



Murray Valley Citrus Board

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MURRAY VALLEY CITRUS BOARD

Submission to

PRODUCTIVITY COMMISSION'S RURAL RESEARCH AND DEVELOPMENT CORPORATIONS ENQUIRY

Introduction

The Murray Valley Citrus Board (MVCB) is a Statutory Body established by the Murray Valley Citrus Marketing Act 1989 of Victoria and New South Wales. In June 2004, the Board was reconstituted under the Agricultural Industry Development Act 1990 of Victoria. The MVCB's mission is to lead the Murray Valley citrus industry to sustained profitability through communication, research, extension, market information, promotion and environmental responsibility. The MVCB is supported by mandatory grower levies, against which additional government grants and sponsorship funds are attracted. Whilst the funding mix varies from season to season, an average ratio is 60% industry funds to 40% additional funds. Citrus is one of Australia's single biggest horticultural exports.

The MVCB is providing a submission to the Productivity Commission's Rural Research and Development Corporations Enquiry on aspects of the current arrangements as they pertain to the circumstances of the Australian citrus industry. MVCB has been an active partner over the years in co-funding research, much of which has been adopted as best practice industry wide.

Some aspects of the MVCB's views may be applicable to other segments of the industry.

Current arrangements

In a globally competitive environment, whereupon Australian citrus producers compete with other producing nations with a significantly lower cost base, and locally where producers supply a commodity product into a largely duopolistic retail chain, there is not a mechanism through which producers are able to "pass on" costs to the end user. The benefits of research, development and extension (R,D&E) are well established and well recognised in sustaining and improving productivity. It is the market failure of funding this R,D & E that transfers both the onus and benefit of such funding into the realm of public good. The MVCB believes the current funding model partially overcomes the market's failure to fund R,D&E.

The current arrangements also provide considerable public benefit and positive returns on investment. The likelihood that the return on investment will shrink as the industry becomes more technically advanced is not viewed as a justification for discontinuing that public investment. Rather, the opposite holds true because of the wider benefits provided.

The MVCB recognises that state and federal government agencies and the tertiary education sector have in the past been significant providers of RD&E to the Australian citrus industry, and been significant co-investors with industry (levy payers) and the federal government in that research. This technical capacity is one of the key factors maintaining the citrus industry's sustainability in the global environment. It is appreciated that every dollar of levy payers' funds leverages about \$3 of state and federal government money to maintain this momentum.

Currently, citrus growers in the Murray Valley pay a statutory levy of \$5.50 per tonne to the MVCB for every tonne of citrus produced. The MVCB uses this funding to operate and contribute via voluntary contribution towards R,D & E activities/projects. In addition to this levy growers also pay a compulsory levy to HAL of \$1.97 for R&D which is matched by Federal government monies. In actual terms for projects funded via voluntary contribution, the Federal government contribution equates to only 22%.

Industry priorities for investments

Industry does not support submissions that do not align with its research investment priorities.

Ideally, research investment priorities need to be:

- based on broad consultation, identifying areas critical to industry sustainability and competitiveness.
- revisited regularly,
- reflect a reasonable balance between the need to address short term issues (*i.e.* predominantly applied research and extension) and long term goals (*i.e.* more basic and strategic research), and
- articulated clearly for RD&E providers to address.

In more recent years the broad-based consultation process needed for priority setting has lapsed; the Industry Advisory Committee (IAC) has become unrepresentative, as evidenced by the low capture of this area's citrus producers as members of the peak industry body, Citrus Australia Limited (CAL), which acts as the IAC. It is unclear how the current priorities were derived.

It is pertinent to be bear in mind that individual researchers are likely to be aware of new knowledge in the world-wide citrus domain and advancements in other areas of plant science or engineering of potential benefit to the Australian citrus industry. Despite this, there is currently no mechanism in place for their input into the priority setting process.

The MVCB's regional grower and industry driven model, on the other hand, has long recognised this and works in active partnership with researchers and extension officers in developing, implementing and reviewing RD&E. Findings are readily and cost effectively provided to industry both regionally and nationally through written and practical demonstration, so that timely adoption and adaptation can be achieved both at farm level and throughout the industry chain. Examples of research and uptake in recent times include: Rind quality research; Optimising production of preferred size ranges; On farm water use efficiency and drought management; downstream storage; and packaging to retain quality of product for domestic and export markets.

Investment decisions

The Industry Advisory Committee (IAC) makes recommendations to Horticulture Australia Limited's (HAL) Board regarding industry investment proposals to be supported by government. Transparency and objectivity could be improved by the introduction of additional independent technical expertise in the evaluation of proposals submitted to HAL for funding consideration.

MVCB is cognisant that the public providers invest significantly more than industry, and possessing objective technical expertise that would be of use, it is critical for those providers to have an input into the process.

It is also essential that objectivity and transparency in the decision making process for Government investment decisions in RD&E are of a high standard. The industry's new peak body (Citrus Australia Limited) which at the time of writing represented less than 30% of the industry, is also the Government IAC. There are concerns regarding transparency and conflicts of interest given that it is also the recipient of funds allocated under this process.

RD&E capacity

While some of the providers' research capacity is generic in nature, *e.g.* biometrics, and can be applied across a number of production systems, most capacity is highly specialised and very crop/production system specific. None of the providers have sufficient discretionary funds to 'go it alone', and a lack of support on the part of industry will result in those co-investment dollars being quickly redirected elsewhere; essentially, diminishing Australia's citrus RD&E capacity.

The lack of specialist knowledge and experience will inevitably mean a longer lead time before any significant capability can be brought to bear on any issue in the future. In other words, the current investment priorities will result in a withering of citrus research capability residing in Australia's public RD&E providers, which will be difficult to resurrect.

The MVCB also recognises that the career opportunities in agricultural science are appearing less attractive to secondary students due to the dwindling investment by governments in response to other priorities such as health and education, and that the current investment pattern by HAL is exacerbating that perception. Succession planning is difficult in these circumstances. Using the voluntary contribution provision of the current arrangements, the MVCB has supported a PhD studentship in the past with this concern in mind.

The MVCB strongly believes that research unsupported by extension is futile, and consequently, the Board hosts a regional industry development officer (IDO) who works closely with growers, marketers and packers, and in partnership with the diminishing pool of local RD&E providers, to facilitate the transfer of past and new research outputs to industry. The power of peer participation and neighbour demonstration should not be underestimated in effecting the adoption of R&D to greatest effect.

The MVCB is concerned that the dwindling RD&E capacity associated with a lack of industry/matching funds, and the ensuing re-direction of funds to other areas by government agencies, will result in the withering of the potential for extension, further threatening the growth and sustainability of the industry.

The diminishing capacity to conduct RD&E on national and local scales places greater reliance on overseas research outputs which, at best, are a pointer, but not immutable in the manner of research outputs produced under local conditions. This overseas research requires R & D for validation in Australian conditions. Therefore, even "plucking" R & D from this source still requires local investment.

Australian strategic interests

The maintenance and building of RD&E capacity by government, in particular, directed towards regions of common characteristics and interests should also be viewed as means of delivering the following broader benefits.

1. Best Natural Resource Management outcomes in challenging times. The Citrus industry is increasingly confronted with seasonal variability, changing climate and diminishing water availability. Natural resource management is a whole of community issue. It is essential that agriculture is supported by government in R,D&E to achieve social, environmental and economic outcomes.

2. The Australian Government's foreign policy aim of assisting developing countries to progress beyond subsistence farming. An excellent program currently supporting research at the Dareton Research station, NSW Industry and Investment, is the Australian Centre for International Agricultural Research (ACIAR) program. This program funds research in Australia, and then supports extension activities in the collaborator nation. Currently projects are underway in Bhutan and Pakistan.

Further, food security and the incidence of chronic diseases amongst Australia's aging population are serious concerns for all Australian governments. Citrus fruit are an important source of bio-active compounds with significant anti-cancer, cardiovascular and anti-inflammatory activities. The Australian citrus industry's capacity to produce and supply citrus fruit to domestic and overseas markets into the future should not be diminished by climate change, biotic/abiotic stress and environmental sustainability.

The Australian Citrus industry production for 2009/10 was 567kt, with a total farm gate value of \$500m. Allowing an economic multiplier results in an industry value of \$3b to our local economies.

Timely and locally efficacious solutions to those challenges can only be provided by Australian researchers with knowledge of the Australian environment, production systems and markets.

Expenditure by government on agricultural research is a sound investment in the nation's future.

Hugh Flett
Chief Executive Officer

23 June, 2010