

## **Submission to Productivity Commission on Rural R & D Corporations**

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

Dear Productivity Commission Officers,

Thank you for providing the opportunity to make a submission to the Productivity Commissions enquiry into Rural Research and Development Corporations. This submission is made on behalf of the Corporate Agricultural Group. (CAG). The CAG group consists of the following major agribusinesses:

1. Clyde Agriculture
2. Macquarie Agriculture
3. Auscott Limited
4. Warrikirri Ag Trusts
5. Wyalong Rural Investments
6. PrimeAg
7. Twynam
8. Australian Food and Fibre

CAG members meet periodically to consider major issues impacting agriculture. The members share ideas on ways to enhance the performance of agriculture including analysis and dialogue on matters of mutual interest.

Our interest in rural R & D stems from our Group's involvement in agricultural production, marketing and processing across the fibre (wool and cotton), grains and livestock industries.. The group's members include operations across Victoria, New South Wales, Queensland and the Northern Territory

A number of our Group have met with Commissioner Weickhardt and assistant Commissioner Samson of the Productivity Commission where they discussed a wide range of issues relating to R & D in specific industries however I hoped to take this opportunity to reinforce and expand on several key points that are relevant across our businesses.

1. While acknowledging there is always room for improvement the R & D Corporation model has generally worked well across our sector. We would trust that problems perceived or real in some specific industries are addressed in other ways rather than dismantling what has been and is a very valuable and efficient instrument for improving the productivity and sustainability of agriculture and rural communities in Australia.
2. As some of the larger operations in our industries, the members of CAG clearly see the benefits of research. Individually we undertake significant trial work although in recent years with crippling prolonged drought that trial investment has been reduced.

However, the amount of research we could do is minor compared with what is required to meet the myriad research issues. Furthermore when you consider that most operators in our industry are family farmers there is no way these people could fund research work alone or even organise small groups of farmers to fund work across the range of issues required. Issues such as adapting to climate change, enhancing carbon sequestration and improving nutrient use efficiency are complicated issues requiring significant and on-going research effort. There would be immediate market failure on most key issues. As a result researchers, already difficult to attract to agriculture, would leave the industry due to lack of certainty and lack of support. State governments in particular have been reducing their investment and support for agricultural research and depend highly on funding arrangements with the industry through the R & D Corporations to maintain their existing researchers. The R & D corporation model provides an efficient way for all growers to contribute, thereby eliminating the free-riders situation, and the volume of their funds coupled with government provides the scale that supports a robust research effort.

As the Commissions' Issues Paper highlighted "Over the last decade or so, the efficiency and effectiveness of the RDC model has been discussed in a number of reports — see, for example, Core 2009; Frontier Economics 2006; and PC 2007; 2009. These reports have pointed to various strengths of the model, including as a means to share the costs of R&D that both directly benefits primary producers and provides wider benefits to the community." Overwhelmingly the independent reports on rural R&D confirm the evidence of sizable returns from the investment. Our investments are built in part on the competitiveness of Australian agriculture and it is our concern that reducing or reallocating funds for productivity focused R&D in our sector will lead to a fall in competitiveness and similarly a fall in investment in the sector.

3. Some research can be privatised and that has been done across our some of the industry industries covered by CAG. In the cotton industry Cotton Breeding Australia is one successful example. Many industries have looked after their marketing through very competitive marketing organisations and through excellent communication along the value chain. In some industries the level of marketing and product research still requires input that cannot currently be achieved through individual operators. However, when we look at the range of key research issues the opportunity for private commercial investment to take over research or be encouraged to take the risk to enter these areas is either very limited or non existent such as in:
  - a. Disease research and integrated disease management
  - b. Weed management including integrated weed management
  - c. Insect resistance management for transgenic cotton and pesticides
  - d. Soil management
  - e. Farming systems
  - f. Meeting lower carbon emission targets
  - g. Efficiency of nutrition management
  - h. Various aspects of livestock production.

In these cases we depend on the R & D corporation model to provide the funding to meet these very important needs.

4. Farmers are increasingly being asked to supply competitively priced, reliable supplies of food and fibre to society while at the same time balancing pressures on

environmental management, climate volatility, reductions in green house gas emissions, pressures from mining and intrusions by urban expansion into productive agricultural land. Added to these pressures agriculture is a price taker not a price setter and so the only ways to balance the “equation” is through productivity increases and cost reductions the latter being very difficult given rising input costs. So it is highly important we see continuing investment by all stakeholders including the federal government into R & D that enhances productivity. Much of society takes agriculture for granted. People generally have no understanding of the challenges of future food and fibre security. The majority of people are disconnected from how their food and fibre is produced. However, governments have a duty to understand the longer term problems they will create if agricultural productivity is not adequately supported through research and development. In our industries the R & D Corporations meet that need.

5. It has been said that some efficiencies could be obtained by combining various R & D Corporations and sharing resources. For what we perceive to be very small cost savings our sector would be a significant loser. R & D works best when it is well focused on the short and long term needs of an industry and its community. Having focused industry groups with “skin in the game” that help direct the research effort and to whom the R & D Corporation is responsible is the best way forward.
6. For sometime R & D Corporations have not had a government member on their Boards. To be effective an R & D Corporation needs to be able to act quickly and decisively. Having a government member enhances the ability of the Corporation to address issues quickly and avoid second guessing what Canberra may or may not think. We strongly support having capable government members back on Boards who are empowered to help decision making.
7. Finally Australian agriculture is the least subsidised of all significant agricultural producing nations. We don’t have price support or income support schemes but we do have to compete on a world stage that is heavily subsidised and often protected. It would be a significant problem if the R & D process through levies and matching government funds administered by R & D Corporations was significantly changed. We have a good model that should be supported and made to work in those industries currently encountering problems.

Yours faithfully

John McKillop  
Chair  
Corporate Agriculture Group