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Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

Thank you for the opportunity to provide a submission on the Agricultural Competitiveness Green Paper.

The Rural Industries Research and Development Corporation (RIRDC) has a unique mandate in the rural research, development and extension (RD&E) system to act as the agency that discovers, incubates and grows new agricultural industries for Australia, and that invests in cross-sectoral research into a range of significant national rural issues. This submission builds on the information that RIRDC provided in response to the Issues Paper, and is focussed on the following areas:

- Strengthening the RD&E system (Policy Idea 20)
- Unlocking the potential of Northern Australia
- Increasing drought preparedness (Policy Idea 16 (c))
- Several other policy areas in which the RIRDC is investing to inform policy discussion.

Policy Idea 20 - Strengthening the RD&E system

Cross-sectoral R&D

RD&E feeds innovation in Australian agriculture. Innovation is what will allow Australian farmers to boost productivity and improve competitiveness into the future. RIRDC is pleased to see some recognition of the value of the RD&E system in the Green Paper, including an explicit commitment to the continuation of co-funded RD&E and to the basic architecture of the research & development corporation (RDC) model.

The sectoral focus of RDCs is powerful in generating research to meet the needs of individual industries. This is an important part of providing farmers with the tools and technologies they need to remain profitable and competitive. RIRDC manages research for over 50 industries and supports the continuation of a sectoral RDC structure.

However, we agree that the current system does not effectively deliver cross-cutting RD&E where the research is nationally significant but difficult to link to the priorities of individual industries. The cross-sectoral strategies under the RD&E Framework have improved coordination of work on some of these issues, however their ability to drive strategic investment has been limited.



In our experience, there are a number of institutional barriers that inhibit investment in cross-sectoral and national interest research. These include:

- Lack of authority to lead on cross-sectoral issues, including in the eyes of other RDCs
- Lack of agreement on the value of investing RDC money in cross-cutting issues
- Difficulties in justifying the investments to levy payers
- Difficulties establishing the process for progressing an issue
- Difficulties pooling funds for investment
- High transaction costs in developing collaborative cross-sectoral initiatives.

Tasking a single entity with responsibility for national interest cross-sectoral R&D would help to resolve the problem. In addition to clear authority, the entity would need an appropriate level of resources to design a strategic program of work that leverages investment at a sectoral level. It would need to work cooperatively with the government, industry and the other RDCs to identify the priorities and establish the appropriate models for delivery. This could range from improved coordination of existing work, through to full collaborative programs with funds invested centrally, rather than by individual RDCs. The types of issues that could be addressed include:

- systems which underpin sustainability and competitiveness of farmers, such as management of climate risks, water use efficiency, soil management, animal welfare standards, weed and pasture management and on-farm biosecurity
- trade policy, including an FTA with India and modelling North Asian FTAs
- understanding farm business performance and farm finance
- development of farm decision support tools
- future infrastructure needs, including roads, rail, ports, storage and dams
- energy use in agriculture
- extension models for primary industries
- leadership development
- workplace health and safety
- indigenous participation in rural industries
- improved access to agricultural and veterinary chemicals
- innovation and creativity practices.

RIRDC already has the legislative mandate and the experience to fill this role, although current funding would need to be supplemented. Whilst limited in scope (\$2 million out of an annual budget of \$20 million), our National Rural Issues program addresses issues such as:

- Horizon scanning for Australian rural industries, to identify trends for the next 20 years and inform strategic investments to ensure long term innovation, profitability and sustainability
- The international trade agenda, including technical market access and export assistance
- Price determination, including the distribution of prices and costs across the value chain for agricultural commodities
- The competitiveness of Australian agriculture in domestic and international markets
- Improved access to agricultural and veterinary chemicals for agricultural industries
- Potential for a domestic food Geographical Indications regime in Australia



- Studies to understand the current contribution of agriculture in particular regions and identify constraints and opportunities to future competitiveness.

Establishing a new entity is unnecessary. It would be administratively costly, and run counter to the government's policy on the establishment of new government bodies.

Decentralising agricultural research functions

The Green Paper suggests that decentralising agricultural research functions could strengthen the R&D system. RIRDC considers that decentralisation to be of limited value in terms of effectiveness and cost.

For RIRDC, there is no obvious region in which it should be located. The organisation manages R&D investments for over 50 different industries and there is no geographic concentration of the industry stakeholder base. Where one industry may benefit from co-location, others would likely be disadvantaged.

The delivery of our National Rural Issues program is also enhanced by being close to government agencies, the National Farmers Federation, other agricultural and rural based organisations in Canberra and several national research institutions. Decentralisation would make these linkages more difficult to maintain, and possibly reduce synergies and opportunities for collaboration across the R&D system. RIRDC's Canberra linkages are also highly valued by our stakeholders, many of which are new and developing and do not have the resources to establish and maintain their own networks. Our understanding is that there is limited support across RIRDC stakeholders for the idea of decentralisation.

While the long term effectiveness is the most important factor when assessing the value of decentralisation, it is worth noting the upfront costs of a move and the immediate impact on delivery of services. A move from Canberra would likely result in RIRDC losing most of its current staff. They are skilled individuals who would be very difficult to replace in the immediate term, significantly impacting on our ability to deliver existing research programs. There would be upfront costs associated with redundancy payments and new recruitment, as well as extra costs for fitting out new premises, breaking current leases, and extra travel to corporation stakeholders. With current core reserves of \$2.6 million, funds are not available for a relocation of a magnitude above this amount.

Given these costs, and the questionable long term value, we strongly recommend against decentralisation.

We do however see a significant opportunity for further sharing of back office functions with other RDCs. RIRDC already provides hosting and support services for project management software to two RDCs and is in discussion with another RDC in regard to sharing or merging some finance and administrative functions. RIRDC has also investigated co-locating with another RDC in Canberra when its current lease expires in 2015.

A recommendation to pursue shared services would be welcome and would help drive cost efficiencies across RDCs.

Unlocking the potential of Northern Australia

The potential of Northern Australia is mentioned in a number of places in the Green Paper, including the option of support for cross cutting research to unlock the possibilities for agriculture in this area. This need was identified by RIRDC and a number of other collaborators some time ago and was the driver behind the growNORTH initiative. growNORTH brings together a coordinated, collaborative, multidisciplinary 'northern-based' team to address many of the seemingly intractable issues facing northern development.



The vision is to deliver high impact research that lowers investment barriers and enables significant capital to flow to development in the north.

Rigorous early analysis will identify priority precincts for agricultural and other development. These precincts will sit where there is alignment between demand from international and domestic markets, supply chains, logistics and access to productive resources. Tailored business models will be designed and tested, with the aim of reducing investment risk and attracting capital flows. Technological innovation will be a focus, and regional assessments for land and water use planning will be completed to harmonise policy and regulation across jurisdictional boundaries and ensure that unique environment, biodiversity and cultural values are protected.

Momentum behind growNORTH continues to build. The three state governments, leading universities, CSIRO and RIRDC are all firmly on board. Ernst & Young recently joined the collaboration and discussions are continuing with a range of other potential corporate partners from Australia and overseas. The early support from the Australian Government has been very encouraging and we look forward to a more solid commitment in the very near future.

Policy idea 16 (c) – Increasing drought preparedness

The Green Paper discusses the importance of improved climate information and decision support tools to help farmers manage drought. RIRDC strongly supports this policy idea, although we note that while drought is a significant risk, farmers manage a much broader set of climate risks including heatwaves, significant rainfall events, frosts, bushfire conditions and variations in seasonal conditions generally. It would be useful to expand the commentary on information needs to reflect the fact that agriculture manages a range of climate risks, not just drought. This was the key finding of the Government review of drought policy in 1992.

In relation to policy idea 16 (c), significant improvements have been made in forecast accuracy, particularly in three to 10 day forecasts. Seven day forecasts in the southern hemisphere are now more accurate than three day forecasts were 30 years ago. These improvements are a major achievement given the complexity of global climate systems. However, many farm decisions are made on a seasonal timescale: a forecast period in which we have not seen the same degree of improvement. Improved accuracy at this time period would enhance the ability of farmers to make business decisions that either capitalise on, or minimise the impact of, the season ahead.

Several RDCs recognised the need for this type of information back in 1994 and have been investing in seasonal forecasting and farmer education under the Managing Climate Variability Program. The current annual budget for the program is \$1.3 million. This investment has delivered real improvements, which, combined with the Australian Government's recent funding for supercomputing will deliver better downscaled climate forecasts. However, the job is not yet done. Modelling nature is extremely challenging and further investments need to be made in the models which feed into Australia's forecasting system. Targeted research into known model biases could deliver a real change in seasonal forecast accuracy, with benefits to farmers and to the economy more broadly. Funding support from the Australian Government for this work should be considered.

As noted in the Green Paper, there is also a need for decision tools and farmer education around the use of climate forecasts. The need for coordination and more investment in this area was identified as a priority in a recent meeting of partners to the Climate Change Research Strategy for Primary Industries (CCRSPI). The



reality is that unless farmers are appropriately skilled in applying forecasts in farm business decisions, there will always be underutilised capacity in Australia's forecasting system.

As a first step, we need a more coordinated approach to existing activity. Alongside that, there needs to be an open discussion between the Australian Government, the state governments and the RDCs on roles and responsibilities in relation to forecasts and delivery of that information to farmers. The role of the private sector is also crucial, with a much clearer strategy developed for skilling farm advisors in the application of climate information on-farm. This is an issue that warrants discussion under COAG processes and consideration for investment under the Australian Government's \$100 million Rural R&D for Profit Program.

Other RIRDC investments

Workplace health and safety

Policy idea 4(b) relates to workplace health and safety regulation in Australia. Although there have been improvements in this area, in 2010-11, agriculture, fisheries and forestry collectively recorded the highest fatality rates of any industry in Australia. There were 17.64 deaths per 100,000 workers, nine times the overall fatality rate of 1.93 deaths per 100,000 workers¹. The need for effective regulations and a comprehensive education program must not be overlooked if we are to address what is an unacceptably high number of fatalities.

Nationally harmonised regulations continue to be a priority: firstly to increase regulatory effectiveness and secondly to reduce compliance costs. Jurisdictions have been working towards this goal for some time and there are Model Work Health and Safety Act and Regulations plus relevant Codes of Practice in place. However, as at May 2014, Victoria and Western Australia have yet to develop legislation based on the Model Act and Regulations.

In the absence of national harmonisation, RIRDC has been working to simplify the situation for farm businesses by providing state/territory information that can be used to improve their work health and safety systems and practices, regardless of their jurisdiction's status in relation to the Model Act and Regulations. This work is part of the collaborative Primary Industries Health and Safety Partnership program, which aims to support increasingly healthy, safe and productive working lives in the primary industries through investment in RD&E to drive sustainable improvements to work health and safety outcomes.

Collective bargaining

RIRDC is currently commissioning work on the uptake and effectiveness of collective bargaining in primary industries. The project is in response to signals from government and other stakeholders in this area.

There is a significant disparity in the level of market power within the agriculture industry and between sectors of the industry: between farmers and the processing, wholesale, distribution and retail sectors. Collective bargaining arrangements could help farmers increase their market power and their ability to influence prices. Although widely used in the dairy, chicken grower and plant breeder sectors, collective bargaining has not spread to other sectors of the agricultural industry. The RIRDC study will provide a snapshot of the current levels of application and identify factors which limit uptake. This work will be of

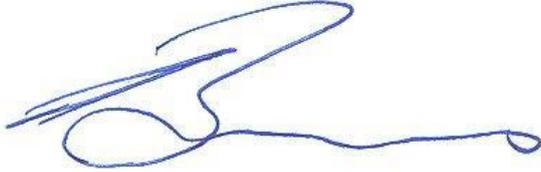
¹ Work-related Traumatic Injury Fatalities, Australia 2010-11, Safe Work Australia, 2012



interest to the government if it chooses to pursue policies around collective bargaining in its Competition Policy Review.

I would be happy to provide further information on this work, or any other aspect of this submission, at your convenience.

Yours sincerely



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