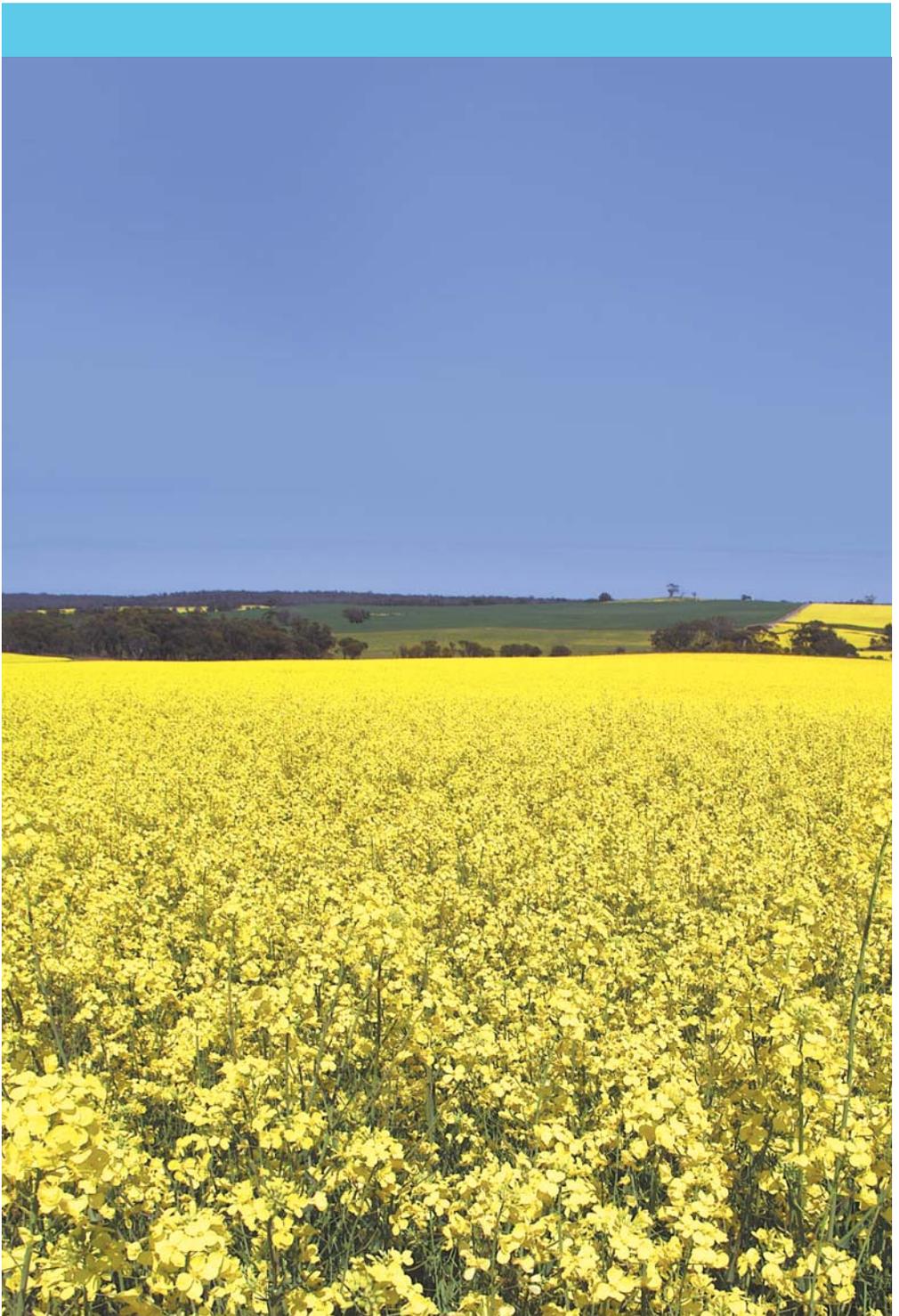


Annual Report 2011-12



Australian Oilseeds Federation





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Australian Oilseeds Federation

AOF Office Bearers

Trent Potter – President
Jon Slee – Vice President

Robert Wilson – Vice President
Charles Aldersey – Treasurer

AOF Executive

Trent Potter - President
Jon Slee - Vice President
Robert Wilson - Vice President
Charles Aldersey - Treasurer
Adam Davis - trading sector
Sally Porter - export sector (to March 2012)
Dane Robertson - export sector (April-Oct)

Mike O'Hare - production sector
Don McCaffery - canola sub-committee
Grame Tooth - sunflower sub-committee
Brendan Farrer - stockfeed sector
Robert Quinn - crushing sector
Ashley Palmer - refining sector
Moir Rowland - retail/food service sector

Acknowledgments

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

Goodman Fielder
 Peerless Foods
 Riverland Oilseeds
 Cootamundra Oilseeds
 MacSmith Milling

Unilever Australasia
 Cargill Australia
 Alba Edible Oils
 CBH Group

Strategic Plan 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

<ol style="list-style-type: none"> 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. 		<ul style="list-style-type: none"> • Improved industry profitability and LT sustainability • Increased oilseeds in crop rotation.
<ol style="list-style-type: none"> 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 		<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"> 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'. 		<ul style="list-style-type: none"> • More engaged membership • AOF viewed as oilseed industry leader
<ol style="list-style-type: none"> 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. 		<ul style="list-style-type: none"> • Stronger and more diverse income base. • Strategically focussed organisation

President's Report 2012

Trent Potter

The past year has been a very buoyant one for the Australian oilseeds industry, with a record canola crop, and large crops of cotton, soybean and sunflowers bolstered with firm prices for oil and meal, delivering positive returns for growers, processors and exporters alike. The 2011/12 season was the most lucrative for the complete Australian oilseeds value chain, with a total value creation in excess of \$2 billion.

The Australian Oilseeds Federation continued to be at the forefront of the industry, working closely with members and other stakeholders to ensure maximum value creation can be achieved for the oilseed value chain. This mostly involved specific AOF-led initiatives, but also required the AOF to represent the interests of members in broader industry-wide initiatives.

The AOF continues to operate to the goals established in the 2010-15 Strategic Plan, namely:

1. Build profitability across value chain
2. Improve grower capability
3. Improve market opportunity for meal
4. Ensure market choice delivered
5. Facilitate profitable market access
6. AOF as the 'go to' organisation

In reviewing the year, it is probably best to identify the lead achievements undertaken within each of the goals. The Executive Director's Report will then outline the remaining activities and achievements.

1. Build profitability across value chain:

Much of the day-to-day AOF activity falls under this strategic thrust, and includes activities designed to remove barriers or impediments to efficient and profitable operations. Such barriers may be related to market access, on-farm operations, logistics, or the overall regulatory framework. The work undertaken by the Technical Committee of the AOF is invariably oriented towards this goal, as are submissions to government enquiries and gaining minor crop usage permits from the APVMA.

One of the more visible achievements within this goal is the development of the 'Australian Canola' marketing strategy, which will be launched later in 2012. The primary element of this strategy is the development of an 'Australian Canola' logo which will be made available on a no-fee licence basis to members of the AOF for use on packaging and promotional material, including websites and advertising.



2. Improve grower capability:

The GRDC funded 'Better Break Crop' program is the primary activity under this strategic goal, and involves the development and delivery of high quality training material designed to build grower confidence and capabilities in the major oilseed crops of canola, soybean and sunflower.

With the 2010/11 year primarily focussed delivery of the sunflower program, this last 12 months has been devoted to developing the soybean program, and identifying the appropriate skills gaps with canola growers, and developing appropriate material. By the end of the 2011/12 year, the soybean training manual was complete, with the first workshop scheduled for October 2012, while specific end-season modules for canola were being prepared for workshop delivery in September.

3. Improve market opportunity for meal:

Maximising the opportunity and value for canola meal remains a key focus under this strategic thrust, and a core element of this is the AOF supported work that commenced during the year by the NSW DPI with GRDC funding. This project is aimed at identifying genetic traits within many hundreds of varieties of canola, with the aim of isolating germplasm which could be used by breeders to develop varieties better targeted to end users. A defining first step in the process was an end-user round table held in February, hosted by the AOF, bring end-users of seed, oil and meal together with breeders to identify desirable end-user traits.

The meal quality work undertaken in the recent past with funding from the Pork CRC continues to be a valuable resource for members, and the AOF has committed additional funds alongside the Pork CRC to update the reactive lysine calibration as well as establishing calibrations for a wider range of NIR equipment.



President's Report 2012 continued

4. Ensure market choice delivered:

Much of the activity throughout the year supporting this thrust related to non-gm canola assurance, ensuring that the very strong record of providing successful market choice to date will continue to deliver confidence to end-users. The role of the AOF is often as a 'facilitator' to bring the various members of the value chain together to discuss and agree on processes and procedures to ensure the principle of market choice remains.



5. Facilitate profitable market access:

The AOF was a member of the Federal Government Taskforce developing the Export Certification Reform Package (ECRP) for grains, which was designed to streamline and ultimately reduce the cost of export certification. This project concluded this year, and saw the introduction of new fees and charges, and new ways of operating for exporters of oilseeds.

A key outcome of the ECRP was the need for establishment of an industry/government liaison body which can assess and prioritise market access requests from industry in order to provide clear direction to DAFF and DFAT. The result was the establishment of the Grains Industry Market Access Forum (GIMAF) where AOF was a founding partner, and retains a formal seat on the board of GIMAF.

At more of an operational level, regaining market access for canola to China remained a major priority under this thrust, and included the AOF commissioning and coordinating a major seed testing program across all port zones. The results of this testing culminated in a formal technical paper being submitted to the quarantine authorities in China in October 2011, and a visit by the AOF to China, accompanying the Australian Government representatives.

The AOF was also instrumental in exploring ways to streamline the requirement for EU certification, and to this end, introduced the on-line pre-audit checklist for growers seeking to be audited under the ISCC scheme.

6. AOF as the 'go to' organisation:

Activities supporting this thrust are in the main the day-to-day activities of the AOF, and include regular communication to members and other stakeholders through vehicles such as Canola News and AOF Weekly News; operation of the 'Test Check' program for participating laboratories; conducting the successful 'Supply Chain Academy'; dealing with media and other stakeholder enquiries; being a co-host of the Australian Grain Industry Conference, providing on-going back-office support for Soy Australia Ltd, and a plethora of other activities that ensure the AOF continues to be the 'voice' for the Australian oilseed industry.

I would like to thank my fellow members of the AOF Executive, and in particular the Vice Presidents and Treasurer, who provide the support and direction needed of an organisation of this nature.

I would also like to particularly thank the Executive Director for all of his work over my past three years as President. Nick has travelled a great deal in bringing the AOF to the forefront of many industry meetings. He has worked very professionally in his role and brought a calming influence to meetings with some of our colleagues throughout the grains industry value chain.

Finally, this year I will step down from President of the AOF, after three years, and it is with confidence that I hand the baton on to the incoming President, knowing that the AOF is leading the industry, working to maximise value for members, and draws on its 40 plus year history as one of the most professional, well respected industry bodies in the country.



Executive Director's Report

Nick Goddard

Highlights for 2011/12

- Record oilseed harvest-eclipsing the previous record by over a million tonnes.
- Over 2 million tonnes of oilseeds exported - value in excess of 1.5 billion dollars.
- 142 million dollars of crude and refined oil exported.
- Continued delivery of Market Choice - especially in relation to full acceptance of non-GM canola deliveries.
- Growing AOF membership base - 3 new members accepted to bring total membership to 68 organisations.
- Strong industry contributions to the Oilseed Development Fund.
- Successful partnership with Pulse Australia in delivering the Better Break Crop program.
- Launch of web based pre-audit checklist for ISCC EU certification.
- Stronger, more engaged membership base.

Industry performance

The past year has seen record, or near record harvests for all major oilseed crops, which, while largely dependent on prevailing prices and weather, is also a testament to the growing confidence amongst growers for growing oilseeds. The ability of the supply chain to manage this volume of grain is also a testament to the processes and capabilities of the bulk handling system.

With a base domestic crush demand of 700-800,000 tonnes, the large harvest delivered a record export volume, which came at a time of oilseed shortages in Europe. Consequently, a ready market for canola exports was found in the EU, with market premiums being achieved in many cases. The large sunflower crop negated the need to import as much sun oil from South America, while the large local soybean harvest ensured domestic culinary bean demand could be easily met, enabling over a million dollars of culinary soybeans and flour to be exported.

The opportunity to export canola to EU for use as a feedstock for bioenergy was only possible through the achievement of sustainability certification by exporters under one of only 2 schemes applicable for Australia (ISCC and 2BSvs). While certification is a requirement under EU legislation, and has proved profitable for Australian exporters, it has imposed increased cost and complexity on the Australian canola value chain. There is opportunity to improve the efficiency of the certification process, and while the AOF has initiated some measures to this effect, there is more to be done.

Exports of meal were also strong, with 66,000 tonnes exported representing 18 million dollars. The major markets were Korea, New Zealand and China. Securing profitable markets for Australian meal is a critical element for growth of the domestic crush industry. Growing use of feedlots for dairy in Indonesia and New Zealand provide good growth opportunities for Australian meal, while the demand for pork and poultry feed in China will continue to create market opportunities of oilseed meals.

The past year was also the fourth year of commercial production of RoundUp® ready canola, with over 140,000 hectares planted. This year continued with the success of the 'Market Choice' philosophy, with the discreet segregation for non-GM canola continuing 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.

There was also significant capital investment in the industry over the past 12 months, with increased refining capacity in 2 states, increased automation in packing, and the continuing investment in the new crush plant at Wagga Wagga. National Biofuels also formalised their commitment to their planned soybean crush plant at Port Kembla with an official launch event attended by the Premier of NSW. The willingness of industry participants to continue to invest in the industry is a strong vote of confidence in the future of the Australian oilseed industry. The recent announcement by GrainCorp in September 2012 to acquire the fats and oils business from Goodman Fielder and the Gardner Smith business further reinforces the broader view that the industry has potential to grow and create further value.



Executive Director's Report continued

AOF Performance

The AOF continued to deliver value to the industry in accordance with the 2010-2015 Strategic Plan. Working to a vision of an Australian oilseed industry valued at \$3.3bln being sustainable and internationally competitive, the AOF worked with its membership based to help them deliver a range of high value products to satisfy market demand. The AOF also facilitated industry meetings and discussions aimed at creating value through improved productivity, quality, and product mix combined with value chain efficiency gains.

While working to a plan of building ongoing sustainability for the industry, the AOF also ensures that its own existence is sustainable by operating on a very low cost base, and through prudent project investment. The AOF completed the 2011-12 year with a strong balance sheet with healthy cash reserves and negligible debt. Industry contributions to the Oilseeds Development Fund were broadly in line with budget.

The President's Report has already detailed

many of the key initiatives undertaken by the AOF throughout the year. There have also been a number of specific activities undertaken by the AOF which have served to strengthen the position of the association in both the domestic and international markets, as well as continuing to add value for members.

Member communication and engagement forms a core plank of the current strategic plan, and constitutes a reasonable proportion of the AOF secretariat's time and resources. The quarterly AOF Technical and General meetings provide the most valuable forum for members to openly share issues and opportunities, for actions to be determined, and for working groups to be formed. These meetings continue to enjoy strong membership support, which demonstrates the value such gatherings deliver to members. Publications such as the Monthly Crop Report, Weekly AOF News, Soy News, Canola News and the Sunflower Newsletter all play a key role in keeping members informed of latest developments and initiatives.



Throughout the year, the AOF became engaged in two strategically important Federal government reviews, being the Truth in Labelling-Palm Oil Bill Inquiry conducted by the House of Representative Standing Committee on Economics, and the National Health and Medical Research Council's review of Australian Dietary Guidelines. Both reviews could well have resulted in adverse consequences for the Australian fats and oils industry, and the AOF was firm in its position of arguing not to increase regulatory burden and cost in relation to palm oil labelling, while arguing for greater recognition of the role of healthy fats in the soon-to-be released Dietary Guidelines.

The AOF also represented member's interest on a number of committees and working groups, including, but not limited to, the DAFF sponsored Australian Grains Industry Consultative Committee (AGIC); the Grains Industry Market Access Forum (GIMAF); the Export Certification Review Program (ECRP) for the grains industry; the Standards Australia working group for an ISO standard for biofuel sustainability; and the working group providing DAFF with industry views and feedback on proposed CODEX changes. The AOF also supports the mirror groups that work with Standards Australia in reviewing changes to ISO analytical methods related to oilseeds, meals and oils.

The very successful Supply Chain Academy was conducted four times during the year, with 52 participants successfully completing the program. Thanks go to Grains Industry Association of WA (GIWA) for their assistance in co-ordinating the Perth program, and for Cargill, Goodman Fielder, GrainCorp, Riverland, CBH and Inghams for

hosting plant visits. These Supply Chain Academy sessions provide attendees with an intensive and hands-on view of the oilseeds value chain, and are designed to build both industry knowledge and industry leadership amongst participants.

The AOF was also represented in a number of international forums during the year, including the International Oilseeds Processor's Dialogue (IOPD), the Canola Council of Canada convention in Saskatoon, and with meetings with government officials in China aimed at restoring market access for canola.

During the year, the AOF continued to entrench itself with its membership base and the wider stakeholder group, as being the 'go to' place for addressing questions, queries, issues and opportunities. Media interaction plays a key role for the AOF addressing issues such as crop prospects, non-GM segregation, industry rationalisation and general issues management, particularly in relation to food safety. Over 27,000 visits were made to the AOF website during the year, with 90,000 page views having been made.

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.

Committee Reports

The committee structure within the AOF provides an essential element for delivery of AOF initiatives, while also providing opportunity for member's representatives to become more involved in industry strategy.

Three committees support the work of the secretariat, with each invariably appointing specialist sub-committees for specific tasks. The AOF also works closely with Soy Australia Ltd on specific soybean related matters.



Technical Committee:

Chair: Jonathon Mack

The Technical Committee met three times face to face throughout the year, supported with a number of issue specific teleconferences. Developing and agreeing required changes to the AOF Trading Standards constituted a key outcome from the Committee, with other 'standing items' including matters related to analytical methods, review of Test Check results, APVMA permits and associated usage issues, MRL issues and impacts of impending regulatory changes.

The Committee draws from people across the value chain, and consequently, provides strong technical support to the AOF, with due consideration for 'whole of industry' implications of any decisions and actions.

Canola Committee:

Chair: Don McCaffery

The Canola Committee supports the AOF with specific advice on all matters related to canola, in particular, in relation to agronomic advice. Recommendations and input to APVMA permits, chemical usage and grower advice on topical issues form a large portion of the Committee output. The Committee also publishes 'Canola News' on a quarterly basis, which has wide circulation to both grower and industry base.

Sunflower Committee:

Chair: Graham Tooth

The Sunflower Committee is a very industry focussed and committed group, with members from across the value chain. Members of the Committee have been heavily involved in the development and delivery of the GRDC funded 'Better Sunflowers' training program over recent years. Key achievements of the Committee over the past year was the development and rollout planning for 'Better Sunflower' workshops in the irrigated areas of southern NSW, which required appropriate updates to the industry 'bible', "The Big Yellow Sunflower Pack". The Committee was also instrumental in the initiation of the Better Sunflowers e-newsletter, which was launched during the year.

Soy Australia Ltd:

Chair: Peter Brodie

Soy Australia is a company established in 2008 to commercialise varieties of soybeans emanating from the Australian Soybean Breeding Program. Because of its strong engagement with the soy industry, Soy Australia provides a useful vehicle for delivery of AOF initiatives related to soybeans. The primary component is the development of the AOF initiated and GRDC funded 'Better Soybeans' training program, which was formulated throughout the year, culminating in the production of a definitive guide to all aspects of soybean production, including marketing and storage. The first workshop is planned for October 2012, in the MIA region of NSW.

Statistics

Table 1: Australian Oilseed Production

Source: AOF

'000 tonnes	2011/12	2010/11	2009/10	2008/09	2007/08
Canola	3185	2161	1936	1878	1069
Sunflowers	92	44	40	80	74
Soybeans	86	45	64	105	35
Cottonseed	1360	1269	550	466	200
Other	10	10	10	10	10
Total	4733	3529	2600	2540	1388

Table 2: Area and Production by State – Key Crops

Source: AOF

		2011/12		5 year average to 2011/12	
		Area '000 ha	Production '000 tonnes	Area '000 ha	Production '000 tonnes
Canola	NSW	390	720	236	381
	Vic	370	770	236	412
	SA	255	455	192	303
	WA	800	1240	680	949
	Total	1815	3185	1344	2046
Sunflower	Qld	28	36	19	24
	NSW	35	57	26	42
	Total	63	92	44	66
Soybean	Qld	13	34	13	28
	NSW	23	52	16	38
	Vic	1	0	0	1
	Total	37	86	29	67

Table 3: Oilseed Exports by year

Source: ABS

'000 tonnes	2011/12	Av 5 years to
		11/12
Canola	2297	1306
Cottonseed	662	219
Canola oil	116	88

Table 4: Canola Exports by Destination

Source: ABS

'000 tonnes	2011/12	Av 5 years to
		11/12
Europe	2023	871
Pakistan	134	229
Japan	74	137
Bangladesh	15	22
China	0	11
Other	51	37
Total	2297	1306

Table 5: Oil and Meal Imports by year

Source: ABS

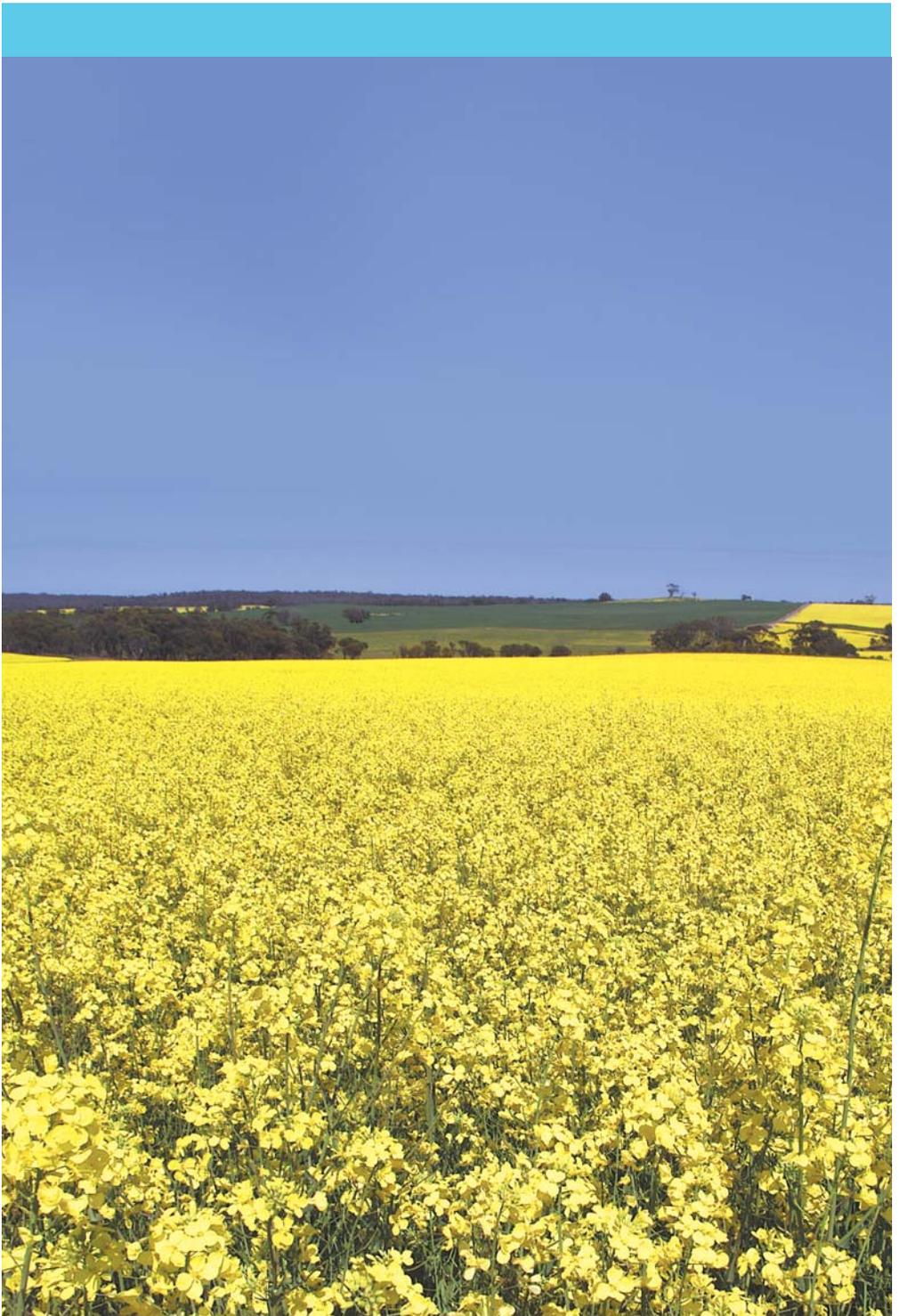
'000 tonnes	2011/12	Av 5 years to to 11/12
Canola Oil	14	14
Coconut Oil	12	12
Cottonseed Oil	4	9
Olive Oil	30	35
Palm Oil	103	125
Soy Oil	23	23
Sun & Saff Oil	42	38
Palmkernel meal	76	76
Soybean meal	604	531



Oilseed Growing Areas in Australia

Australian Oilseeds Federation







Australian Oilseeds Federation

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