



Philip Weickhardt
Presiding Commissioner

Inquiry into Rural Research and Development Corporations
Productivity Commission
Locked Bag 2, Collins St. East, Melbourne, VIC 8003 Australia
Email: rural-research@pc.gov.au
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Dear Mr Weickhardt,

Grain Growers Association (GGA) is Australia's largest independent grower organisation with a mission to build Australian grain's global competitiveness and strengthen the position of growers in the marketplace. Our response is drawn from our knowledge of the grains sector and GRDC operations and so our comments should be considered in this context, as they may not apply to other industry research and development arrangements.

Our industry has been the beneficiary of previous domestic and international R&D investment which has assisted to overcome many issues in the past and got us to the current stage of development. We still face many challenges though and will continue to require a substantial R&D effort in order to overcome the barriers to improved performance into the future.

There are a number of comments we would like to make for the consideration of the Inquiry in the following points:

Recognition of grower investment in innovation:

Growers invest more in R&D than just their industry levies. Major advances in the grains sector have also come about from innovation that was not associated with the Australian institutional R&D sector. Many have come directly from farmer and other private ingenuity and innovation. Examples of this are the development of the stump jump plough, self propelled harvesters, guidance systems and precision agriculture – although

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these have all been refined with investment from GRDC and others over time. Our point here is that there should be some recognition of the private investment of growers in innovation outside the formal R&D sector. It should further be noted that growers often spend time and money evaluating new technology or trialling varieties before they move to a high capital investment in new equipment or wholesale adoption of a new variety. For example, growers might use a contractor or borrow a neighbour's equipment for a small scale "test" of new technology like a seeder or tractor. Similarly they may plant a small area of a new crop or variety to see how it performs before they move to a larger adoption. This investment should be recognised as a component to the total R&D economy.

Scope of R&D investments:

There needs to be strong links between the commercial products from agriculture and the markets. In order to achieve this we need to ensure that R&D organisations can invest in industry support for analysis of commercial market performance (in our case grains) as well as support for market and trade analysis and overcoming the trade barriers at both policy and commercial levels. We are aware that the industry owned RDC model includes market related aspects funded through grower contributions, however in the grains sector this is not the case. This structure is an artefact of the historic grains industry marketing structures and now that these have changed (most recently with the Wheat Marketing Act 2008), we need to ensure that the future R&D structure for grains reflects the contemporary and future needs of our industry.

We have previously responded to the Productivity Commission Inquiry into Wheat Marketing Arrangements, suggesting that the wheat industry, in the light of the reforms, needs to have an expanded scope for investment of grower R&D levies (or another levy) to deliver industry good functions designed to build value within the Australian industry by empowering key sectors with improved information and knowledge, and to deliver precompetitive research that will enable Australia to retain and grow market share in the most profitable markets. We have suggested that there are 7 key areas of activity, being:

- Trade Data/supply and demand information (in conjunction with ABS/ABARE)
- Seasonal data/crop quality information and systems
- Macro data/consumer trend analysis/commercial performance
- Trade policy analytics
- Wheat Classification
- Certification Services
- Education and Training (technical/capacity building)

Research, Development and Extension:

A further issue of concern is that of extension. Many of the historic agencies and institutions no longer provide direct support roles to ensure that the investment in R&D post project has a commercialisation pathway and extension beyond a final project report. Organisations such as ours, we believe are key to the future development of extension pathways and commercial uptake of the results of R&D but we are unable to fund such efforts without public support.

We need to ensure that there is a continuous improvement attitude and capacity across our sector. We need to increase the investment in research, development and extension of new ideas, methods and processes so that our agricultural sectors can remain viable and profitable and able to continue to contribute to the national economy and society. In recent years productivity growth has slowed. This trend must be reversed. This reduction in productivity growth, corresponds with a dry period in our climate but also with the withdrawal of former State extensions services. The commercial sector was expected to take up the role of information dissemination, however it must be remembered that the commercial sector requires a commercial return on their investment and so will only undertake this role to the extent that a return can be generated in the short term. Extension of new ideas may take some years before they see commercial traction, or in the case of natural resource management, may not have a direct commercial return and so no extension of research outcomes takes place.

We are seeing this directly in our current DAFF Farm Ready funded project – the *Grains Industry Climate Initiative*. In this instance, we are attempting to link regional scale historic production and weather records with the forward projection models for climate change. While much is being made of dire predictions for climate change and how growers should respond, in fact there are no publicly available models where growers can actually receive any detailed information about their own region and likely potential changes. We have learnt that while the general global models exist, along with some downscaling efforts, with the exception of R&D reports there is in fact no extension of the model development to the extent that producers can use them. So we have the situation where growers are being encouraged to take some form of action which may have investment ramifications, with little or no real information on which to base their actions.

Research institutions undertake very good research per se but our capacity to translate that into functional tools for practical application has reduced considerably. The need for these organisations to then seek “commercial” returns from investment means that they attempt to protect their findings behind intellectual property arguments for knowledge and information that was originally either publicly or industry funded.

Research and development has little value if the outcomes are not broadly known across the intended recipient industry.

Commercialisation of R&D outcomes:

With reference to commercialised research outputs, in terms of grains for example, end point royalties have developed as a means of recouping and commercialising plant breeding, with the plant breeding companies gaining a return on investment from sales of seed and a royalty paid on the eventual produce of that seed. This is an effective approach for major crops to some extent, but lesser crops such as Oats and Soybeans are not produced in sufficient quantities for EPR to work. Even in the established industries, there are concerns that the rush to recoup variety development costs may result in inferior varieties being released in order to generate returns in the short term, despite potential long term adverse consequences.

Does an approach to commercialise all work mean that currently less competitive areas are neglected or in fact receive no investment at all? Such an approach risks rapidly narrowing the interest for investment and may result in missing out on opportunities for new crops and advances in rotational benefits.

A National Policy on Food Security:

There is growing recognition of the implications for food supply if the predictions of a global human population of 9 billion people by 2050 eventuate. Australia is a major supplier of many agricultural products, however reduced productivity growth, along with increased production constraints such as the impacts of climate change and urbanisation will challenge the capacity to provide the required food to sustain this many people. Our current Minister for Agriculture has expressed concerns about this issue but to date Australia does not have a national food security policy, nor a strategy for assisting with global food security.

Our agricultural R&D and food production systems must be supported with appropriate resources, as well as institutional and policy instruments in order to fulfil the role society will demand of our sector over coming decades. This is a key issue and a major reason for continued and increased investment in productive agriculture from the public sector.

A new funding model:

In order to improve the funding stream for agricultural improvement and innovation and to link the consuming public with sustainable agriculture, we have previously floated the idea of the application of a 1% “climate change abatement levy” (possibly via an increase in the GST) on food and beverage products at the retail point of sale with the funds quarantined for use in support of agricultural industry specific R&D and industry restructuring.

In 2006-07, the retail value of food and liquor spending in Australia reached \$106 Billion (ABARE), thus a 1% tax would generate around \$1 billion annually which could be applied to improving the emissions profile of farms along with increased productivity and restructuring in the face of climate change. Such an approach would be similar to the dairy industry restructure package where a levy was applied to retail milk sales in order

to fund the structural adjustment of the dairy industry, only this time applied to all agriculture to provide sustainable recurrent funding stream.

Such an approach may augment the existing R&D funding model in a way that directly links consumers with food production and externalities without a further drain on consolidated revenue or growers own capacity to pay.

Thank you for the opportunity to provide comments to the Inquiry. We would welcome an opportunity to discuss our response with the Inquiry at any time.

Yours sincerely,

Bryan Clark
Industry Development Manager