



Department of  
Primary Industries and  
Regional Development

*We're working for  
Western Australia.*

# Western Australian edible oils industry snapshot

A summary of Western Australian Edible Oils Industry –  
Overview for potential investors and other stakeholders



# There are different types of investors

All are needed and welcome in the Western Australian edible oils industry

**Important notice:** The recent COVID-19 pandemic has affected the community and aspects of the global economy. Disruptions to supply chains, air freight and other business activities are acknowledged. Collaborative efforts by governments, industries and communities will chart the way forward knowing global demand for food and the supply of the many products from Western Australia's primary industries will continue. The information presented in this Industry Snapshot as at February 2020 serves as a reference point for continued industry innovation and growth.



Large multinationals constantly invest across the Western Australian edible oils sector in research and development, processing, sales and marketing.



Innovative Western Australian oil processors are significant investors in the edible oils industry, driving innovation, new product development, plant expansions and marketing.



Industry bodies and various research organisations all invest in the Western Australian edible oils sector, providing innovative solutions across the whole value chain.

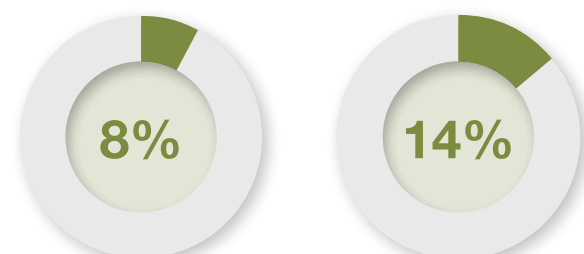


State and Federal Government – across multiple agencies and departments – invests heavily in the industry through research, grants, education and support.



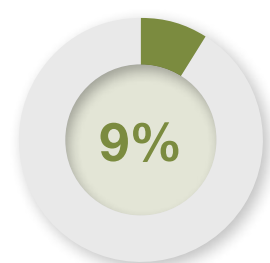
## Twenty year growth rate of edible oils import value

CAGR: US\$; import value

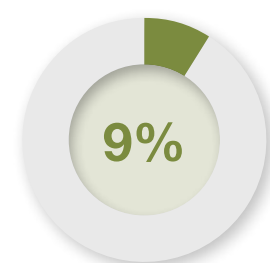


China

India



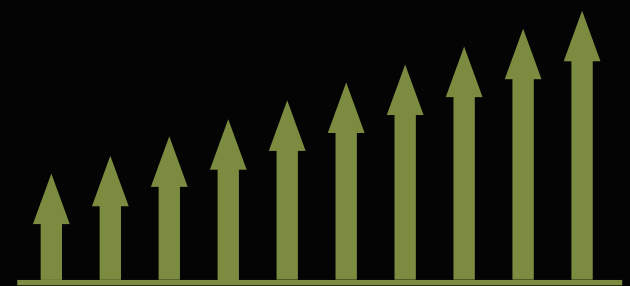
Vietnam



UAE

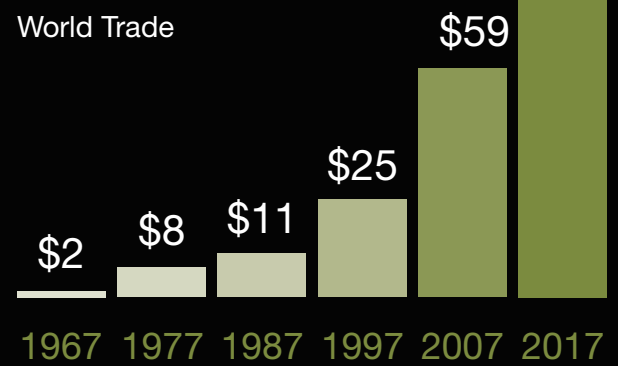
CAGR = Compound annual growth rate

## Growing global demand from all countries



**US \$44** billion growth in demand over the last decade

## Total edible oils import value US dollars, billion



# Western Australia is well positioned to deliver



## Shipping times and time zones from Perth



Western Australia is the closest, most accessible Western region to Asia; it is in the same, or adjacent, time zone as Beijing, Manila, Hong Kong, Tokyo, Singapore, Kuala Lumpur and other regional centres.



## Flights from Perth

Western Australia has regular flights out of Perth to Asia and the Middle East and global destinations. In addition, the Busselton Margaret River Airport (225 km south west of Perth) has completed a runway upgrade, providing an international alternative for the South West.



As at April 2020, the COVID-19 pandemic has reduced air freight carried on passenger aircraft due to fewer flights. Until resumption of regular flights, chartered air-freighters will serve export supply chains.



“Perth has great access to Asia. [Many] products can be into some markets quicker than any other Western country.”

Executive, Food manufacturer



- CURRENT FTAs**
- NZ (ANZCERTA)
  - Singapore (SAFTA)
  - US (AUSFTA)
  - Thailand (TAFTA)
  - Chile (ACIFTA)
  - ASEAN-NZ (AANZFTA)
  - Malaysia (MAFTA)
  - Korea (KAFTA)
  - Japan (JAEPA)
  - China (ChAFTA)
  - Trans-Pacific Partnership (CPTPP)
  - Peru (PAFTA)
  - Hong Kong (AHKFTA)
  - Indonesia (IACEPA)

- FTAs UNDER NEGOTIATION**
- Gulf (AGCCFTA)
  - India (AICECA)
  - EU (AEUFTA)
  - Pacific Alliance (PAFTA)
  - Regional (RCEP)

- FTAs CONCLUDED NOT YET IN FORCE**
- Pacific Islands (PACER Plus)

FTAs = Free trade agreements  
 As at 21 February 2020  
 Source: Department of Foreign Affairs and Trade

# Excellent trade access

“Some very good market opportunities are evolving with the Free Trade Agreements with Japan and South Korea.”

**Director, Value Added Processor**

# Western Australia is well positioned to supply South East and East Asia with fresh, high quality products consistently

## Close

“The advantage of Western Australia is the close proximity to South East Asia. The geographic location is a windfall. We get a good logistics advantage.”

**Regional Director, Multinational**

## Consistent quality

“Western Australia has a good reputation as a reliable supplier, with good product performance and a stable supply.”

**General Manager, Exporter**

## Efficient

“Western Australia’s competitive advantage comes from being efficient across the board.”

**Agriculture Consultant**

# Western Australia can produce more



## Resources

- Large land area for farming
- Opportunities for productivity increases
- Small local population to feed (2.6 million people)
- Readily available inputs
- Well managed water and environmental regulation

## Skills and systems

- Educated population
- Modern farming systems
- High productivity (for arable crops)
- Established service industries
- Well organised industry
- Advanced traceability and food safety systems

## Reputation

- Brand Western Australia
- Clean and green
- Strict biosecurity standards – low level of plant disease
- High levels of food safety
- Modern handling and processing facilities



# Comparative advantages

## Close to key markets

- Capable producer with a long history of production for export to Asia and beyond
- Western Australia is well positioned to supply plant-based oils and fats into Asia
- Proven, trusted supply chains able to deliver in full, on-time, in specification

## Experienced industry

- Sophisticated and experienced industry in arable oilseed crops and olive oil
- Trusted and traceable systems and processes (in farming, processing and distribution)
- Large farming units (arable crops)
- Modern farming systems
- Ongoing research and development and investment in genetics and productivity increases
- Well organised inclusive community

- Strong sustainability credentials
- Ability to segregate GMO and non-GMO seeds
- High food safety, and advanced traceability systems
- Traceable auditable EU sustainability credentials

## Climate and environment conducive

- Mediterranean climate conducive to olive growing and plant oil production
- Vast amounts of land available in climatically suited areas for oilseed crops
- High volumes and quality of oil

## Efficient industry at scale

- Large arable crop and oilseed farms versus Eastern States
- Productive and efficient farms
- Efficient bulk handlers at scale
- Oilseeds grown in tandem with large globally competitive grains sector (high farm efficiencies)

GMO = Genetically Modified Organism  
EU = European Union



# What do we have?

Western Australia's edible oils are focused in **three key areas**



## Canola oil

Canola grows over one million hectares of Western Australia and is globally competitive with growing production. The majority is exported as seed. Two major existing oil processors and a large multinational and regional leader. Seed oil content is 38-45% and processed meal typically has protein content of approximately 40%. Proven capability to deliver quality products globally.



## Olive oil

Diverse range of olive oil processors, large producers at scale and emergent regional firms.

Mediterranean climate highly conducive to olive production. Strong historical immigration from traditional olive producing countries. Proven capabilities of high quality, premium oils. Numerous awards.



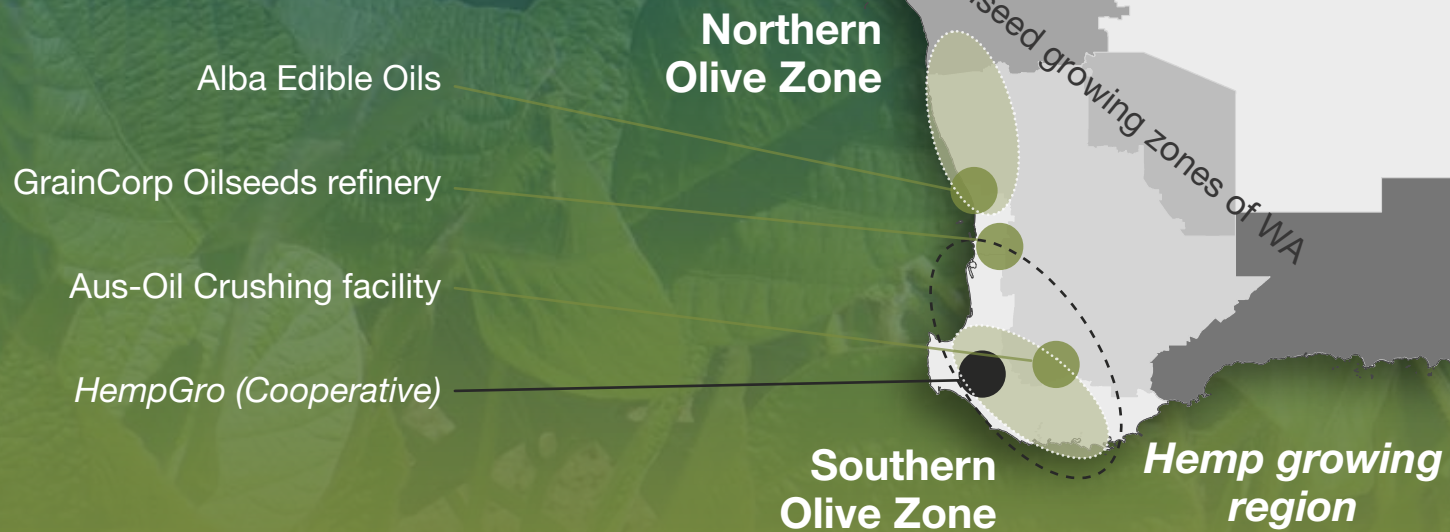
## Emerging opportunities

Opportunities in hemp, safflower and sunflowers. Strong growth in industrial hemp production (over 70 growers) since legalised in 2004. Proven capabilities in global scale arable crop production. Able to utilise efficient bulk handling and supply chain. High efficiency, low cost production systems. Skilled and capable farmers seeking crop diversification. Requires leader in market led demand.

# Western Australia's edible oils industry is concentrated in the South West

“The oil processing facilities are aligned with production zones and the major export port.”

CEO, Oil processing



Source: modified map from AEGIC

# Western Australia's edible oil crop production is increasing

**10%**  
10yr CAGR 

Canola production  
2008-2018

**12%**  
10yr CAGR 

Olive trees  
2008-2018

# Western Australia's edible oil crop productivity is increasing

**5.2%**  
10yr CAGR 

Canola tonnes per grower  
2008-2018

**26%**  
10yr CAGR 

Olive trees per operation  
2008-2018

CAGR = Compound annual growth rate  
Source: ABS

# Export focused edible oils

## Key export oil



### Canola oil

- Large and growing production
- Low cost, low intensity system
- Growing oil production

## Secondary



### Olive oil

- High climatic suitability
- Large suitable land base, subject to water access for maximum yield
- Wide range of premium producers

## Major opportunity



### Other arable crop oils

- Growing global demand for premium, healthy oils
- Clear local capability to deliver on trusted supply
- Investment in planning and production underway

# Western Australian oil seed and plant oil exports are growing

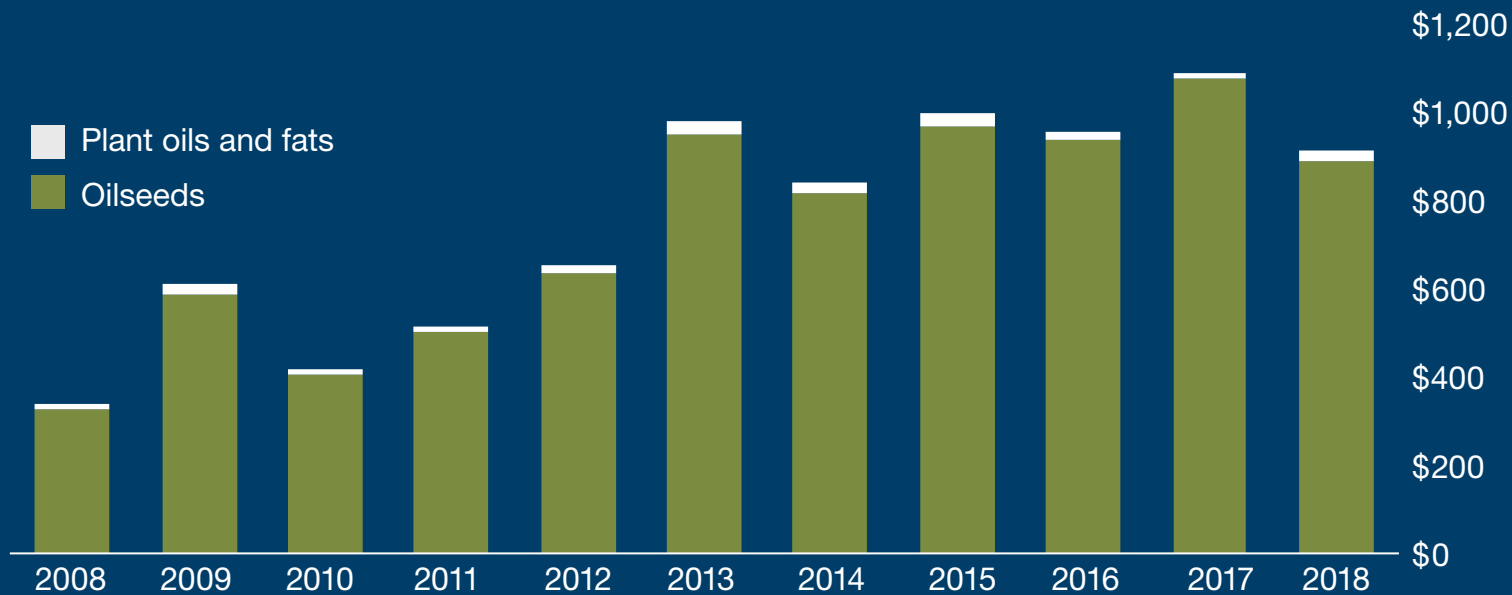
10%  
10yr CAGR



CAGR = Compound annual growth rate

Total Western Australia Oil Seed and Plant Oil Exports  
AU\$ million, 2008 to 2018

Plant oils and fats  
Oilseeds





## 2 different production systems

### **Mechanically harvested arable crops**

- Largest average farm size in the world
- Extremely high productivity per hectare, compared with competitors
- Proven capability in plant breeding
- Efficient supply chains, through grower owned bulk handler
- Robust sustainable production systems
- Capable of auditable seed segregation

### **Modern highly efficient olive groves**

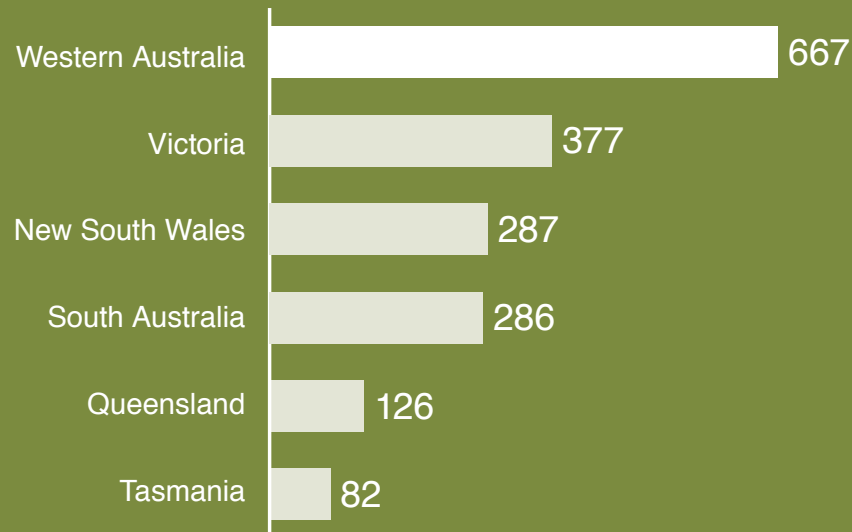
- Large scale farmers (e.g. Fini, Sumich, Toscana, Talbot Grove)
- Modern production systems
- Optimised for low labour harvesting
- Utilise modern cultivars and varieties
- Rapid on-going industry consolidation underway

# Western Australia produces more edible oil per farm than competitors

Western Australia has **large farms** and produces **more oilcrops per farm** than competitor states

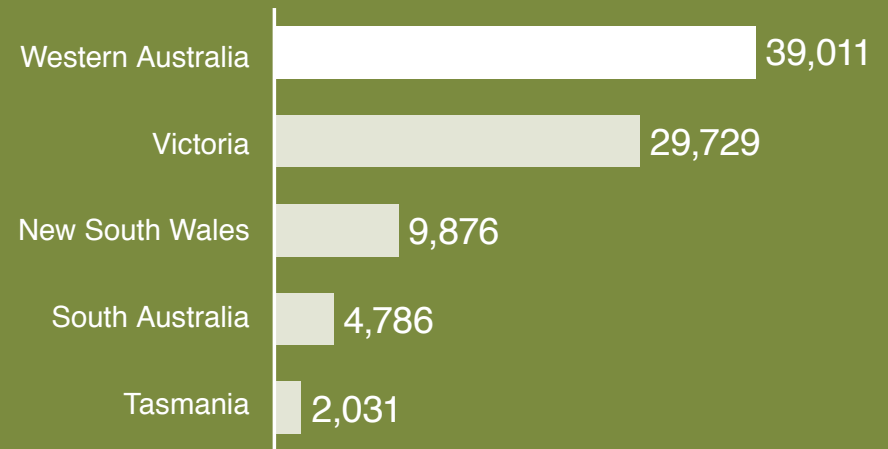
## Canola per Grower

Tonnes per farm, 2018



## Olive Trees per Grower

Trees per farm, 2018



# There will be **solid demand** for edible oils in the future

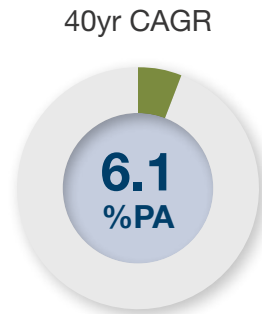
“Developing countries’ net exports of oilseeds and vegetable oils would **more than triple** by 2050 to some 25 million tonnes (in oil equivalent)... Again, the advent of biofuels has the potential of altering these prospects as [these] commodity groups are used for feedstocks in biofuel production.”

Global Agriculture Towards 2050, United Nations FAO, Oct 2019

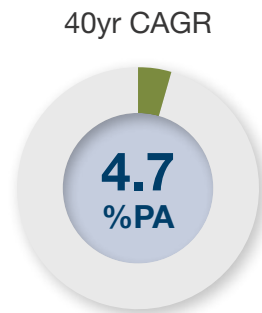


# High level macro drivers support **solid export demand** for edible oil products

## Aggregate Global Edible Oils Production Growth



## Edible Oils Consumption Growth per Person



# Attracting global investment



**GrainCorp**

Leading international  
agribusiness

**Li and Yang**

Chinese and Taiwanese  
investors

**ZAGRO**

Private Singapore based  
animal and plant health firm

# Investment is occurring



**2015-ongoing**

Upgrades and investment in refining and packaging automation at facility in Hamilton Hill, Western Australia

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**2015-ongoing**

Invests in new cold press canola crusher and upgrades machines

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**2014**

Invested in scaleable, versatile packaging line (bottles, cans, casks)

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Sumich EVOO Australia continue to invest in facilities (oil plus olive leaf extract)

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# The Western Australian edible oils industry has a strong group of thriving companies

## Canola Oil and Similar



## Extra Virgin Olive Oil



# Returns across the supply chain

Western Australia's high performing sectors are showing strong returns across the supply chain

“In the medium rainfall area, in the last two years land values have gone up by 30%. There has been a fundamental shift in response to excellent returns on investment.”

EO, Grains Industry

## Western Australia Land Value<sup>1</sup>

4.3%

Annual growth  
20 years

## Western Australia Farm Operations<sup>2</sup>

5.2%

Rate of return, 2017

5.5%

Rate of return, ten year average  
2007-2017

## AU Processors<sup>3</sup>

3-10%

Return

10.6%

Top 25% rate of return,  
ten year average  
2007-2017

1. Twenty year CAGR farmland value, Rural Bank, 2018

2. WA average 10yr farm cash return on capital 2017/18,  
Planfarm Bankwest Benchmarks

3. Averages across industry

Source: Project analysis; CAGR = Compound annual growth rate

# Four investment themes

**Four investment themes** exist to create growth in the Western Australian edible oils industry

## Investing in **world-class yields**

Opportunities exist to continue to grow tonnes per hectare using improved genetics and management systems

1

## Investing in **new product innovation**

Opportunities exist to continue developing new products targeting new ingredients and packaging (e.g blended hemp oils)

2

## Investing in **growing production**

Opportunities exist to produce significantly more oil crops in Western Australia

3

## Investing in **advanced processing**

Opportunities exist to further process and fractionate oil crops into high value derivatives

4

# Value propositions exist that promote **opportunities for investment**



## **Increased canola oil production**

- High productivity per hectare, compared with competitors
- Proven capability canola production
- Efficient supply chains, through grower owned bulk handler
- Robust sustainable production systems
- Capable of auditable segregation



## **Developing hemp oil production**

- Western Australia has proven capability in arable crops
- Key competitor Canada, shows that large volumes are possible
- Growing global demand for trusted supply
- Growing research around health benefits



## **Developing pharmaceutical grade plant oil extracts**

- Western Australia has strong track record of strong biosecurity and food safety
- Extensive capabilities available at local universities
- Global scale raw materials available including waste streams
- Opportunities for circular economy

# The Department of Primary Industries and Regional Development is ready to assist you

For further information please contact:

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**The Department of Primary Industries and Regional Development commissioned Coriolis Australia Pty Ltd to provide the information in this publication in consultation with selected industry stakeholders.**

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