



Grain Industry Association of Western Australia

PO Box 645
Belmont WA 6984
Ph: **08 6272 4567**
Fax: 08 6272 4555
admin@agvivo.com.au

GIWA

26 November 2010

RESPONSE TO THE PRODUCTIVITY COMMISSION

Public Enquiry (draft report) into Rural Research & Development Corporations

The Grain Industry Association of Western Australia (**GIWA**) was established in 2008 to represent the interests of the grains industry across the supply chain. GIWA believes that continued and focused investment in R&D for the grain industry is vital for the future of the grain industry and for a sustainable future for Australia in general.

The grains industry is currently undergoing substantial structural reform while at the same time our farms are under increasing pressure to produce more food and fibre per hectare in order to be profitable. Concurrently most winter grain producing areas are subject to declining annual rainfall, increasing average temperature, changing Government policy and increasing social demand to know where food comes from, what is in it and how it is produced.

The increasing value of the Australian Dollar has also very significantly eroded the competitiveness and profitability of Australian primary producers and exporters.

We understand that our export competitors are considering copying our system of R&D funding to gain advantage for their rural industries. In addition the USA and Europe have for many years' significantly subsidised farmers to produce, whereas Australian farmers have received minimal assistance.

Rather than just reducing funding to the RDC's we urge the Commission to recommend that Government focus on alternative funding mechanisms to substitute for direct grants, perhaps through more efficient ways to apply tax concessions to increase results from research and to maintain research capacity in Australia. The main goal of research funding should be to build a more sustainable Australian agricultural sector not to save money.

Grain producers are relatively non competitive businesses who share information freely with neighbours and others in the industry. They rarely seek to research broad acre grain issues for their sole purpose. Forcing growers to fund their own research may result in benefits to only one farmer or a group of farmers who will increasingly not share results with others as they currently do.

In summary we agree with all except one of the Commissions recommendations. That is the recommendation to halve current Government Funding to RDC's over the next ten years. We restate that Government should have the objective of funding research that provides significant benefits and returns to Australia. Primary production is critical to Australia's future. We do not believe the Commission's report provides sufficient justification for this reduction given Australia's past and still significant rural production base.

We have provided comment on selected Key Findings and summary recommendations where we believe we can add value to the report as follows.

Draft Report Key Findings & Summary Recommendations

Key findings

“However, as the model is currently configured, a significant part of the Government’s funding contribution appears to have supported R&D that primary producers would have had sound financial reasons to fund themselves.”

“In terms of buying additional research, the Government’s contribution appears to have been of more limited value.”

GIWA agrees that primary producers should fund research and development and in fact they do this in substantial amounts, over and above the current levies they pay to RDC’s, by being active in many research projects and on overseeing committees. Farmers are arguably involved in many more projects on their properties than any other business sector in Australia. However primary producers do not have a capacity to fund long term research and maintain essential research capacity necessary to keep Australian agriculture as a world leader. This should be funded by Government.

“The Commission is therefore proposing two broad and inter-related changes to the current RDC model.”

A new, government-funded, RDC — Rural Research Australia (RRA) — should be created to sponsor broader rural research that is likely to be under-provided by industry-specific RDCs. The Government’s funding appropriation for RRA should be progressively built up to around \$50 million a year.

GIWA fully endorses the proposed RRA. We suggest that this body be additionally provided an ability / capacity to assess the effectiveness of investments and provide an overview of all RDC’s efforts so as to guide investments by each of the commodity specific RDCs. This could then provide the framework for data collection and program coordination outlined in the draft recommendations.

The RRA should be industry driven with one Government representative as proposed by the PC for each individual RDC. It could contain representatives of each individual commodity RDC and an equal number of independent industry representatives.

The industry-specific RDCs should focus predominantly on R&D of direct benefit to their levy payers — but with the cap on the Government’s funding contribution gradually reduced to half its current level over 10 years.

We agree with the first part of this conclusion. However we urge the Government not reduce investment in rural R&D just for the sake of saving money as our future as a nation could depend on it in the future as it has in the past. It also goes against the “Clever Country” ethos and similar objectives for Government to support Australia’s scientific and research capacity. It ignores Australia’s competitive advantage of natural resources (we have large areas of farm land that generally under produce) and obligations to sustainably produce food and fibre for the rest of the world.

The Government would be better served by having RDC's fund research that provides significant results rather than one with an artificial limit on research. The key is to implement the structural and operational components of this report that ensure that only research that produces significant results is funded.

For the first five years, the Government's total funding contribution to the RDC program would be broadly maintained. Though it would then decline somewhat, the still sizeable amount of public funding would be more in keeping with the likely benefits for the wider community from contributing to a program of this nature.

These changes should be supported by a new set of program principles, setting out the high level conditions that should attach to public funding for the RDCs and the obligations on the Government as a key stakeholder in the program. Some more specific changes should also be made, including to:

GIWA agrees with these two objectives provided the benefits to the wider community are fully assessed over time. It is easy for Governments who are elected for a very short three year term to lose sight of long term benefits to the community. Therefore in line with our response above we suggest that Government should increase funding if the long term benefits can be shown to increase during the next five year period.

The ability of less and less farmers to produce more and more food is a major reason why Australia enjoys such a high standard of living. New generations now appear to be more detached from the land than their parents. It is important that all Australians appreciate and support food security as an important national objective.

Other comments from draft report

The Commission's judgment is that removing the ability to collect compulsory industry levies would have a much more significant impact on the level of industry-specific rural R&D ultimately carried out, than a reduction in the Government's co-contribution

GIWA fully agrees with this statement. Compulsory contributions are the basis for research funding and therefore it is very important to retain this advantage to funding R&D in Australia.

Jon Slee

Chairman

Grain Industry Association of WA