facilities at their existing site at West Footscray in Melbourne. GrainCorp Oils also announced the expansion of facilities at the Numurkah, Victoria, site to enable further vegetable oil processing. Riverina Oils and Bioenergy also announced an intention to significantly expand production capacity at the newly commissioned plant near Wagga, NSW, while Cootamundra Oilseeds also announced construction of new, consolidated plant in Cootamundra, NSW. Noble announced a \$ 50 million joint venture arrangement with Qube logistics for the development of an export facility in Port Kembla, NSW, while providing options for Cargill and Emerald to also join the venture.

The continued strong investment in the industry is testament to the very positive future prospects for oilseeds in Australia. More efficient oilseed crushing, processing and handling capability improves the overall industry profitability and sustainability, which in turn supports and encourages broader investments by contiguous industries such as seed and chemical companies in new technology aimed at improving grower productivity.

AOF performance

The AOF continued to operate with the aim of driving overall industry value growth and efficiency, ensuring industry issues are effectively dealt with. This involves both day-to-day activities, being the 'go to' organisation for the industry and external stakeholders, as well proactively driving industry-wide common-good agendas such as market access, trading standards review and maintenance and industry advocacy. The AOF retains the strong engagement from member's representatives who willingly



Executive Director's Report continued

give their time and wise counsel in many of the industry-good activities lead by the AOF.

A number of working groups were formed during the year to undertake necessary Technical reviews. These included a thorough review of the Oilseed Trading Standards, led by external consultant, Gerard McMullen, and involving experts from across the membership and commodity groups. This was the first time the Oilseed Trading Standards have been reviewed in a number of years, and the process brought the Oilseed standards in line with other commodity standards in terms of terminology, while reflecting the end-user oilseed requirements in the context of what is achievable on-farm. The Oil and Meal Standards were also reviewed through two

working groups, led by Dr Rod Mailer. Once again, this was the first review for many years, and brought both sets of standards up to date with current market needs, as well as ensuring tight alignment with the Oilseed Standards.

A fourth working was established under the leadership of Ian Sproul (CBH) to ensure the AOF Test Check Program is continuing to meet the needs of the market place, and that reference methods were conducted in a harmonised manner across all participants. Thanks to Gerard, Rod and Ian for taking on leadership of these groups.

The AOF continued its successful partnership with Pulse Australia in developing and delivering grower and advisor training across the three crops of canola, sunflower and soybean. Thirteen workshops were held during the year, covering growers and advisors from Bundaberg in Qld, to Jerramungup in WA. The GRDC renewed the contract during the year for continued delivery of the oilseed training until 2016, which is a strong sign of confidence in the AOF/Pulse Australia ability to build confidence amongst growers and advisors in these break crops.

With the 2013 crop being the 6th year of commercial GM canola production in Australia, the AOF continued to foster the 'market choice' principle underlying the introduction of GM technology in 2008. An estimated 9% of the national crop was sown to GM canola (14% in WA) in 2013, with over 1 million tonnes of GM canola having been produced and delivered since introduction. New technologies will continue to play a key role in Australian oilseed

production, and the AOF has a key role to play to ensure market acceptance of new technologies, in line with the principles of market choice and freedom to operate.

Market access remained a focus for the AOF in 2013/14, with focus on the priority export markets of the EU, China and Japan. The AOF initiated a project, to be managed by the Australian Grains Export Innovation Centre (AEGIC), to determine greenhouse gas values associated with the production of canola. These values will be essential if Australia wishes to continue to access the EU biodiesel market after 2017. Research and testing continued as part of the MOU with China in relation to export of canola. Each load destined for China was tested for the presence and level of blackleg infection, and these results were reported to China as part of an open exchange of information. The program also included a visit of Chinese scientists during the year to inspect the seed testing laboratories at Department of Agriculture, WA, and the enable a sharing of knowledge and expertise. The AOF also visited the Japanese Oilseed Processors Association (JOPA) to discuss specific quality needs, and the outline the key quality parameters from the 2013 harvest.



The AOF was a founding partner during the year in the inaugural Asian Australian Grains Industry Conference, held in Singapore in March. The conference targeted key buyers

and processors in the Region, and included a specific oilseed session, highlighting the quality characteristics from the 2013 harvest, with speakers from CBH, the Grains Industry Market Access Forum and AOF all contributing. This conference was the first of what will be an annual event in Asia.

The AOF was also represented at the International Oilseed Producer's Dialogue, held in South America. This is an annual event of country based oilseed industry associations and operates to establish harmonised positions on global matters such as trade, stewardship, new technologies and sustainability.

For the year ahead, the AOF will introduce its 2025 Strategic Plan, This plan will set a high level road map for the Federation, outlining the key areas of focus that will be required for the industry to realise and reach its potential.

Although only a relatively small organisation, as it approaches 45th year, the AOF manages to exert its influence over a broad area, and to represent the many, often divergent views of the oilseed industry to stakeholders at all levels. The AOF Secretariat is extremely grateful to the support and guidance it receives from members, and looks forward to continuing to represent members with the purpose of building resilience and sustainability into the Australian oilseed industry.



Statistics

Table 1: Australian Oilseed Production

Source: AOF

'000 tonnes	2013/14	2012/13	2011/12	2010/11	2009/10
Canola	3900	4269	3185	2161	1936
Sunflowers	21	46	81	44	40
Soybeans	50	87	86	45	64
Cottonseed	988	1410	1690	1269	550
Other	10	10	10	10	10
Total	4969	5822	5052	3529	2600

Table 2: Area and Production by State – Key Crops

Source: AOF

		2013/14		5 year average to 2012/13	
		Area '000 ha	Production '000 tonnes	Area '000 ha	Production '000 tonnes
Canola	NSW	600	900	473	822
	Vic	400	700	365	665
	SA	300	500	247	404
	WA	1180	1800	907	1199
	Total	2480	3900	1992	3090
Sunflower	Qld	11	12	13	14
	NSW	7	9	20	32
	Total	18	21	33	47
Soybean	Qld	13	10	12	21
	NSW	24	39	18	43
	Vic	1	1	1	2
	Total	38	50	31	66

Table 3: Oilseed Exports by year

Source: ABS

'000 tonnes	2013/14	Av 5 years to 13/14
Canola	3195	2334
Cottonseed	464	431
Canola oil	152	115

Table 4: Canola Exports by Destination

Source: ABS

'000 tonnes	2013/14	Av 5 years to 13/14
Europe	1493	1411
Pakistan	214	291
Japan	179	130
Bangladesh	0	51
China	947	332
Other	361	119
Total	3195	2334

Table 5: Oil and Meal Imports by year

Source: ABS

'000 tonnes	2013/14	Av 5 years to to 13/14
Canola Oil	17	14
Coconut Oil	11	12
Cottonseed Oil	5	4
Olive Oil	28	36
Palm Oil	104	114
Soy Oil	25	22
Sun & Saff Oil	62	45
Palmkernel meal	20	32
Soybean meal	572	569



Oilseed Growing Areas in Australia

Vale: Bryce Bell

One of the founders of the AOF, Bryce Bell, passed away during the year after a number of years of poor health. Bryce had a long association with the oilseeds industry, dating back to the 1950's, including holding the roles of National Marketing Manager for Meggit Limited, Secretary to the Australian Oilseeds Crushers Association for 15 years and Secretary to the AOF for 20 years. Bryce was instrumental in the formation of the AOF in 1970, and remained in contact with many current and former AOF members up until his passing.

The Australian oilseeds industry is indebted to the contribution made by Bryce during his career in the industry, and for his leadership of the AOF over a period of great change and development for the industry.

