

Low Rainfall Farming Systems Groups Submission to Productivity Commission Draft Report

The Low Rainfall Farming Systems groups (LRFS) are pleased to have the opportunity to respond to the Productivity Commission's draft report into the Australian Government Research and Development Corporations Model. The groups have already lodged a submission to the commission with the initial call. Dr Nigel Wilhelm presented to the commission on behalf of the groups at the Adelaide public hearing. This submission summarises responses by the groups to the draft report and also to points raised in the public hearing.

We welcome the recommendation that the current RDC model be retained. Farmer groups have very good working relations with those RDCs relevant to their member businesses and, while they acknowledge that all systems can be improved, they also believe the current model is quite effective for them.

We also accept that the creation of a new RDC (Rural Research Australia) may have some merit to deal specifically with natural resource and public good issues. However, our concerns are that its success will be very much dependent on how it is set up, its terms of reference and how well it interacts with the existing RDCs. It will always be on the "back foot" in respect to having no immediate audience or supporter base, in contrast to the industry based RDCs. It is our position that this RRA, if it is to come into being, should not be funded from resources redirected from existing RDCs.

We also believe that there is a good case for expecting processors and marketers to be levied. We understand that for those organisations who can add value to primary products, there are market signals which feed back some benefits to the producers. However, we also submit that there are organisations which benefit from productivity gains but at the moment do not contribute levies or provide price "feedback". Grain storage and handling authorities are good examples. These are now private companies, who benefit from improvements in volume and quality made by the grains industry, but do not support R,D&E activities through a levy. Even in drought years, when volumes are well below optimum for their infrastructure, productivity gains made through R,D&E still lessen this blow.

A major thrust behind many of the recommendations in the draft report seems to be that the government should withdraw support from agricultural R,D&E because many developments provide private benefits. We believe that this should be seen as an advantage, not a weakness. Farmers are stewards of the land and, in that capacity, provide huge amounts of public good to local communities and to the nation as a whole. Uptake of improved natural resource management will always be faster and more extensive if the individual can realise benefits as well.

We believe that agriculture should be regarded as a special case. Agriculture is not just another sector of the economy - it produces food, a substance essential for life. We believe that it is in the nation's interest to have a productive and sustainable agricultural industry and that it is an essential investment by government to support agriculture through R,D&E; to continue to improve its sustainability and productivity. Yes, this will result in private benefits but also cause many public good impacts.

We know that agriculture faces many challenges into the future, many of them without precedent (eg climate change and diminishing finite resources such as fertilisers and energy).

In the face of this challenging future it is our belief that R,D&E efforts need to be increased, not rationalised nor decreased. While we understand and support that government contributions to industry RDCs could and should always be scrutinised, we believe that the current level of government support should be at least maintained, even if industry contributions need to be increased. Without increased activity in R,D&E we believe that agricultural viability and natural resource protection are very vulnerable as we move further into this uncertain future.

The implication in the report that if the government steps back by investing less in R,D&E that the private sector will fill the vacuum, is misplaced in our opinion and experience. The scale of Australian agriculture is too small and too diffuse to support anything more than a low level of private investment in R,D&E. This level is insufficient to maintain current productivity and sustainability and will rarely address the longer term goals that agriculture will need to meet to face future challenges (eg climate change, increasing costs of energy and inputs). Private sector R&D will always focus on more immediate issues which have short term commercial solutions. Farmer groups and consultants are filling some of the void left by retreating state governments in D&E but will never be able to replace that resource completely. A major weakness with both sectors in the R,D&E space is that most organisations do not have the capacity to adequately train and develop staff for future senior roles in the industry; historically this has been a vital function of the public sector. With the current infrastructure, it is hard to see where the next generation of innovative and experienced R,D&E practitioners will come from.

Increased proportion of industry funds in R,D&E will increase the volatility of resources (as the profitability of the industry fluctuates with seasons and markets). The government component dampens this volatility and provides some extra stability. This stability is essential when it is already extremely difficult to attract or keep competent practitioners in the sector. Agricultural development is already suffering from insufficient human resources- any less security will only exacerbate this dire situation.

FS groups are most effective when they are in partnership with scientific resources - they are too small and remote to develop such resources in house. Industry - with its focus on short term pressures and goals will never replace that scientific resource and infrastructure.