

# **AUSTRALIAN BUFFALO INDUSTRY'S SUBMISSION TO THE PRODUCTIVITY COMMISSION ENQUIRY INTO RURAL RESEARCH AND DEVELOPMENT CORPORATIONS**

## **Introduction.**

This submission is on behalf of the Australian Buffalo Industry Council and Australian buffalo producers in general. It also includes the views of a NSW primary producer (beef/sheep/wool/wheat) and prior beef cattle research officer, employed by the Northern Territory Government.

The Australian buffalo industry's research effort comes under the supervision of the Rural Industries Research and Development Corporation (RIRDC). Due to the small size of the industry both in numbers and financial turnover it is classified as a "New Animal Industry" despite buffalo having been in Australia since early settlement of the Northern Territory (NT).

The buffalo industry is represented in all states and the Northern Territory, producing animals for live export, meat for local consumption and dairy products. With the exception of the NT, state departments of agriculture currently offer no research and development (R&D) assistance and in most cases are more a hindrance to development due to their role as regulators and administrators.

As is the case with the larger livestock industries, buffalo producers pay a levy for all animals exported or slaughtered locally. As yet there is no levy for dairy production as output is too low.

Although most buffalo are located in the NT there are herds in all states. There is one research officer working part time for the NT buffalo industry. The Australian Buffalo Industry Council (ABIC, the industry's peak body) represents producers and nominates members to the RIRDC Buffalo Research and Development Committee. The Research and Development Committee works closely with the RIRDC Project Manager (New and Emerging Industries). Co-operation from this level of RIRDC has always been exceptionally good.

## **Terms of Reference Addressed.**

### **Commonwealth Investment to R&D**

A commonly quoted statistic, and recently seen in a media release by the NFF, 1 February 2010, states that for every dollar spent on agricultural R&D there is an 11 fold return. If this figure is true, the positive economic rationale for investment in rural R&D is blatantly obvious. Despite ever reducing government inputs and resources, Australian primary producers continue to deliver world class commodities at world competitive prices (and better). However, without increased R&D, to well above its current eroded state, there will come a time when producers will be unable to maintain their competitiveness and all Australians will be affected. Since the mid 1980's the expenditure on agricultural research, as a proportion of output has fallen by over one third (ABARE). This trend needs to be reversed and quickly.

### **Balance of Investment**

To determine the appropriate level and balance of investment in rural R&D, it is necessary to look at each industry individually and then assess a suitable balance of public and private investment accordingly. Some rural industries have large incomes devoted to their R&D (even before any public contribution) and others, particularly those in their infancy, have none and rely heavily on government assistance.

The point that needs to be continually emphasised is that research is often expensive and the end result or finding may be extremely useful to know but may not enhance the bottom line for the industry doing the investigation. Small industries cannot afford this type of research. If finances are limited, they can only afford research with a high probability of benefit in the short term. Currently, the method of securing research funds often requires submissions that actually outline the projected financial benefit arising from the investigation which completely disbars any research done purely for social, environmental and other public good reasons. There are cases in agriculture where research results yield no financial gain but prevent mistakes being made or give rise to further areas of study which lead to financial benefit in the longer term. Research for the public good must be supported by government or philanthropic funds.

Additionally, tying research more heavily to industry funds has the potential to reduce the impartiality of findings. Even scrupulous researchers can find themselves under great pressure to find the “right” results for the providers of their wages and positions.

### **Effectiveness of R&D Model**

The effectiveness of the current RDC model in improving competitiveness and productivity has been undermined of late (in reference to RIRDC) by financial restraints imposed upon it by the Federal Government in the form of budget cuts. The structure within the organisation may also affect its productivity as senior positions are given to personnel who are not the most suitable to oversee rural research and development. See **‘Efficiency and Effectiveness of Current RDC Model’ below.**

### **Current Funding**

Current funding can only be described as increasingly insufficient and approaching negligent. RIRDC suffered a federal budget cut last year of \$3 million. Last week (8/6/10) the NSW Government budget handed down a \$12 million cut to R&D in the NSW agriculture portfolio. These are not isolated cuts but come after many years of eroding cuts at both the state and federal level. Cash hungry governments are selling assets (i.e. crown land and research stations) to keep themselves liquid.

The current trend in state departments of agriculture (if you can find the NSW department under D.I.I.) is one of contraction where services and staff are being withdrawn with each successive re-organisation or budget. The R&D that was previously carried out on research stations (and with co-operating primary producers on private land) is being abandoned with the disposal of many of the public resources. State agricultural departments have in general, been so downgraded in latter years that staff have little or no time for such a small industry (buffalo). In fact, except for the NT and for a short time, Victoria, state departments have played only a regulatory role. They lack the manpower, resources and the will to help with R&D of the industry. Constant and seemingly accelerating change, (available funds, staff numbers and positions, management direction, political will, section name changes etc) have resulted in low morale of field staff and low confidence, and downright confusion, of users about how to source what they need when they need it. Another result of underfunding of Australia’s agricultural research is an increasing

'falling behind' of research from the reality of agriculture. Ideas and technologies are originating and being adopted or tested on farm and then researched in a formal way after the fact. One notable area is native flora use in agriculture. Researchers in NSW are now playing catch-up to quantify the production potential of native species which have now reached such prominence as to become mandatory under state legislation for land holders wanting to sow some areas of their properties. Researchers are fast losing their place as the instigators of change.

Figures given by Dept of Agriculture, Fisheries and Forestry reveal that Federal Government funding to RDC's was \$217 million in 2006/07 and \$207 million in 2008/09. Meanwhile, total expenditure by all sectors on rural R&D was about \$1.6 billion in 2006/07. (An update for this figure has not been found.) When the gross value of farm output in 2007/08 was \$43.6 billion (despite extreme drought conditions) the Commonwealth contribution of between \$207 and \$217 million is mean in the extreme! It amounts to a figure of less than one half of one per cent of the gross value of farm output. **Funding levels are now inadequate.**

### **Levy Arrangements**

Regarding levy arrangements, each industry should be treated individually and the Commonwealth contribution strategy needs to be flexible. The one for one process currently in use is easy to administer but not very efficient and may be insufficient for smaller, and possibly more needy, industries. Some industries are going to be supported more than necessary and others would benefit and develop more quickly with a higher level of support in early stages. The buffalo industry has a variable annual levy income due to the volatile nature of the live export trade to South East Asia. Thus the government input is also variable which complicates budgeting for R&D. A more stable and guaranteed source of funding would be advantageous.

### **Efficiency and Effectiveness of Current RDC Model.**

The effective functioning of RDC (more so than the efficient functioning) will be determined by those administering its operation and the staff under their supervision.

There is a trend amongst government appointments to rural R&D bodies to select individuals who, although they may have impressive curriculum vitae in some regard, have little or no grasp of either the rural industries or scientific research. There has also been a definite propensity to appoint those with economics training and experience ahead of those with science backgrounds. This leaning toward the economics discipline occurs widely, and notably in politics. Decision making across the board is economics-centric. The most recent example of this is the new head of CSIRO who is/was the executive chair of the Macquarie Group in Melbourne.

The appointment of one of Australia's leading social scientists in sustainability, human practice and social cohesion as Chair of RIRDC is interesting. Just how applicable these skills are when overseeing those researching the production of olive oil, honey, crocodiles, native grasses, rabbits or mozzarella cheese has yet to be seen. Rural communities are renowned for their strength, cohesion, resilience and inventiveness already. RIRDC does not need to promote stronger communities, it needs a strong understanding of agricultural research so that rural industries can thrive and THEN the communities can do likewise. The new Managing Director of RIRDC comes with some knowledge of agriculture but appears to have experience tending toward policy, diplomacy and economics. Although it is unsatisfactory to waste research funds, scientific research cannot be controlled by economic rationalists. They are not compatible.

Regarding administrative duplication pertaining to RIRDC, observations over the past few years indicate an increase in middle management positions. While "ground workers" have stayed

constant in number, those above seem to have increased. The necessity for a heavier administration team for a constant productive team is unclear.

### **Cross Consultation between Research Sectors.**

From a cross industry consultative perspective, the Buffalo industry experience with RIRDC has been very good. If related research work was occurring concurrently, ways to streamline work across projects and avoid duplication were found. This was probably more to do with the skill and prodigious knowledge of staff members with whom the buffalo industry dealt, rather than any constructed processes in place. Years of experience prove that quality and suitability of staff are paramount for positive efficient outcomes.

### **Industry vs Broader Public Interests.**

The buffalo industry has many development areas to address in order to strengthen its position in this country. The broader public issues are of great importance to our producers, but with funds so limited, it is difficult to expect the funds to stretch to these pursuits, unless in some serendipitous way. This is possible but not probable. Our first priority is with establishing a strong industry.

### **Free Rider Concerns**

Although the dairy side of the buffalo industry could currently be classified as a “free rider”, the current size of this industry is too small to contribute levies. Larger contributors are tolerant of these emerging new facets of their industry. The necessity to contribute in a collective way to enable R&D work to be done in the buffalo industry is generally accepted.

### **In Summary.**

Over the 30 year period from 1974 to 2004 Australian farms managed an annual productivity growth of 2.8%, an achievement unmatched by any industry except telecommunications /information technology. This positive development was a direct result of increased R&D spending in the 1960s and 1970s. As the benefits of this research fades with time, and changing conditions, the productivity growth rate of 2.8% is at serious risk of faltering.

The establishment of RDCs was to enable the **effective** administration of research work, both scientifically and financially. This process is in jeopardy of failing with ongoing physical resource and financial contractions. The reduction in government financial support is exacerbated by the increasing fund allocation to administration at the expense of research work.

### **Submitted by:**

**Douglas Robertson, B. Sci. Agr.  
ABIC**