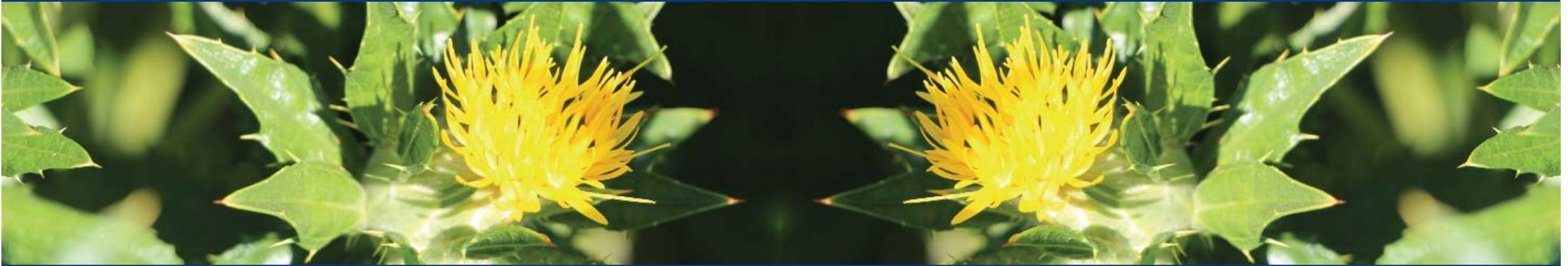


Annual Report 2017-18



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Membership Listing (Financial as at June 30, 2018)

Association Members:

Grain Industry Association of Western Australia (GIWA)	Stockfeed Manufacturers Council of Australia (SFMCA)
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Producer Members:

Grain Growers Limited

Corporate Members:

100% Bottling Company	Louis Dreyfus Australia Pty Ltd
Adams Australia Pty Ltd	Monsanto Australia
ADM Trading Australia Pty Ltd	MSM Milling Pty Ltd
Advanta Seeds Pty Ltd	Natura Holdings Pty Ltd
Aus-Oils Kojanup	NPZ Australia Pty Ltd
Australian Superintendence Company	NuSeed Pty Ltd
Bayer CropScience Pty Ltd	Peerless Holdings Pty Ltd
BEC Feed Solutions Pty Ltd	Perten Instruments Australia Pty Ltd
Braid Australia Pty Ltd	Plum Grove Pty Ltd
Cargill Australia Ltd	Rivalea Pty Ltd
Centre State Exports	Riverina Oils & BioEnergy Pty Ltd
Dow AgroSciences Australia Ltd	Seednet
GenTech Seeds	SGS Australia Pty Ltd
Glencore-Viterra	Simplot Australia Pty Ltd
GO Resources Pty Ltd	Unilever Australasia
Heritage Seeds	Wilmar Gavilon Pty Ltd
Hyfeed Holdings T/A Hyfeed	Windermere Oilseeds Pty Ltd
Intertek Oil, Chemical & Agri	

Honorary Members:

CSIRO Plant Industry	NSW Department of Primary Industries
Department of Agriculture and Fisheries (Qld)	SA Research and Development Institute
Grains Research and Development Corporation	

Life Members:

Warren Burden	Alan Leadley	Bob Colton	Bryce Bell (Dec)
Don Bacon-Hall	John Bostock	John Lamont (Dec)	Philip Stanton
Robert Green	Owen Laws	Barry Lathlean	Julie McMinn (Dec)
Ron Bowrey	Rosemary Richards	Allan McCallum	Rod Mailer

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AOF Executive

Robert Wilson	- President	Kevin Morthorpe	- Seed sector representative
Trent Potter	- Vice President	John Spragg	- Stockfeed sector representative
Dan Morgan	- Vice President	Adam Davis	- Trading sector representative
Kevin Charlesworth	- Vice President	Don McCaffery	- Chair, Canola sub-committee
Lachlan Herbert	- Treasurer	Peter Brodie	- Chair, Soy Australia sub-committee
Michael Tighe	- Public Officer	Kevin Charlesworth	- Chair, Sunflower sub-committee
Moira Rowland	- Consumer sector representative	Geoff Masters	- Chair, Technical Committee
Cameron Pratt	- Crushing sector representative	Nick Goddard	- CEO
Andrew Freebairn	- Exporting sector representative	Elle Hardcastle	- Administration
Michael Lamond	- GIWA representative		
Vacant	- Production sector representative		
Michael Tighe	- Refining sector representative		

Acknowledgments

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

Goodman Fielder	Ridley Stockfeeds
GrainCorp Oils	Riverina Oils and Bioenergy
MSM Milling	Unilever Australasia
Peerless Foods	



President's Report 2018

Rob Wilson

2018 is the 48th year of the AOF, and while the industry has dramatically changed over that period, the fundamentals remain the same. The domestic oilseed industry remains a critical component for sound and sustainable cropping rotations, providing cost effective and essential inputs to the domestic food and feed industry. In doing so, the industry supports a wide range of necessary related functions such as oilseed and oil processing, seed breeding, seed and oil analysis, handling and logistics, export and innovative research. The AOF stands alone in the Australian grains industry in having a membership base which spans the value chain covering all these functions.

The core fundamentals of the oilseed industry are unlikely to change over the next 48 years- growers will still need cropping options in their rotations, and Australia will still benefit from domestically produced oils and meals. Supporting functions will continue to evolve and develop to ensure the end-to-end value chain operates efficiently and effectively.

However, the way the value chain is represented will change in the coming years. In last year's Annual Report, I outlined the initiative of the grains industry, through the Australian Grains Industry Discussion Group (AGIDG) to consolidate functions that are either duplicated or operating sub-optimally. During the year, the AGIDG agreed to formally consolidate the industry's market access function (currently being performed by six or more bodies, including AOF), under one umbrella organisation. This same entity will also house the grain classification function, which for now is delivered by Wheat Quality Australia (WQA) but has the opportunity to

extend to oilseeds and other grains. This new entity is expected to be established by the end of 2018.

For the oilseed industry, this will allow for stronger and better resourced market access activities as, invariably, issues facing oilseeds in one market are paralleled in other grains, such as phytosanitary, MRL or provenance issues. The Australian grains industry is better positioned to advocate to our Federal Government and in turn, foreign markets, when it has the weight of the whole industry behind it.

Similarly, a classification system for oilseeds, while not currently in place, has the potential to be developed if such a system can unlock value of the oilseed within the value chain. Exploring this opportunity under the newly created consolidated entity, with the experience of WQA underpinning the exploration, will only serve to ensure an outcome which will be acceptable and value creating for the oilseed industry.

The issue facing the AOF Executive and our members is, what do these changes mean for the AOF, and more importantly, the oilseed industry? The answer to this question lies in your hands- the hands of our membership. Over the coming 12 months, we will be consulting widely and deeply with our membership to propose a range of options for delivery of the important oilseed industry-wide functions. With any change that may be considered, it is critical that it serves the purpose of building value and resilience within the industry, and not in any way weakening the functions that the industry currently relies upon.

In the meantime, it is very much 'business as usual' and I am pleased to point to a few of the significant outcomes achieved by the AOF over the past 12 months.

At the 11th hour, just as Australia was looking to have to cease exporting canola to the EU, the Director General, Energy of the EU Commission, accepted the Australian Greenhouse Gas Country Report, enabling Australian canola to continue to be exported to the EU for use in biodiesel. This project was initiated by AOF, project managed by AEGIC and undertaken by CSIRO. This initiative served to protect a market for Australian canola worth over \$1 billion.

The AOF was also able to demonstrate that canola and cottonseed meal, if traded according to AOF specifications, was not "dangerous goods" as defined in the Australian Dangerous Goods Code, and thus could be transported by road and rail safely without the need for specific provisions outlined in the Code. This provides an important cost saving associated with the transportation of these meals.



AOF President, Rob Wilson and Deputy Prime Minister, Michael McCormack talking oilseed issues and opportunities

I was very pleased to officiate at the AOF Forum in October 2017. The AOF Forum and Annual Dinner were 'must attend' events in years gone by, and these events have been reintroduced to give industry a 'window' into the latest science with fats and oils, while also providing a platform for researchers in various related fields to be able to present their work to industry.

As we head into one of the toughest canola harvests we have seen for many years, particularly on the east coast, and the likelihood of a challenging summer cropping outlook, I am heartened by the fact the industry is well positioned to be able to deal with the challenges ahead. Flexible sourcing arrangements combined with innovative business planning will enable the crushing sector and the seed production sector to weather the impacts of the 2018 drought, while input suppliers and bulk handlers are able to adjust their operations to cope with the changed circumstances.

I am very proud to have led the AOF over the past 12 months, and I look forward to continuing in this role as we enter a period of change and opportunity. I would like to thank the AOF Executive for their ongoing support, and in particular, the leadership team of Dan Morgan, Trent Potter, Kevin Charlesworth and Lachy Herbert. I would also like to recognise the efforts of our CEO, Nick Goddard, whose dedication to the role has ensured that the AOF continues to deliver for its members, and for the industry at large.

Rob Wilson
President

CEO's Report

Nick Goddard

The 2017/18 season saw what felt like the 'new normal' with a canola crop in excess of 3.6 million tonnes, the fourth largest canola crop, and the seventh consecutive year of production over 3 million tonnes.

As we approach the end of the decade, we sit on a 5-year average crop size of 3.7 million tonnes, compared to a 5-year average at the start of this decade (1996-2010) of just 1.5 million tonnes. However, our 'bull run' had to come to a halt sooner or later, and the current year, 2018/19, looks set to be one to recalibrate the graphs!

Highlights for 2017/18

- Total crop production at 4.7 million tonnes across the four primary oilseeds.
- Continued strong canola trade with the EU, remaining our single largest export destination, absorbing over 85% of all exports.
- Granted full acceptance of the Australian Greenhouse Gas Country Report by the Director General of Energy of the European Commission.
- Achieved positive endorsement of the safety status of canola meal for domestic road and rail transportation.
- Presented the benefits of Australian canola seed to Chinese buyers and processors through presentations at two grains and oilseed conferences in China.

Industry performance

The winter cropping season experienced average to well below average rainfall for the crop sowing and establishment period, followed by average to above average rainfall across most of the cropping zones of Western Australia, South Australia and Victoria from July through September. In New South Wales, rainfall was below to well below average from July to the end of September and in combination with severe frosts in August and September, reduced crop yield potential in that state.

The summer cropping season was characterised by very dry conditions in traditional sunflower growing country and inland soybean areas, while coastal Queensland and the North Coast of NSW enjoyed good growing conditions. The very high cost of water in the Riverina effectively prevented a soybean crop, leaving the NSW North Coast as the supply point for NSW and Victorian based soybean users.

Exports remained strong, with UAE emerging as the second largest export destination after the EU. Sales of value-added products (oil and meal) continued with oil exports totalling 164,000t (Jan Dec) and meal sales nearly doubling to 66,000t over the same period. China was the primary export market for oil, followed by the US, while the improvement in the New Zealand dairy sector drove meal sales to that market dominating meal sales.

Industry capital investment continued in oilseed processing, refining and end product capacity, demonstrating overall industry confidence in the growth prospects for increased value adding on shore.

The year also saw two more oilseeds approved for commercial production, following approval granted by the Office of Gene Technology Regulator. The super high oleic safflower and the canola bred to produce long chain fatty acids, both the product of years of R&D by CSIRO, are further testament to the willingness of organisations and companies to invest in the future of the industry.

Achievements by Strategic Themes:

Market Access Theme: *Expanding into new markets while protecting existing*

With domestic demand for vegetable oils and meals growing in line with population, expansion of the industry relies on gaining new market access and ensuring access remains for existing markets.

The primary outcome under this theme has been the determination of greenhouse gas values for the cultivation of canola, and acceptance of these values by the EU Director General Energy in late December 2017. Without acceptance of the Australian Country Report, and the values and methodology contained therein, it was likely that Australian canola would not be accepted by the EU biodiesel industry from 1 January 2018. The preparation of this report could not have been made possible without the financial contribution from AEGIC (50% funding) and from the exporting companies, ADM, Bunge, Cargill, CBH and Glencore. The Australian Embassy in Brussels also deserves recognition for the carriage of the report through the EU bureaucracy.

The AOF once again represented and promoted the Australian oilseed industry at this year's Australian Grains Industry Conference (AGIC) in Asia. The AOF also presented at the AgLook Conference in China following AGIC.



AOF CEO, Nick Goddard, addresses the AgLook Conference in China.

Sustainability Theme: *Proactively supporting licence to operate*

Society's interest in how and where their food is grown is increasing, and maintaining the social licence to operate is as important for oilseeds as it is for any agricultural food product. Compliance with regulatory frameworks and codes of practice are important in ensuring social licence is protected.

To this end, there is widespread acceptance by industry of the need to comply with the Australian Dangerous Goods (ADG) Code when transporting oilseed meal, even though it was generally accepted as being a low risk hazard. During the year, the AOF initiated

CEO's Report continued

specific testing with the Mark Wainwright Analytical Centre of the University of NSW to fully assess the risk status of canola and solvent cottonseed meal. The tests were able to conclusively demonstrate that neither canola nor cottonseed meal presented a spontaneous combustion risk when traded according to AOF specifications.

This evidence enabled oilseed meal to be transported safely as a standard bulk cargo, without the need for the specific requirements of a dangerous good as defined in the ADG Code. This is a significant achievement for the industry, removing a costs and compliance burden associated with transportation by road and rail of canola and solvent extracted cottonseed meal.

The AOF also ensured appropriate off-label permits were applied for when the need arose throughout the year, particularly with minor use permits for crops such as soybean, sunflower, linseed and mustard. By providing a conduit to the APVMA for issuing of off-label permits, enables growers to effectively manage the pests and diseases in their crops while ensuring this is done within a permitted framework.

Influencing Demand Theme: *Growing value by continually addressing end-user needs*

Ensuring that the oilseeds industry grows, and the resultant oil and meal which are produced meet customer needs, is critical for the success of the industry. This requires constant feedback through the value chain, from customer to processor to seed breeder, with the AOF playing a fundamental role in this process.

In 2017/18 the AOF initiated the third consecutive year of sourcing canola variety seed samples from the National Variety Trials and analysing the fatty acid profile, mapped against both geography and climatic variables, with the aim to better understand the drivers behind the variable nature of Iodine Value (IV). Understanding the drivers of the variability in IV being experienced by end-users, both domestic and international, is essential to address what end-users are experiencing as an issue in being able to meet polyunsaturated levels of their end products. During the coming year, now with the added involvement of GRDC and their analytical capability, the aim is to be able to identify those varieties which tend to consistently impact the 'stack average' IV, irrespective of either geography of seasonal climatic conditions.

Another project under this strategic thrust relates to the AEGIC contracted investigation into the detailed oilseed market and market needs in Australia and the export markets of Japan and China. These investigations have taken three years to complete, with the result being very detailed reports on these markets for GRDC which will be used to inform and shape their investment in R&D for canola. The intent is that these reports, or summaries thereof, will be made available to AOF members in due course.

Leadership Theme: *Taking the lead in shaping Industry's environment*

AOF, as the peak industry body for the oilseeds industry, has the responsibility to take the leadership role for the industry.

As much as 50% of the secretariat's time is allocated to ensuring the AOF provides the leadership expected of it by its members. This includes liaising with other peak industry bodies on matters of common interest; dealing with government departments, state and federal; providing informed media commentary on issues and crop conditions; and providing regular and relevant communication to members.

This also includes representing the Australian oilseed and processing industry on the global stage and ensuring that Australia is not only seen to punch above its weight, but indeed does so.

The CEO once again represented the AOF at the International Society for Fat Research (ISF) meeting held in conjunction with the American Oil Chemists Society (AOCS) meeting in the US in May. The AOF will be hosting the ISF Lectureship Series as part of the World Congress on Oils and Fats, in Sydney in 2020. Plans are progressing well for the Congress, with program and scientific committees now in place, the Sydney International Conference Centre secured, and website and other collateral material now available. Registrations and calls for papers will commence in early 2019. More details can be found at: www.wcofsydney2020.com.



The AOF continued to maintain its role on the GTA Trade and Market Access Committee, and on the Committee for Plant Breeding Innovation; provided active involvement in the Australian Grain Industry Discussion Group (AGIDG) and GIMAF; consulted regularly with DAWR, both directly and through the Grains and Plant Products Export Industry Consultative Committee (GPPEICC); and participated in the GIWA Oils Council and Agricultural Biotechnology Council of Australia (ABCA).

Membership liaison and communication is another aspect where AOF has consistently demonstrated leadership. The AOF Weekly News, Crop Reports and ad-hoc member communication, combined with addressing member queries throughout the year has provided direct and immediate value back to members.

The AOF Secretariat is once again extremely grateful to the support and guidance it receives from the AOF Executive and involved members in developing and executing plans designed to build value, resilience and sustainability into the Australian oilseed industry.

Finally, my personal thanks to Elle Hardcastle, who provides tireless administrative support for the AOF, ensuring the 'wheels keep turning' and maintaining the professional image of the AOF.

Nick Goddard
CEO

Innovation in Oilseeds

From its inception, the Australian oilseeds industry has progressed and developed on the back of innovation. From the establishment of a thriving hybrid sunflower and safflower industry in the 1960's driven by end user demand for polyunsaturated margarines, through the incredible advances in canola breeding and processing in the 1970's and 1980's, to more recent processing innovations to minimise formation of trans fats and mitigate against 3MCPD. Innovations in herbicide tolerances over the past 20 years have also delivered profound benefits to growers.

Over the last 12 months the industry has witnessed continued innovation with the approval granted by the Office of the Gene Technology Regulator (OGTR) for two new oilseed varieties which stand to add significant value to the industry.

In February, nearly a decade of work came to fruition with the approval of the canola varieties in which the fatty acid development has been modified to produce long chain fatty acids, specifically DHA (C22:6). This variety, developed by CSIRO in collaboration with the Grains Research and Development Corporation and Nuseed, is designed to produce a scalable land based source of long-chain omega 3s that will help address the supply constraints associated with fish oil. The resulting oil will be used for both human nutritional products as well as a supplement in aquaculture feed.



70% of all omega 3 fats are used in aquaculture.

In June this year, the OGTR approved the commercial production of super high oleic safflower- a variety of safflower specifically bred to yield exceptionally high levels of oleic acid, making it ideally suited as an industrial lubricant, particularly for the food industry, with the added benefit of being both biodegradable and from a renewable source.

The technology was developed by CSIRO, where the research team used CSIRO's gene silencing technology to boost the levels of desirable oleic acid by switching off its conversion to other unwanted fatty acids, such as saturated and polyunsaturated oils, in the safflower oil. CSIRO has entered into a worldwide exclusive licence with Australian based clean technology business, Go Resources, whose focus is the sustainable production and supply of renewable and biodegradable raw materials for use in industrial and oleochemical markets.

The option to reintroduce safflower into cropping rotations presents a new opportunity for many grain growers, providing a broadleaf crop option with a long planting window, and the opportunity to access deep stored soil moisture, as safflower has a very long tap root.



High oleic safflower crops in trial plots in Mareeba, Queensland.

Oilseed Industry Strategic Plan 2016-2025

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.

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 end-user needs will directly influence on-farm activities and require AOF involvement.



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.

Industry Volume Projections

Million tonnes by 2025

Crop	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 (\$'000)	2257	4260	5006	5752

Strategic Plan 2015-2025 Summary

Vision:	
A \$5 billion 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 end-user 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 optimise 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

Statistics

Table 1: Australian Oilseed Production

Source: AOF

'000 tonnes	2017/18	2016/17	2015/16	2014/15	2013/14
Canola	3,645	4,200	3,098	3,431	3,900
Sunflowers	19	29	25	40	21
Soybeans	37	40	50	69	50
Cottonseed	943	1,322	650	500	988
Other	15	10	10	20	10
Total	4,659	5,601	3,833	4,060	4,969

Table 2: Area and Production by State – Key Crops

Source: AOF

		2017/18		5 year average	
		Area '000 ha	Production '000 tonnes	Area '000 ha	Production '000 tonnes
Canola	NSW	600	620	565	827
	Vic	450	750	399	641
	SA	250	375	254	374
	WA	1,350	1,900	1,234	1,813
	Total	2,650	3,645	2,452	3,655
Sunflower	Qld	6	6	13	14
	NSW + Vic	11	13	11	13
	Total	17	19	24	27
Soybean	Qld	5	10	11	15
	NSW	11	27	16	33
	Vic	-	-	1	1
	Total	16	37	27	49

Table 3: Primary Exports

Source: ABS

'000 tonnes	2017/18	Av 5 years to 2017/18
Canola	2,250	2,687
Cottonseed	234	265
Canola Oil	154	151



Table 4: Canola Exports by Destination

Source: ABS

'000 tonnes	2017/18	Av 5 years to 2017/18
Europe	1,927	1,873
UAE	152	146
Japan	72	158
Nepal	35	24
Bangladesh	18	8
Malaysia	16	19
China	10	322
Pakistan	0	82
Other	21	55
Total	2,250	2,687

Table 5: Oil and Meal Imports by year

Source: ABS

'000 tonnes	2017/18	Av 5 years to 2017/18
Canola Oil	20	20
Coconut Oil	14	13
Cottonseed Oil	10	10
Olive Oil	28	28
Palm Oil	138	115
Soy Oil	28	25
Sunflower & Safflower Oil	64	55
Palm kernel meal	11	31
Soybean meal	777	691



Oilseed Growing Areas in Australia