



RDC Inquiry  
Productivity Commission  
LB2 Collins Street East  
Melbourne VIC 8003

26 November 2010

**Re: Response to Productivity Commission Draft Report – Rural Research and Development Corporations**

The North and Southern Australia Beef Research Councils (NABRC and SABRC) are key industry-agency forums charged with the responsibility of determining and advising on strategic requirements for RD&E (including education and training) activities in the Australian beef industry.

NABRC and SABRC act as the central consultative councils comprising all major northern and southern beef RD&E agencies and educational institutions (state and territory Departments of Primary Industries, CSIRO, Meat and Livestock Australia, Co-operative Research Centres and universities) and producer representatives from applicable states and territories (Appendix 2).

NABRC and SABRC have formal linkages to other industry organisations, including Cattle Council of Australia (CCA) and State Farm Organisations, and provide information and advice to support RD&E policy development by these prescribed bodies. Oversight of the activities of levy-funded service companies, including MLA's involvement in delivering the industry and government objectives defined in the *Meat Industry Strategic Plan* (MISP3), is the express responsibility of Peak Industry Councils (including CCA). As such, CCA has the overarching authority over MLA's strategic direction within the *National Beef Production RD&E Strategy*.

In an effort to foster greater collaboration and efficiency in RD&E efforts, as well as better leverage and integrate government and industry priorities in the red meat industry RD&E portfolio, it was recently agreed that SABRC's agency and producer representation will be broadened to provide complete and combined representative coverage for the Australia's southern beef and national sheepmeat sectors. In this new role, the Southern Australia Meat Research Council (SAMRC) will be designated primary responsibility in overseeing direct consultative input (from industry and service providers) to RD&E program proposals, as well as monitoring performance of endorsed programs against government and industry priorities identified in the *National Beef and Sheepmeat Production RD&E Strategies* (Appendix 1).

With that background in mind, the following comments are provided in response to a number of the PC's Draft Recommendations; they represent the combined views of the industry, RDC and RD&E agency members of SAMRC and NABRC.

Please do not hesitate to contact us should you require any clarification of these statements.

Yours sincerely

Brett Hall  
Chairman  
Southern Australia Beef Research Council

Ralph Shannon  
Chairman  
North Australia Beef Research Council

## Response to Draft Productivity Commission Recommendations

The following points are provided in response to the Productivity Commission's Draft Report on the Research and Development Corporation (RDC) model. These points are by no means comprehensive, and should be interpreted as additional to those already identified by individual SAMRC and NABRC members and member agencies.

**Key point one:** *the current RDC model is working well, providing a valuable mechanism to address critical financial, stewardship and social issues through an industry-government partnership.*

The Councils recognise that, while there are legitimate areas for improvement identified in operations across the RDC sector broadly, specific RDCs are already meeting or exceeding the "Principles to guide the future operation of the RDC program" (Box 2). Notwithstanding the need to ensure continuous improvement the operations of any RD&E services provider, we believe that to invoke wide-ranging changes to the RDC model fails to recognise the strong and transparent governance, priority setting and evaluation mechanisms some RDCs already have in place. As a key member agency on both SAMRC and NABRC, we are acutely familiar with these mechanisms for Meat and Livestock Australia (MLA) and would argue – vehemently – that the principles being sought by the broader RDC sector are already in place within MLA.

In addition to this, SAMRC and NABRC in themselves provide a forum through which industry and service provider representatives can provide direct input in defining priorities to be delivered through R&D; this role has been formally adopted to support the *National Beef and Sheepmeat RD&E Strategies* as a framework for delivering on both industry and government needs. As such, a mechanism now exists for the identification, consultation and prioritisation of industry issues, including collaborative mechanisms to align industry and government priorities and ensure the concurrent delivery of private-, industry- and public-good outcomes.

SAMRC and NABRC are strongly supportive of the *National Primary Industries RD&E Framework* as a formal and effective means of supporting investment partnerships between industry RDCs and government, in particular in the identification, investment and delivery of cross-sector RD&E issues.

**Key point two:** *Government-matched funding, including into productivity-based RD&E activities, provides a critical platform to encourage widespread investment into diverse R&D portfolios that deliver on short- and long-term industry and community needs.*

The geographical spread and demographical diversity of Australia's primary industries are unique and unparalleled in any other sector. With this comes at least two important considerations:

1. Beyond their personal objectives for financial longevity, primary producers have a role as stewards for environmental and animal welfare outcomes that cannot be overstated; and,
2. The multiplicities of their learning needs – compared to those of small/medium business counterparts in non-rural sectors - are exacerbated by the tyrannies of distance, an increasingly variable climate and sub-optimal access to infrastructure.

These key features impart important considerations for the design of primary industries RD&E portfolios, as well as the supporting mechanisms to co-fund them. There is a need for a mix of strategic and applied R&D activities, the variable success risks around which are not conducive to encouraging corporate investment. The outputs from such activities can realistically only be generated – and afforded - in a largely generic form; individual producers must then adapt and adopt these outputs for their own specific purposes, as defined by season, enterprise mix, skill level, aspirations, capital investment, etc.

While local adaptation of R&D outputs can be (and is increasingly) undertaken on a user-pays basis, the very long lag times between the original R&D investment and accrual of benefits at the farm level effectively means any payback is largely 'invisible' to individuals contemplating investment in the research phase. As such, the likelihood of private (individual or corporate) investment being increased in response to the withdrawal of government funding is minimal; this situation is exacerbated for those outputs which impart marginal or negligible benefit to the farming enterprise and/or business.

We would assume that any additional private investment would be focussed on those areas likely to yield highly-visible, rapid impacts, especially those derived through extension activities. As a mechanism to facilitate further private investment in this area, SAMRC and NABRC have supported the development of a number of formal

principles for co-investment in extension services. Ultimately developed for application across all SAMRC and NABRC RD&E member agencies, these principles are designed to underpin consistency in extension services across the red meat industry. The principles focus on fostering private sector investment in and/or delivery of extension services and the transition to a user-pays model for those services based on private-good outcomes.

**Key point three:** *The efficiency with which primary industries can deliver on public, industry and private good outcomes is contingent upon a robust and integrated public-industry-private "supply chain" of funding to support related RD&E.*

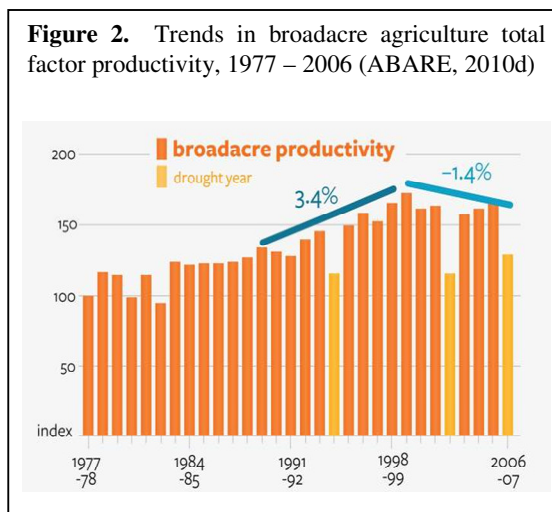
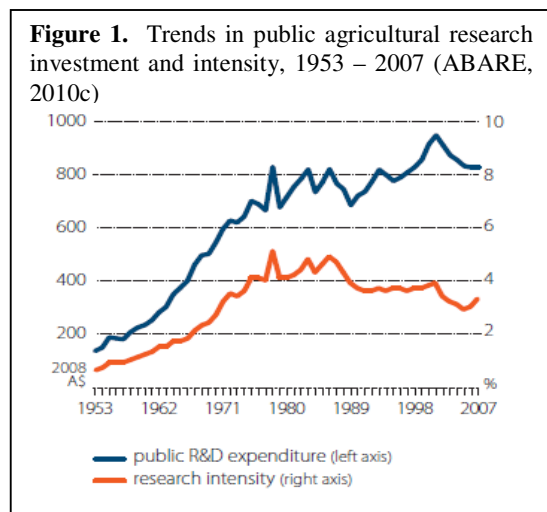
While all sectors are inherently exposed to externalities such as input costs and exchange rates fluctuations, the primary industries sector is uniquely and significantly exposed to the vagaries of climate and seasonal risk. This imparts an even greater reluctance in individuals to invest beyond their immediate sphere of influence.

In the case of Australia's broadacre grazing industries, while recent rainfalls across the eastern seaboard have provided one-in-ten-year relief to many areas, substantial parts of the western seaboard are in record drought. This polarised nature of seasons, along with the inevitability (and unpredictability) of other natural events (floods, fire, disease/pest epidemics, etc) in Australia, erodes the capacity of industry to single-handedly support R&D investment at any point in time. A producer facing successive years of seasonal adversity (such as the case has been over the last decade) is unlikely to be financially able to contribute (yet alone contemplate) increased investment in R&D, the outputs of which they may (or may not) realise in 10+ years time.

SAMRC and NABRC are vehemently opposed to any reduction in RD&E investment, be it from government, industry or agribusiness. The maintenance of baseline R&D expenditure, through a collaborative and mixed portfolio of government and industry investment, is a critical risk management strategy to deal with the unique challenges facing broadacre agriculture. The importance of public (government) contributions to this portfolio cannot be overstated as a key contributor to the maintenance of productivity levels essential for underpinning industry competitiveness (Figures 1 and 2).

SAMRC and NABRC believe that the withdrawal of funding contributions from any one contributing source (government or industry) will disproportionately erode the cost efficiency of the remaining investment, and the efficacy of remaining investors; this will subsequently and significantly reduce their capacity to deliver beyond short-term, industry-centric R&D needs. To that end, and notwithstanding some differences in industry structures and scale, the Councils draw attention to the New Zealand experience following the cessation of government-matched levy funding for R&D in the grazing (beef, wool, lamb) industries in 1998. Since that time, there has been only marginal "counter investment" arising from the private sector, with very little additional investment from levy contributions. The result has been a substantial contraction in R&D funding, as well as a significant reduction in extension capability to service those industries.

SAMRC and NABRC are therefore strong advocates for the maintenance of collaborative (industry and government) investment as a means of mitigating and/or spreading investment risk, maintaining the efficiency of collective funding and provide a solid platform from which to foster additional private sector investment. Moreover, we view the *National Primary Industries RD&E Framework* as providing a formal means of aligning (government and industry) priorities across RD&E investors; we believe this to be a rigorous mechanism for increasing the efficiency and efficacy with which such priorities are addressed, as well as means of ensuring the benefits of R&D investment are leveraged across and between on- and off-farm programs.



**Key point four:** *the achievement of public- and private-good outcomes must recognise that there intrinsic links between the two, especially in extending associated R&D to industry.*

The efficiency and efficacy of R&D investment is ultimately a function of the effective and timely adoption of the outputs of such investment; innovation is - by its nature - time-dependent, and only beneficial (for individuals, industry and the community) when effectively adopted.

SAMRC and NABRC therefore believe that any and all efforts should be made to ensure complementarity in extending R&D outputs that underpin private- or public-good outcomes. In practice, the two cannot be treated as mutually exclusive, as the extension process in itself relies on strong partnerships between government and industry service providers. Any competition in delivering public- or private-good outcomes will undermine the efficacy of one or both extension streams.

SAMRC and NABRC recognise there is some conjecture – including between individual member agencies - surrounding the establishment of a dedicated agency (“Rural Research Australia” - RRA) for generating R&D outputs of a public-good nature. Despite this, the Councils believe unanimously that the extension of the outputs of such research must be undertaken in a close and co-ordinated partnership between industry-specific RDCs, government and the private sector. Such a partnership is implicit in ensuring consistency in key extension messages and minimising competition between extension providers.

Again, SAMRC and NABRC believe that the *National Primary Industries RD&E Framework* provides a robust and formal mechanism for the alignment of public- and private-good R&D investments, including the integration of extension activities to deliver the outputs of these investments in an efficient and effective manner. The extension of public and private good outcomes to industry must not be mutually exclusive, and whichever mechanism is used (i.e. RRA or otherwise) to generate related R&D outputs, government investment in the area is imperative

## **References**

ABARE 2010, *Australian Lamb*: Financial performance of slaughter lamb producing farms, 2007–08 to 2009–10, 10.1, Canberra.

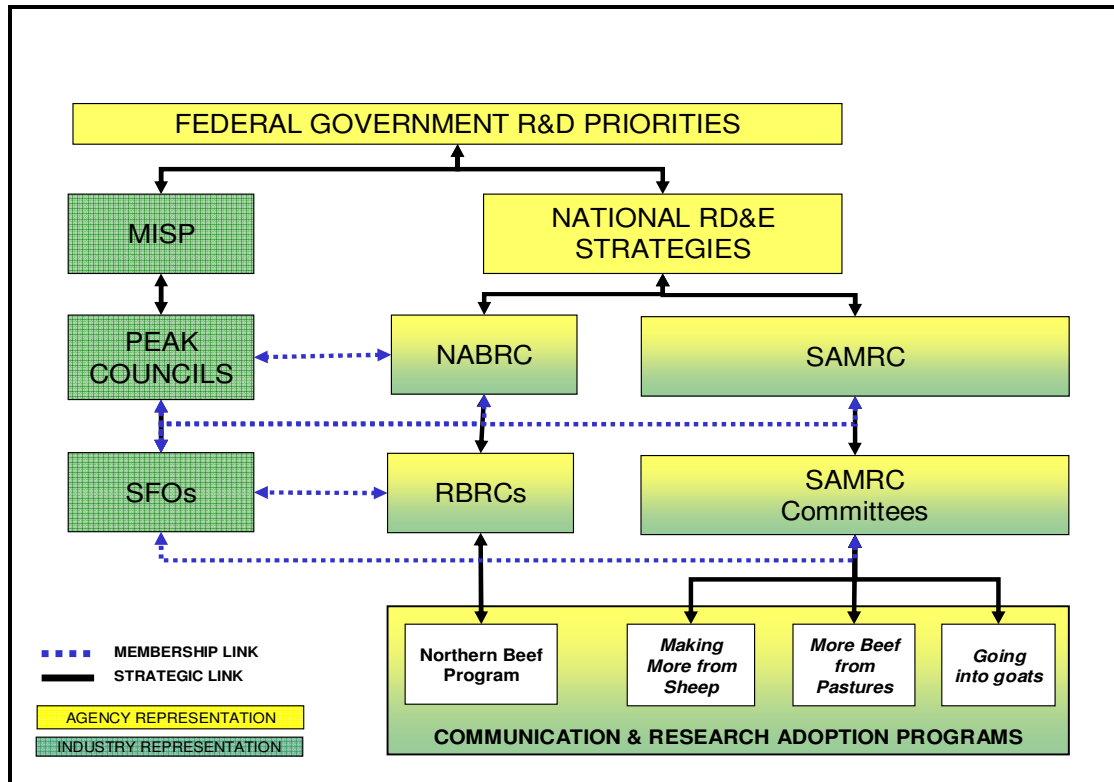
ABARE 2010, *Australian Beef*: Financial performance of beef cattle producing farms, 2007–08 to 2009–10, 10.1, June, Canberra.

ABARE 2010c, *Productivity growth: Trends, drivers and opportunities for broadacre and dairy industries*, Australian commodity statistics 2010, Vol. 17, Number 1, Canberra.

ABARE 2010d, *ABARE Outlook Conference*, 2-3 March 2010, Canberra.

## Appendix 1

Diagrammatical representation of the strategic relationships between the Southern Australia Meat and North Australia Beef Research Councils, including the mechanism for aligning priorities from the Meat Industry Strategic Plan, broader industry and federal and State Governments. These priorities are delivered to industry through industry-government communication and research adoption programs.



**Appendix 2. MEMBERSHIP OF THE SOUTHERN AND NORTH AUSTRALIA BEEF RESEARCH COUNCILS**

Southern Australia Beef Research Council			North Australia Beef Research Council		
Name	Organisation / Category	State	Name	Organisation / Category	State
Brett Hall	Producer (Chairman)	TAS	Ralph Shannon	Producer (Chairman)	QLD
Jon Wright	Producer	NSW	Cameron Hughes	Producer	QLD
Jen Munro	Producer	NSW	Andrew Gray	Producer	QLD
Craig Forsyth	Producer	WA	Chris Nott	Producer	NT
Chris Nixon	Producer	VIC	Di Sorley	Producer	NT
			Jamie Richardson	Producer	WA
Chris Prideaux	CSIRO	QLD	Michael DeLong	Producer	WA
Paul Greenwood	Beef CRC	NSW	Keith Holzwart	Producer	NT
John Webb Ware	University of Melbourne	VIC	Libby Homer	Producer	QLD
Steve Exton	NSW Industry & Investment	NSW	Roger Landsberg	Producer	QLD
Geoff Kroker	DPI Victoria	VIC	Dan Lynch	Producer	QLD
Ian Carmichael	Primary Industries Research South Australia	SA	Rob Jansen	Producer	QLD
Robin Thompson	Dept of Primary Industries, Parks, Water and Wildlife	TAS			
Sue-Ellen Shaw	Department of Agriculture and Food WA	WA	Peter Johnston	Dept of Employment, Economic Development and Innovation	QLD
Angus Hobson	Meat and Livestock Australia (Executive Officer)	NSW	Tim Schatz	Northern Territory Department of Resources	NT
Janine King	JK Connections (Secretariat)	QLD	Chris Chillcott	Department of Agriculture and Food WA	WA
			Dave Johnston	Beef CRC	NSW
			Michael D'Occhio	University of Queensland	QLD
			Lee Fitzpatrick	James Cook University	QLD
			Ed Charmley	CSIRO Livestock Industries	QLD
			Ian Watson	CSIRO Sustainable Ecosystems	QLD
			John Taylor	Rangelands Australia	QLD
			Wayne Hall	Meat and Livestock Australia	QLD
			Jackie Kyte	JK Connections (Secretariat)	QLD