

Annual Report 2012-13



Australian Oilseeds Federation



Membership Listing (Financial as at June 30, 2013)

Association Members:

Stockfeed Manufacturers Council of Australia

Producer Members:

Grain Growers Association Limited
NSW Farmers Association

Victorian Farmers Federation

Corporate Members:

Adams Australia Pty Ltd
Alba Edible Oils
Atlantic Pacific Foods
Australian Superintendence Company
BEC Feedsolutions
Braid Logistics Australia Pty Ltd
Bunge Agribusiness Australia Pty Ltd
Canola Breeders Western Australia Pty Ltd
Cargill Oilseeds Australia Ltd
Cootamundra Oilseeds Pty Ltd
Dow AgroSciences Australia Ltd
DuPont Pioneer
Emerald Grain
Farnoz Pty Ltd
Glencore
Goodman Fielder Ltd
HSR Seeds
Louis Dreyfus Australia Pty Ltd
Merricks Capital

Merels Foods Australia Pty Limited
MSM Milling Pty Ltd
National Biofuels Group
Natura Holdings Pty Ltd
Noble Resources Aust
NuSeed Pty Ltd
Oxford instruments
Pacific Seeds Pty Ltd
Peerless Holdings Pty Ltd
Riverina Bioenergy
Riverland Oilseeds
Riverlea
Simplot
Sucragen Foods
Sumitomo Australia Pty Ltd
Unilever Australasia
Viterra
Wilmar International
Windermere Oilseeds Pty Ltd

Honoray Members:

CSIRO Plant Industry
Department of Primary Industries and
Fisheries (Qld)
Grains Industry Western Australia (GIWA)

GRDC
NSW Department of Primary Industry
SA Research and Development Institute
(SARDI)

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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	Brendan Farrer	- Stockfeed Sector
Jon Slee	- Vice President	Robert Quinn	- Crushing Sector
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
Cargill Australia
Cootamundra Oilseeds
Goodman Fielder
MacSmith Milling

Peerless Foods
Ridley Stockfeeds
Riverland Oilseeds/Grain Corp Oils.
Unilever Australasia

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 Goals

1. To provide a whole-of-value chain approach to improving industry profitability while remaining internationally competitive.
2. To improve grower capability in efficient, sustainable and profitable oilseed production across both minor and major crops.

3. To work with value chain sectors to improve the market opportunity and value for canola meal.
4. To ensure that market choice can be delivered through the value chain from farm gate to dinner plate.

5. To contribute to the development and profitable access for Australian oilseed and derived products to all new and existing domestic and international markets.

6. To be recognised by all stakeholders as the 'go to' organisation for Australian oilseed information, strategic direction, advice and support.

Strategic Thrust



**Sector support
for profit**



**Industry support/
communication**



**Market
support**



**Organisational
capability**

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.

Objectives

Outcomes

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



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

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



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

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



- More engaged membership
- AOF viewed as oilseed industry leader

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



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

President's Report 2013

Robert Wilson

It is with pleasure that I can present this the 43rd Australian Oilseeds Federation Annual Report. The AOF has had another strong year, delivering on its mission to provide leadership to the industry and coordinate activities that will achieve optimised profitability for all sectors of the value chain.

Nowhere was this more evident than in playing a key role in regaining market access for canola to China - a success that quickly delivered over \$250 million dollars in export orders in a three month period. I would really like to take this opportunity to thank our Executive Director Nick Goddard for his outstanding leadership in this project, Tony Russell from the Grains Industry Market Access Forum (GIMAF) and to Bill Magee and his team at Department of Agriculture in Canberra.

Industry leadership was also demonstrated through introduction of the 'Australian Canola' brand, which has already been adopted by some members and now appearing on shop shelves in China.



Leadership by the AOF continued with tackling specific industry issues, such as biotechnology, 3-MCPDE and anti-vegetable oil campaigns, where the AOF readily provided media comment, and kept members informed with industry position statements.

During the year, the AOF continued to lead with building grower capability through oilseed specific grower training across sun, soy and canola and through timely and relevant communication and fact sheets. In addition, the AOF committed industry funds towards research such as additional research and analysis of canola meal, and research into sunflower seed storage under different storage conditions with Qld DPI.

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) and the Grains Industry Market Access Forum (GIMAF).

The Executive of the AOF met in April 2013 to review 2010-2015 Strategic Plan progress and renew focus where required in order to meet current demands, while beginning to scope strategic platforms for the 2015-2020 Strategic Plan which will be developed over the next 12 months.

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, participate in committees and in 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.

Unfortunately, it was a year of declining membership base, with industry consolidations taking its toll - Viterra and Glencore becoming one member (Glencore); and Riverland Oilseeds and GrainCorp also be becoming one member (Grain Corp); on the up side we welcomed Emerald Grain and Oxford Instruments as new members.

AOF has 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, and to this end, AOF joined with other industry associations to form the Australian Grain Industry Discussion Group (AGIDG) to shape the peak industry body landscape for the grains, pulse and oilseed industry for the coming decades.

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 members' needs for both the present and the future.

Lastly and by no means least, a huge thank you to Nick Goddard for another outstanding year as our Executive Director. His commitment and drive is first class and we are extremely fortunate to be in such good hands.

Robert Wilson
President



Executive Director's Report

Nick Goddard

Highlights for 2012/13

- Record crop production at 5.75 million tonnes across the 4 primary oilseeds;
- Record exports of oilseed products, reaching 4.5million tonnes, with an FOB value exceeding \$2.5bln;
- Record crude and refined oils and fats exports at \$158 million;
- Re-gaining market access to China, with over 500,000 tonnes shipped from prior harvest, value at \$320 million;¹
- Launch of the 'Australian Canola' brand, for exclusive use by members on packaging and promotional material;
- 5th successful year of GM canola, with a 25% area increase to 177,000 Ha;
- Continued demonstration of industry meeting the 'market choice' principle with continued effective supply of non-GM canola to those customers seeking this product;
- Second successful year partnering with Pulse Australia in delivering the Better Break Crop Program;
- Delivery of 17 Better Break Crop workshops for canola, sunflower and soybean across all the mainland oilseed growing states;

Industry performance

The size of the 2012/13 crop took most market watchers, including the AOF, by surprise. The size of the canola crop, at 4.3million tonnes exceeded earlier projections by a million tonnes, driven by both a larger than expected area planted to canola in NSW and Victoria, combined with very good east coast yields experienced from the favourable weather conditions at the end of the season.

The large oilseed crop provided for a very strong export program, with canola export volumes reaching a record at 3.5million tonnes and cottonseed at 650,000t. Europe was once again the primary destination for Australian canola, accounting for 54% of total canola exports. This was down from the 88% share the year before, as China and the Middle East emerged as major new destinations for the year's crop. Pakistan also returned as a major buyer, taking over 500,000 tonnes.

Despite higher prices throughout the year, domestic crush volumes were also strong, with increased crush volume being driven by increased exports of oil and meal, and domestic canola (high oleic) replacing imported palm in the commercial/food service sector. Exports of processed oilseed products (oil, meal and flour) were up 15% to \$194 million. The growth in the export of processed oilseed products, keeping the value added component within the country, is a key strategy of the industry, and one that will continue to deliver growth and value to the Australian industry over time, making effective use of the existing surplus crush capacity.

¹ Up to September 2013. Other statistics quoted in this report are for calendar year only.

The year also saw the successful commissioning of the Riverina Oils and Bioenergy (ROBE) plant near Wagga Wagga, providing the country's third, and the newest, integrated crush/refine/ packaging production facility. With the completion of the plant, close to 40% of the oilseed crushed in Australia is through fully integrated plants, serving to further drive down the cost base of Australian oilseed production, and aiding international competitiveness of Australian oil and meal.

Industry production and dynamics continued to evolve, with the Grain Corp acquisition of both Gardner Smith and the vegetable oil processing assets and food service brands of Goodman Fielder (Integro Foods). This development has the potential to further reduce the cost base of Australian oilseed processing, and strengthening our overall international competitiveness.

AOF performance

The AOF continued to operate with a member-centric mindset, at times needing to balance the conflicting demands of various members. With an overriding goal of driving overall industry value growth and efficiency, industry issues are effectively dealt with, with the aim of achieving a successful outcome across the complete value chain.

The regaining of market access to China for canola was a significant achievement for the AOF for the year. While this did result in price (and cost) increases for domestic processors, the net effect of the access to the premium market resulted in overall increased returns for the industry.

Regaining market access to China was coupled with a commitment by the Australian Government to undertake a joint research project with China aimed at



Executive Director's Report continued

improving joint understanding of blackleg transmission and the risk profile this presents for China. This ongoing research is jointly funded by AOF and Department of Agriculture, and required a significant commitment of time and resources by the AOF during the year. The AOF hosted a visit by representatives of the Chinese quarantine agency in November last year, visiting canola research institutions and bulk loading facilities in WA, SA and NSW, concluding with high level meetings in Canberra aimed

at establishing the joint research program. Agreement on the research program was a key requirement for access to China to be regained. This visit followed an AOF-led trade delegation to China in August, which coincided with Australian Government negotiations with the Chinese quarantine agency being held in Beijing at that time. This activity was viewed as being a key catalyst to making progress on this issue, as it readily and practically demonstrated Australia's willingness to re-open the canola trade with China.

With the growing importance of Australian canola seed, oil and meal in international markets, the AOF recognised the importance of creating a distinct identity for Australian canola, and to this end, launched the 'Australian Canola' brand in October, 2012. The aim is to develop a device which can appear on packaging (paper/plastic labels, steel drums) paperwork (e.g. invoices), promotional material (e.g. brochures, food outlet shop-fronts, websites) which can augment existing brand/corporate names, and provide a re-assurance that the oil (meal or seed) is of Australian origin. This reassurance is in terms of aspects such as:

- Australian;
- Natural;
- Wholesome;
- Grown by Australian farmers;
- Natural, clean and pure;
- Chemical free;
- Competitive.





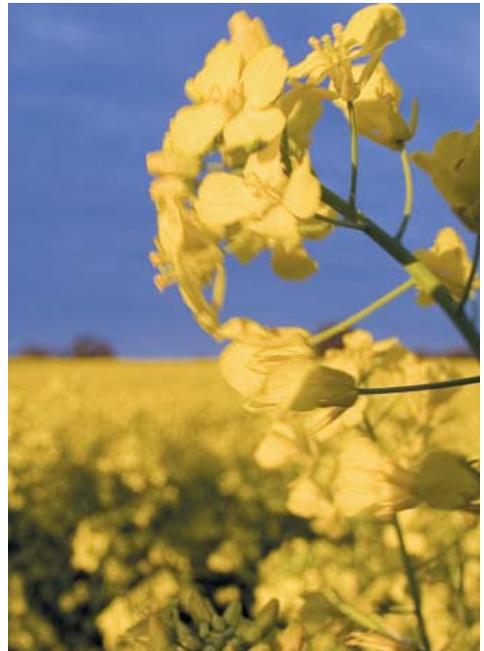
To date, a number of members have taken up the opportunity to use the branding device on their products, and the brand now appears on retail packs of canola oil being sold in Chinese grocery outlets.

The AOF continued to support the 'market choice' principle underlying the introduction of GM technology to the industry in 2008. As with prior years since introduction of GM, the industry effectively segregated non-GM and continued to deliver seed, oil and meal to end users with 100% of deliveries meeting end-user specifications. The ability of the Australian supply chain to successfully manage a non-GM segregation is the envy of many of our trading partners, and has paved the way for establishing appropriate protocols and practices for the introduction of future GM crops.

For the year ahead, the AOF will begin to develop the next Strategic Plan, to run from 2015-2020. This plan is expected to operate in an environment of continued industry dynamics and consolidation, potentially reducing the AOF membership base; an environment where the role and sustainability of peak industry bodies will be subject to review; and an environment where climate variability is likely to produce a year on year reduction in oilseed production in at least 2 of the 5 years. However, with consecutive years of record oilseed production in

Australia and the grower skills and confidence this produces, the continued investment in improving processing efficiency, and the strengthening of ties with key export markets, the future for the Australian oilseeds industry is very positive and increasingly profitable and sustainable.

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



The oilseed future lies beyond our shore

With increasingly reliable Australian oilseed production, the future for a viable, profitable and sustainable industry lies in our ability to build and hold export markets for seed, oil and meal.

Building and holding market access not only lies in the hands of our exporters, and the relationships they develop with their customers overseas, but also requires strong involvement from government and peak industry bodies, as this year's success in regaining access to China for canola demonstrates.

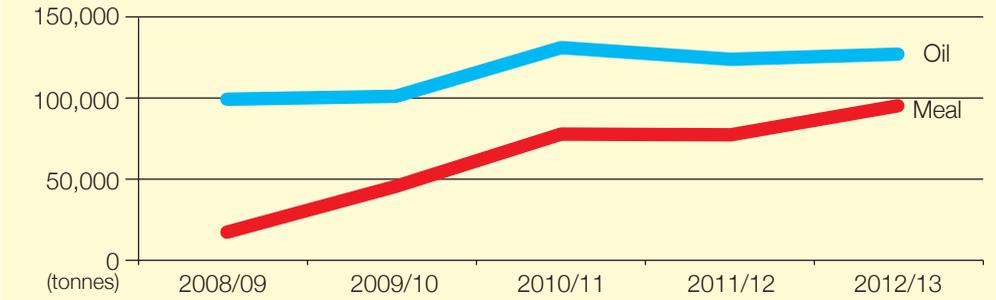
A growing export surplus

Since the drought year of 2006/7, Australia has consistently produced an exportable surplus of oilseeds, which has enabled growth in exports of not only seed, but also oil and meal.

This growth in exports over recent years has delivered an additional \$1.7bn to the Australian oilseeds industry.

While export volume will always be the 'swing factor' after domestic demand requirements are met, and seasonal variation

Tonnage growth of export oil and meal (including cotton) 2008/9-2012/13



Combined, oil and meal have grown 22% in the 5 years to 2012/13 to 215,000 tonnes or \$192,000

Tonnage growth of export oilseeds 2008/9-2012/13



...while exports of seed have grown by over a factor of 4 to 4.25 mln tonnes or \$2.333 bln

will dictate that growth in exports will not be consistently growing, the importance of our export markets remains paramount for the industry.

Top three export markets 2012/13: (value)

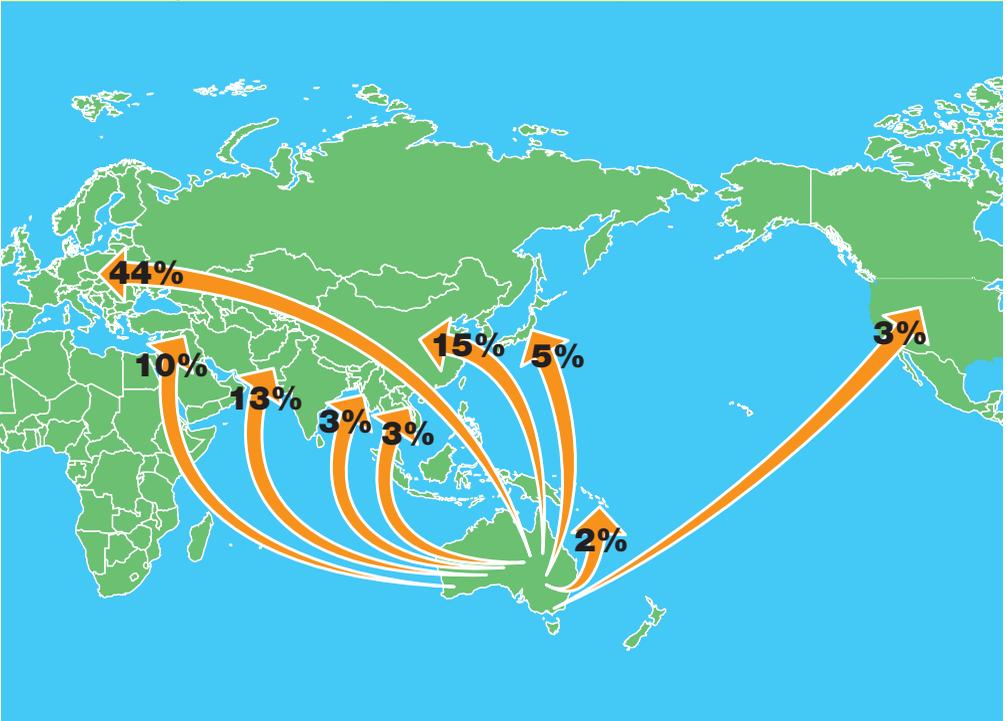
Seed	Oil	Meal
1. European Union	Korea	New Zealand
2. Pakistan	China	Vietnam
3. United Arab Emirates	Malaysia	Malaysia

Market access the priority

The AOF has placed the highest priority on market access for oilseeds, oil and meal, and works in tandem with Department of Agriculture on non-tariff related barriers to trade (such as phyto sanitary issues) while working closely with the Grains Industry Market Access Forum (GIMAF) on both tariff and non-tariff related access issues.

Regaining access for canola to China has been a priority for the AOF for a number of years, and involved a number of trips to

Australian exports of oilseeds, oils and meals - \$2.527 bln





(Left) Nick Goddard, AOF, in discussion with Mdm Guo Lisheng, Senior Adviser for CIQA, at the AOF hosted trade function in Beijing in November, 2012;

China, ongoing liaison with Department of Agriculture, arranging seed testing for both the 2010 harvest and the 2012 harvest, and hosting visit of representatives from the Chinese quarantine agency. The re-opening of the trade doors in March 2013 was the culmination of significant work by the AOF, the Department of Agriculture and GIMAF, with the effort promptly rewarded with over 500,000 tonnes of the remaining canola from the 2012 season quickly contracted to Chinese buyers.

Maintaining access to the lucrative EU market for canola is also a priority for the AOF, made all the more challenging by the changing legislative requirements in that market related to compliance with the EU Renewable Energy Directive (RED). Europe has been the primary export destination for Australian Canola over recent years, with demand driven from the EU biodiesel sector. Maintaining access to this high value customer is an imperative, but one at risk if



(Right) representatives from Australian canola traders in discussion with a Chinese buyer at the function

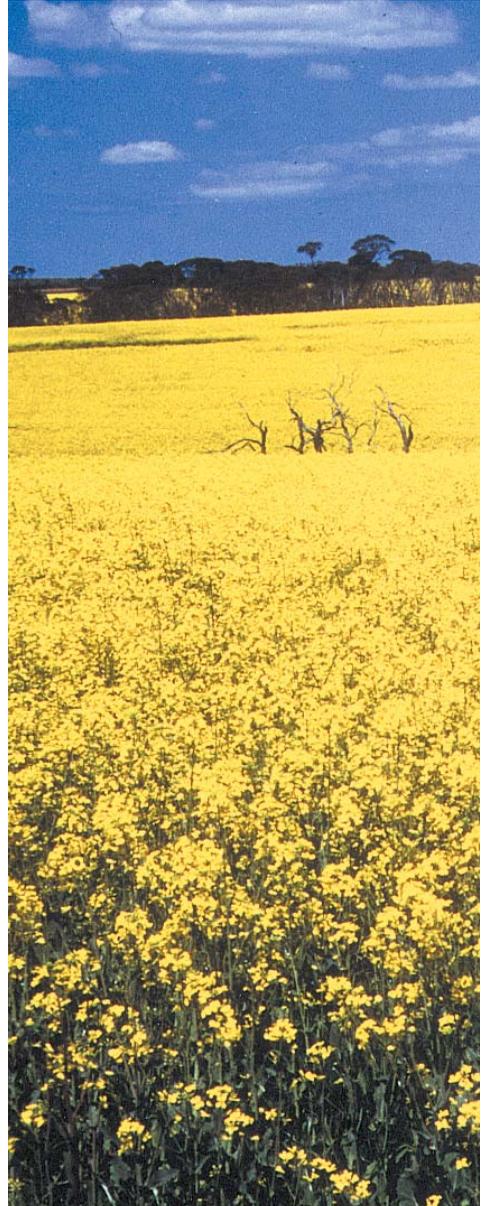
Australia is not able to comply with additional EU RED requirements which come into effect from January 2017. In order to maintain access to this market, data will have to be established relating to greenhouse gas (GHG) production associated with the production and transportation of Australian canola. To this end, the AOF has embarked on an ambitious program in conjunction with the WA based Australian Export Grain Innovation Centre (AEGIC) to ensure the appropriate data can be derived and Australia's ability to meet the EU RED GHG requirements from January 2017 can be established.

Korea, Australia's number one trading partner for vegetable oil (crude and refined) and culinary soybeans also presents an opportunity for further growth, but is challenged by the tariff regime in place which disadvantages Australia relative to the US, with the US having in place an FTA. The AOF has advised DFAT of the issues the

industry is facing, and the recent announcements by the new Australian government in relation to accelerating resolution of a Korean FTA is welcome news, and should pave the way for increased trade.

The Japanese market has long been a prime destination for Australian canola, with Australian traders having established long term and resilient relationships over many years. Japan used to account for a half to three quarters of Australian oilseed exports (2002 through to 2006), and has now fallen as other markets have grown in prominence. However, Japan remains a core customer for Australian oilseeds, in particular, canola, and the AOF is developing an engagement strategy to re-connect with the Japanese oilseed crushing industry. The likely development of tariff relief, as a result of the Trans Pacific Partnership (TPP) should also serve to improve Australia's competitiveness in the oil and meal sectors.

The AOF is fully cognisant that the future growth and long term sustainability of the Australian oilseed industry is reliant on maximising quality export value opportunities. As a result, the AOF Executive has endorsed a greater emphasis on the existing strategic goal of 'contributing to the development and profitable access for international markets"



Statistics

Table 1: Australian Oilseed Production

Source: AOF

'000 tonnes	2012/13	2011/12	2010/11	2009/10	2008/09
Canola	4269	3185	2161	1936	1878
Sunflowers	46	81	44	40	80
Soybeans	87	86	45	64	105
Cottonseed	1340	1690	1269	550	466
Other	10	10	10	10	10
Total	5753	5052	3529	2600	2540

Table 2: Area and Production by State – Key Crops

Source: AOF

		2012/13		5 year average to 2012/13	
		Area	Production	Area	Production
		'000 ha	'000 tonnes	'000 ha	'000 tonnes
Canola	NSW	840	1610	392	695
	Vic	580	10130	322	575
	SA	303	385	220	349
	WA	964	1261	795	1067
	Total	2687	4269	1729	2686
Sunflower	Qld	9	11	19	22
	NSW	21	35	26	42
	Total	30	46	44	64
Soybean	Qld	12	28	14	30
	NSW	14	55	18	46
	Vic	2	5	1	2
	Total	29	87	32	78

Table 3: Oilseed Exports by year

Source: ABS

'000 tonnes	2012/13	Av 5 years to 12/13
Canola	3488	1890
Cottonseed	649	345
Canola oil	115	89

Table 4: Canola Exports by Destination

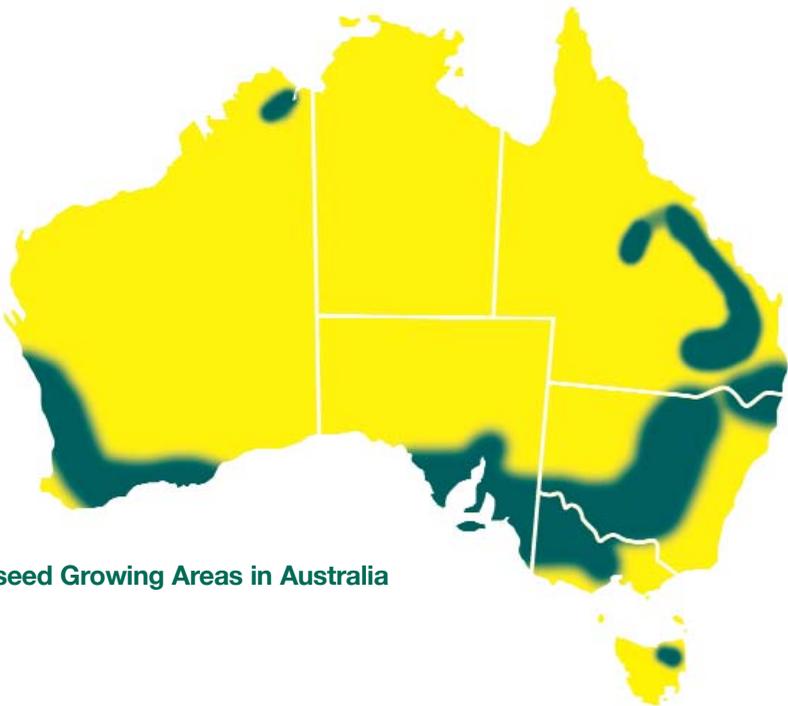
Source: ABS

'000 tonnes	2012/13	Av 5 years to 12/13
Europe	1893	1249
Pakistan	552	272
Japan	112	113
Bangladesh	104	42
China	383	107
Other	444	107
Total	3488	1890

Table 5: Oil and Meal Imports by year

Source: ABS

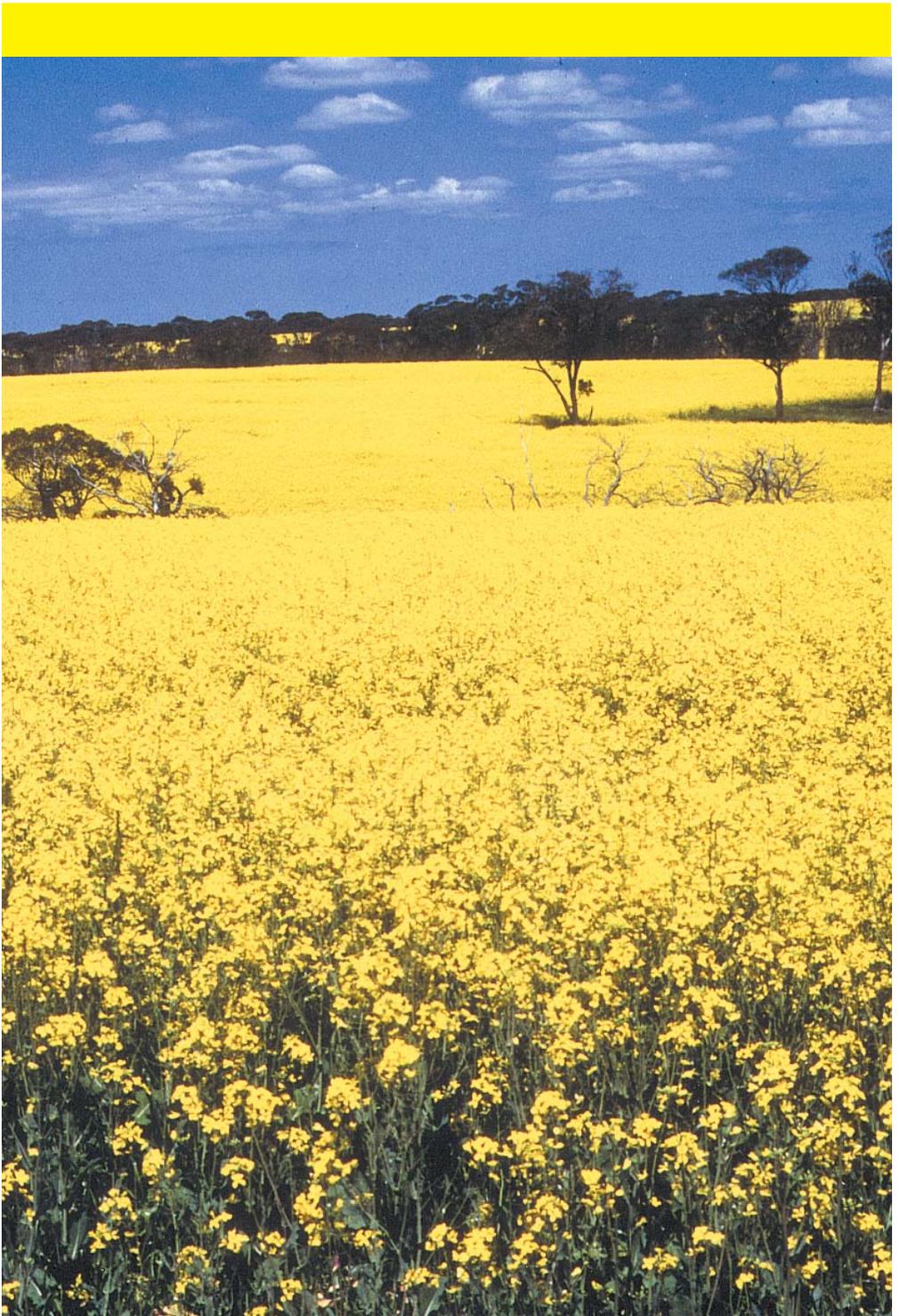
'000 tonnes	2012/13	Av 5 years to to 12/13
Canola Oil	9	11
Coconut Oil	14	12
Cottonseed Oil	4	4
Olive Oil	30	36
Palm Oil	101	120
Soy Oil	18	22
Sun & Saff Oil	42	39
Palmkernel meal	28	51
Soybean meal	637	550



 Oilseed Growing Areas in Australia



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