



Grain Corp Bulk Loading Facility - Port Kembla, NSW

Image: MSM Milling



By NICK GODDARD, chief executive officer, Australian Oilseeds Federation

Oil and water do mix!

The old adage of oil and water not mixing is far from the truth when it comes to Australia's \$3.5 billion oilseed industry. With over \$1.5 billion worth of exports each year, all of which are shipped by sea, the Australian oilseed industry is highly reliant on the global shipping network to realise the full value of the industry - from the farmgate right through to export-oriented food and feed processors.

The Australian oilseed industry, comprising the production and processing of oilseeds such as canola, sunflower, safflower and soybean, has a production footprint covering the length and breadth of the country, from south western Western Australia to Far North Queensland; and an export footprint ranging from the well-established markets of China, Japan and the European Union (EU), to markets as exotic as Bermuda, Colombia and Madagascar.

The Australian market is dominated by canola, due to the suitability of this crop as a profitable rotation crop in the winter cereal farming systems. Consequently, the processing and export capacity is geared towards canola,

with over a million tonnes of canola seed processed domestically per year, into vegetable oil and protein meal; and 2.31 million tonnes of seed, oil and meal exported per annum (export statistics quoted in the article are 5 year financial year averages to June 2019, unless stated otherwise. Source: ABS).

Other exported oilseed products include: cottonseed, soybeans and soybean oil and flour, sunflower seed and sunflower oil, linseed, and safflower seed and oil, which combined, make up around 200,000 tonnes.

Europe's autobahn's fuelled with Australian canola

Europe is the largest destination for Australian canola seed, with the major ports such as Hamburg, Rotterdam and Ghent, receiving on average one million tonnes of Australian canola per annum as bulk cargo, shipped mostly from Western Australian ports of Geraldton, Kwinana, Albany and Esperance, and South Australian ports of



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Adelaide and Port Lincoln. When the growing seasons are favourable, and the east coast of Australia produces a surplus of canola, ports such as Portland, Geelong and Port Kembla, also ship to Europe.

Australian canola is highly sought after by the European biodiesel market, due to its certification as being grown in a sustainable manner. Sustainability certification is a legal requirement in the EU for any bioenergy feedstock, such as canola, if it is to be counted towards the EU Renewable Energy Directive. Once the canola seed is crushed for the oil (to be further refined for biodiesel), the resulting meal is a highly valued protein meal for the EU feed industry. The ability of Australia to supply non-GM canola seed enables the canola meal to be sold into the EU non-GM dairy feed market, which further adds to attraction for Australian canola.

These valuable attributes of Australian canola largely explain why Australia is a major origin for canola to Europe, despite other large canola producers such as Canada and Ukraine being geographically closer.

Asia hungry for Australian canola

Growing consumption of vegetable oils is closely related to rises in standards of living, and as living standards of populations in countries such as China and Vietnam continue to improve, so too does their consumption of vegetable oils. The further up the economic and educational pyramid the population moves, so too does their preference for healthy oils such as canola. This has enabled Australia to ride the growth wave of demand for canola seed and oil, into many Asian countries.

But long before the current opportunities arose in China and South East Asia, Australia began trading canola with Japan. It was as long ago as the early 1990's that the Japanese oilseed crushers effectively underwrote the establishment of the West Australian canola industry by committing to purchase seed that was surplus to domestic requirements. Today, Japan stands as our longest serving customer for Australian canola, with ports such as Chiba and Yokohama familiar with the sight of Australian grain vessels discharging their loads. In the 5 years



Loading 20 litre drums of Auzure, destined for China

Image: MSMilling



Australian canola oil packed in retail bottles destined for supermarkets in China

Image: MSMilling



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to June 2019, Japan was Australia's number one destination for canola seed in Asia, and is a market highly regarded by Australian traders due to the long-term and trusted relationship that has developed.

Of growing importance for the Australian oilseed industry, is the opportunity to value-add on-shore and supply canola oil into nearby Asian markets. From virtually nothing, Taiwan has emerged as a prime market for Australian canola oil, with around 20,000 tonnes of Australian canola oil imported annually. This is typically supplied in bulk, in one tonne palletcons or 20 tonne isotainer/bladders.

From farm to plate - Bathurst to Beijing

A number of Australian oilseed processors have developed retail canola oil markets in foreign countries, with the processors buying direct from farms, crushing the seed, refining the oil, packing into retail PET bottles, and exporting as containerised goods, direct into retailer warehouses. Through this process, Australia has carved out a unique market position for canola oil, with brands such as 'Auzure' and 'Wagga Wagga', in countries as challenging and complex as India and China.

The capability of Australian processors to value-add domestically, and deliver competitively priced retail oils into foreign retail chains is testament to the efficiencies of the supply chain, including international shipping.



Cottonseed

Often the 'forgotten child' of the Australian oilseed industry, cottonseed plays an important role as a valuable source of protein and healthy oils for stockfeed. In times of drought, demand is high in Australia for cottonseed for use by feedlots; but in times of plenty, there are hungry markets in Asia ready buy Australian cottonseed for their feedlots, particularly in China, Japan and South Korea. Around a quarter of a million tonnes is exported annually in both container and in bulk, to these markets, although exports were greatly reduced during the recent drought.

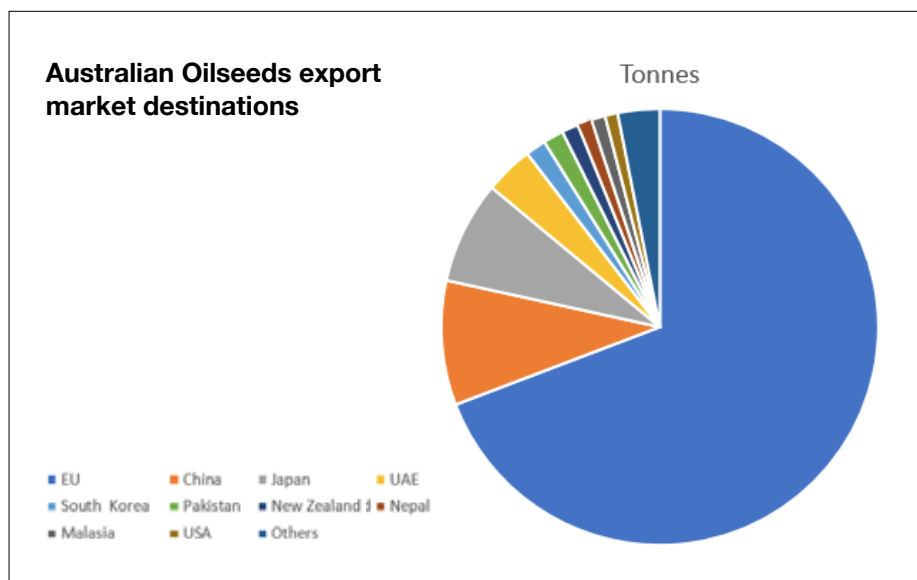
Smaller oilseeds - bigger opportunities

Australia has earned an enviable reputation for supply of quality specialty oilseeds and oils, such as soybean, safflower and sunflower. Always shipped in containers, as either grain, meal or packaged oil, markets such as New Zealand, Fiji, UK, India, South Korea and

the USA, fully appreciate both the quality of these Australian specialty oilseeds, as well as the shipping logistics required to ship sometimes very small quantities to specialty end-users.

Vessel inspection: Keeping Australian oilseeds clean and green

Australia is known the world over for its 'clean green' reputation, and the ability to deliver grains and oilseeds in bulk, to destination markets free of pests, disease or other contamination. Ensuring clean holds and hatches in vessels is key to this reputation, and vessel crews are very diligent to ensure cleanliness of holds and hatches prior to loading. The Department of Agriculture and Water Resources facilitates and certifies vessels as clean for loading purposes, and in an innovative development, the department has been trialling inspections at moorings to reduce turnaround times of vessels due to load with Australian grain. The early indications are that the trials are proving successful, and if implemented, stand to further improve the supply chain efficiency and costs for exported oilseeds.



The export future is bright for oilseeds

With on-farm productivity yields increasing, and areas sown to oilseeds likely to grow in a domestic market with limited growth, exports will continue to be the driver of industry value growth as international markets fully appreciate the value of Australian oilseeds and their bi products. With all oilseed exports moved by sea-borne transport, the cost and time efficiency of the stevedoring and shipping process becomes increasingly critical. The global demand for vegetable oil and meals is projected to grow significantly, and Australia is ideally positioned to capitalise on this trend. ▲



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