



**SUBMISSION TO THE PRODUCTIVITY COMMISSION REVIEW OF RURAL
RESEARCH and DEVELOPMENT CORPORATIONS**

COLLABORATION WITH REGARDS TO PRODUCTION ESTIMATES

**Productivity Commission
Level 28
35 Collins Street East
Melbourne, Victoria 8003**

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Dear Productivity Commission Officers,

One of the areas that collaboration between the livestock RDCs would prove fruitful is in production estimates, both historical and projected. To the author's knowledge this has occurred on a minor scale but there appears to be much greater scope for a collaborative approach.

Well researched production data is required for the development of good public policy, both academic and commercial research and private sector planning in terms of investment and risk management. Unfortunately there is little kudos to be gained for RDCs from well resourced production analysis.

Production estimates are derived from a number of methodologies that include surveys, industry consultation and modeling. Well constructed surveys are expensive, as are well built and maintained models. Industry consultation tends to be cheaper with industry participants contributing their time for the common good.

It seems that the cost of well constructed surveys in particular causes RDCs such as the MLA and AWI to look to work by the Australian Bureau of Statistics (ABS) and the Australian Bureau of Agricultural Economics (ABARE) as a way of lowering costs. The upshot is that production estimates 'fall through the cracks' between these different organisations.

I will take the case of the wool industry in particular as I know it best. The traditional approach to wool production forecasting is to fundamentally provide an estimate of gross annual shorn wool production two or three times per year.

This estimate is developed using survey data, industry consultation and recent modelling. In recent years the Department of Agriculture and Food Western Australia (DAFWA) has undertaken a well constructed survey of the Australian sheep flock (with funding from AWI) which allows industry participants to monitor changes in flock structure, which underpins wool production and sheep meat production. The output from this survey is arguably as important, if not more important, than the simple annual estimate of production that the AWPFC ultimately provides. Logic suggests that it would be a natural fit for the MLA and AWI to combine resources for such a survey. This has not happened.

I might add that AWI has seen fit to not fund the DAFWA survey in 2010 (to date), which reinforces my point that such survey work is pushed down the priority list of expenditure even though the level of production is a key measure of success or otherwise of the research and development corporations (and ultimately of marketing efforts.)

The cost benefits of basic production estimates in the livestock industries preclude its supply by commercial entities. However (and I write with an acknowledged bias) commercial entities and research organisations can take the basic production estimate data and add value through modelling or historic analysis to provide further benefits.

In summary, production analysis in the sheep industry is a critical piece of primary research that underpins both further public and private research. Logic and cost suggests that RDCs should work collaboratively on such core research.

Yours faithfully,

Andrew Woods