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**PRODUCTIVITY COMMISSION**

**INQUIRY INTO RURAL RESEARCH AND DEVELOPMENT  
CORPORATIONS**

**MR P. WEICKHARDT, Commissioner  
DR C. SAMSON, Associate Commissioner**

**TRANSCRIPT OF PROCEEDINGS**

**AT MILDURA ON TUESDAY, 30 NOVEMBER 2010, AT 10.28 AM**

**Continued from 25/11/10 in Perth**

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**MR WEICKHARDT:** Good morning, ladies and gentlemen. Welcome to the public hearings for the Productivity Commission's inquiry into rural research and development corporations. My name is Philip Weickhardt and I'm the presiding commissioner on this inquiry. With me is Dr Cliff Samson, associate commissioner.

The purpose of this round of hearings is to facilitate public scrutiny of the commission's work and to get comment and feedback on the draft report which was released in September. These are the final hearings in this round. We have already held hearings in Canberra, Melbourne, Tamworth, Brisbane, Hobart, Adelaide and Perth. Following these hearings, we'll be working towards completing a final report to the government in February 2011, having considered all the evidence presented at the hearings and in submissions, as well as other informal discussions.

Participants in the inquiry will automatically receive a copy of the final report once released by government, which may be up to 25 parliamentary sitting days after completion. We like to conduct all hearings in a reasonably informal manner, but I remind participants that a full transcript is being taken. For this reason, comments from the floor cannot be taken, but at the end of the proceedings for the day, I will provide an opportunity for any persons wishing to do so to make a brief presentation.

Participants are not required to take an oath, but should be truthful in their remarks. Participants are welcome to comment on the issues raised in other submissions. A transcript will be made available to participants and will be available from the commission's web site following the hearings. Submissions are also available on our web site. In terms of occupational health and safety, this room apparently does have an alarm. Somebody from the hotel staff will come here if the alarm is sounded, which apparently happens reasonably frequently, hopefully not during these hearings, but it does happen. The evacuation is out this door, out the front door and straight onto the grass on the other side of the road.

If you require any assistance today, please speak to Ian Gibbs, who is in the room at the back there. Ian is heading up the staff team on this inquiry. Finally, can I also ask the audience to please check that their mobile phones are either turned off or switched to silent mode. I'd now like to welcome our first participant, the Cattle Council of Australia. If you could please give your names, the capacity in which you're appearing and then over to you for an outline of what you've got to say, but assume we've read what you've sent us.

**MR VALLANCE (CCA):** Leonard Vallance, producer, representative for the Victorian Cattle Council of Australia.

**MR FRY (CCA):** Paul Fry, industry and policy analyst with the Cattle Council of Australia.

**MR WEICKHARDT:** Okay. Over to you.

**MR VALLANCE (CCA):** I'd like to introduce myself first, so you get an idea of where I - I have a property 140 kilometres south of Mildura, where my family produces beef cattle and cereal grain crops and I have been a member of the Cattle Council for some 11, 12 years. In that time, I have chaired the Southern Australia Beef Research Council for five years which played a pivotal role in program 2 of the current beef CRCs in the efficiency program and I have since that period of time chaired the Cattle Council R and D task force which oversees R and D programs with MLA. I've also been a member of the board of Mallee Sustainable Farming which is based in this city here which is a tri-state R and D group which manages R and D projects throughout the Mallee region of the cropping area. I'm also annually elected to the Victorian Farmers Federation Livestock Council and the executive member for Victoria for beef producers.

**MR WEICKHARDT:** It sounds like you've got a lot of hats.

**MR VALLANCE (CCA):** More importantly, I think, currently three of my four children, who have finished schooling or almost finished schooling, are all involved in agriculture and so I see a future in agriculture and where we go into the future. So that's basically the background of myself. We have a prepared statement which I'd read to the commission and go from there.

**MR WEICKHARDT:** Okay. Recognise, as I say, that we have read what you've sent us and we've got half an hour assigned to this, so leave us some time for a bit of dialogue.

**MR VALLANCE (CCA):** The Cattle Council welcomes this opportunity. There are some positives in the draft report, particularly recognising the value of the RDC model and making some sensible recommendations to improve governance of RDCs and streamline levy arrangements. Our concerns are with the recommendation to reduce the cap on government contribution to RDCs from .5 of 1 per cent to .25 of 1 per cent and the unintended consequences of this recommendation.

The matching funding contribution of government to eligible R and D activities is justified based on the market values associated with rural R and D and the spillover effects of R and D to regional development capacity and natural resource management. Government needs to look at the funding of rural R and D in a broader context and may actually need to increase funding to address some of the looming challenges facing Australian food security into the future, energy, land and water use, and the carbon management into the future of agriculture. Many of these issues around the scope of the draft report, market failures and the spillover effects of R and D have and will be covered by other submissions to this inquiry. Where we would like to focus our discussion as a peak body responsible for proposing levy

recommendations to the minister is the reaction of producers to this move. ABARE figures show that northern and southern production systems of beef, on average, are making a very modest return from beef production, yet producers are continually asked to put their hand in their pocket to fund industry and public good activities. The Cattle Council is concerned that if producers are asked to put their hand in their pocket again to fund research and development activity that government used to pay for, the reaction may not be positive.

Most recently, state governments have begun introducing property registration charges and buyer security levies. State governments are attempting to push regulatory burdens onto industry systems and dramatically increasing other charges, such as rates, vehicle registrations and other industry costs. Some of these charges the producer can do nothing about, there is no control. They do however have a say on how much levy they pay and they may choose not to pay this. Some of the unintended consequences of this have been mentioned in our submission and I understand in other submissions to the inquiry. We do see the logic in the commission thinking the private sector needs to pay more for high private benefit work and the public sector pay for public benefit, but we think it should be applied to the extension sector where the unintended consequences are avoided.

**MR WEICKHARDT:** Thank you.

**DR SAMSON:** Thanks for that. You gave some examples of the challenges that are faced in not just your industry, but I guess the rural sector in general; things like energy, land management, water, et cetera, et cetera. We'd be the first to agree with you that those are some of the challenges ahead. That was why in our thinking we came up with this notion of this Rural Research Australia body because we think as the current system stands with the 15 RDCs, you have a spectrum across that of engagement in those sorts of issues. There's some collaboration, but our view was not as much collaboration as was needed or that the government had been asking for. Hence, if you actually made those issues the remit of a separate body focused on that, we thought it would get the attention and the investment that that deserved. Do you have a view on that as a better way of addressing those genuine serious issues?

**MR VALLANCE (CCA):** In this region where I farm and live, the collaboration in particular with grains and livestock in research projects has been very good and it's been able to focus in on what needed to be done in this region for this regional production system. The case that comes to mind here is the Grain and Graze project, which has provided some really good outcomes, and Land and Water Australia were involved in that. So that project provided a very good regional output and a national output because it was a national program. So it fulfilled both roles there. I think it did very well. As a producer, an issue I have with having one large R and D group is that someone is going to be the poor cousin out of the mix and you tend not to get that really specific boring down in an industry of what needs to be done in that

particular industry. Something will get cut off the corner, as it were.

**DR SAMSON:** I think we would agree with you that that is a risk of creating a single entity to look at those issues, but I guess it's all a matter of judgment at the end of the day. We're hoping that if you have the right governance arrangements for a body like that that ensures that it is connected with the relevant industry sectors, that you would minimise the risk of that sort of poor cousin syndrome and on the plus side you wouldn't be getting either an inefficient duplication of effort on some of those big picture issues that you mentioned and also you might actually pick up some big picture issues that currently are underdone or not even being looked at at all. The Grain and Graze is a great example. I guess after 22 years of the model operating, good examples like that are perhaps fewer than one would hope, but that's not to belittle the success of things like - - -

**MR VALLANCE (CCA):** When Grain and Graze was running, I was actively involved with Mallee Sustainable Farming here in town and although the main investors in that program worked together quite well, the friction between them produced a better outcome for the producer. I felt it worked in favour of the rural sector because there was a certain amount of competition between them in rivalry, as it were, and I think that worked well, rather than having one group managing it running. You also had very specific people coming in from the livestock sector or the cropping sector or people out of Land and Water who had a very honed in, very specific knowledge of the industries and they could offer more to the argument in the to and fro of the designing of it and so forth and the outcomes. So I think it worked very well.

**DR SAMSON:** We would certainly agree with you. Whatever the vehicle for progressing those sorts of joint ventures, if there's not that connect between the industry and the RDC running it, you've got a real problem.

**MR VALLANCE (CCA):** One of the other issues that I'd like to bring up is the issue of public benefit from R and D. In this town - and I don't know whether you've been here before - but it's a very pleasant town to live in and there is a large professional fraternity here of various different pursuits. In this town, up until 10 years ago, it was not uncommon to be dusted out with dust storms and as a direct result of R and D which took place on the wheat fields and as a result of work with livestock, this town no longer suffers those dust storms. So the quality of life for the people that live in this town, the 50,000 or 60,000 people, and many of them have very little relationship to agriculture, have a much better quality of life.

The tourism industry that thrives in this town has benefited enormously from it and no-one has bothered to measure that quality of life that's come from that government investment in R and D on the farm. There's been a dramatic change in farming practices in the Mallee region as a result of the R and D and the adoption

rate in the Mallee would be almost over 90 per cent to direct drilling as a result. I would estimate that there would be close to 80 to 90 per cent of farms now have stock containment areas where they now remove livestock from their paddocks at the vulnerable times of the season when wind erosion can damage the paddocks.

So just in wind erosion alone, the broad community has benefited enormously without the other industries which have benefited, like the table grape industry, which export table grapes overseas and fresh fruit which is flown overseas to Asia to high value markets. Those crops no longer have dust on them and so it's added value to their crops as well. That's a complete non-target result which has benefited Australia enormously from government investment in R and D.

**MR WEICKHARDT:** Let me make a couple of comments and then I'll come to a question. The issue of public benefits versus private benefits has received a great deal of discussion during the hearings and I think there has been a bit of a misunderstanding. Some people have accused the commission of not understanding that most R and D done in this sector has a mixture of public and private benefits. We totally agree with that and indeed we think it is a good thing.

You, in your written notes, reproduced the table or the figure that we had of spillovers, and you expressed a legitimate concern about whether or not the outcomes of R and D that had no benefits to farmers would be actually applied or adopted. The table that we showed in that figure, or the circumstances we were trying to display, was that there are sometimes research projects which, when you take into account the actual cost of the research project and the risks associated with it, because no research is guaranteed, when you take all those into account, the incentives for a private investor to invest in them are negative, they are nonexistent. However, there are many such projects which once you have the results and you have demonstrated the results, even if the target was largely for a set of public benefits, the very fact that there are often coincidental private and public benefits means that once you have done the research you have paid for the cost of that - in this case maybe the government has paid for the cost of that. There may still be enough private incentives there for people to see, yes, there is a public benefit as well as a private benefit.

We were intent, during the preparation of the report, to try to focus our attention not so much on the mix of private versus public but on what we call additional versus non-additional research. Our thrust was to say to government, "You should be focusing on investing where the private sector definitely will not invest. That is the way you make a difference with our money, with our taxes. If you invest where the private sector have incentives to invest there is a chance that the private sector will embrace you and love you, but you are actually not buying any additional research." A number of people have quite rightly said it is difficult to anticipate the outcomes of research in advance, and we understand that. But that is the challenge, I think, when

government are thinking about how it wisely spends a limited amount of money.

So that was a comment I wanted to make. I'll come to my question now: in terms of the issues of whether or not farmers will invest more money if government pulls back a bit, we have the dilemma of an industry, and particularly your industry is, probably going through a very tough time; high Australian dollar, rain falling at inconvenient times, a lot of competition from Brazil and other places. So we understand profitability is low. But at the end of the day there is a demonstration that R and D has had some significant benefits in the past. The reaction of some people to the competitive threat we saw in the sugar industry, where the sugar industry have got together and they have said, "We can see the Brazilians getting more and more and more competitive. We are going to go out of business unless we actually catch them. The only way we are going to catch them is with a big investment in R and D." So they are actually trying to mount a case and get people to chip more money into R and D because of that competitive threat.

All this depends upon how confident people feel about the way the R and D is being invested and the outcomes that might occur. During the course of this inquiry we have heard conflicting feedback from the beef industry, and we are not having an inquiry into MLA, we are simply trying to look at what these signals say about the model. But I am interested that some people have said to us, "The outcomes of the work that MLA do are not very visible to us, therefore we lack confidence in spending more money with MLA." My question to you as a producer is, is your reaction that the industry is unlikely to spend more, because there is this uncertainty about how good, how visible, or how effective the investment is through MLA?

**MR VALLANCE (CCA):** To answer with confidence in the company, providing it was only 10 days ago that a vote was held at the company and 85 per cent of the shareholders voted to retain the company, I think any politician in this country would love to have that sort of response.

**MR WEICKHARDT:** Certainly.

**MR VALLANCE (CCA):** Of the remaining 15 per cent, it doesn't matter what sort of job you are doing, there will be, it is estimated, 8 or 10 per cent of the population that will hate you anyway.

**MR WEICKHARDT:** So this was a vote at the AGM?

**MR VALLANCE (CCA):** Yes.

**MR WEICKHARDT:** What was the vote for?

**MR VALLANCE (CCA):** There was a motion to decommission MLA, to wind the



company up because it was ineffective in what it was set out to do. 85 per cent of the members voted in favour of retaining the company in its current form, so I see that as a huge vote of confidence in the way the company is managed and the way the industry's funds are managed by MLA. Also with regard to on-farm effect of the research done by the livestock industry R and D groups, having been a chair of a regional R and D beef group, I would say the effect of that on the participants in my group has been profound. I have got two members who actually sold all of their breeding stock and brought new genetics as a result of what they gathered from MLA research.

**MR WEICKHARDT:** So if 85 per cent of people feel that way and if they feel that R and D genuinely is the only way that the industry is going to lift itself out of, based on your numbers, a woeful, unacceptable return on investment, I'm not sure, apart from love, what keeps motivating farmers in these circumstances.

**MR VALLANCE (CCA):** The issue I see, as a producer, at this point in time is that the beef industry is going through one of those awkward parts of the cycle: where we have had this Brazilian thing hanging over us; we have had disease in North America, Europe, and Asia, with mad cow disease and foot and mouth disease, which has affected consumption; the beef industry has to compete against the chicken meat industry as a protein source, so we are constantly dragged back to the cost of chicken meat protein in the food market, and our cost of production is higher than the chicken industry. The chicken industry overseas is not subject to the rigour that our industry is, with regard to health issues, and that adds a huge cost to our production systems here in this country and makes the profitability so much lower. You have also got the cost of labour overseas compared to Australian production systems. As a producer I see those as the two major issues that are impeding the beef industry at this point in time.

**MR WEICKHARDT:** The good news is not everyone wants to eat chicken all the time, speaking as one consumer.

**MR VALLANCE (CCA):** They don't, no.

**MR WEICKHARDT:** However, apart from labour costs and exchange rates, which you and I are not going to be able to change, does the beef industry see that their R and D, whether it is through new genetics or something like that, has a chance of changing the relative competitiveness of our industry, versus the South Americans, and therefore giving you a chance in this competitive world market of getting better economics than you have got at the moment? I know that people who are struggling can't afford a lot, but, if so, why wouldn't they say, "Goodness gracious me, to the extent that we can afford it, our salvation has got to be investing more in R and D rather than less"?

**MR VALLANCE (CCA):** It is a difficult - in our group, within VFF and the Cattle Council, we constantly have the discussion as to how much R and D is adopted on the farm. I know from my own personal operation that the limitations are capital and the cost of that capital too, because whatever changes you make to your operation, it costs money, substantial amounts of money and the interest attached to that, that servicing of that cost. Then you've also got the limitation of the people involved as to how they are able to adopt that R and D into their own production systems. I have a personal view that as farmers, we've not been terribly well trained in identifying how to adapt that information into our production systems and I see that as more of a problem than the cost of capital to make the changes. As producers, when you're sitting at your kitchen table and you're wondering what you should do next and make the next leap, it is sometimes very difficult to put things together, so that it actually functions as an operation. It's not always as simple as it may seem. It might seem like a simple thing to change your genetics, but that's a five-year program. So what do you do for the next five years?

Some people believe that you probably only get two opportunities to do that in your lifetime in genetics to reap the benefit from that change because the pipeline in beef production is so long, from changing genetics to getting the animals to market, so this lag time tends to drag on people changing rapidly, quickly, because of the perceived risk that's out there, and if you've already got an equity issue with your operation, it's going to limit you further still. Whether the government has a role to play in facilitating money lenders to be more proactive with adoption processes, I don't know, but it's certainly one of the limitations.

**DR SAMSON:** Thanks. In your latest submission to the inquiry, you reference and support the NFF's view that there's a bigger picture here about rural RD and E, that our inquiry is only looking at a part of that. We would acknowledge that, but obviously you'd appreciate that we are constrained by the terms of reference that are given to us. We do, however, try and look a bit outside our remit and would agree that there does seem to be lacking an overall sort of helicopter strategy for rural RD and E in the country, and certainly think that entities like DAFF, the Department of Agriculture, have got a role to play trying to pull some of that together.

The other thing we see as being a positive, potentially a very positive contribution in that regard, is the national RD and E framework and you reference that, and correct me I'm wrong, supportive but with just an air of caution, where that might lead us to. Could you comment on how you see that national RD and E framework potentially guiding some of the investments that the RDCs make?

**MR VALLANCE (CCA):** Would you like to have a crack? I'll have a break.

**MR FRY (CCA):** Certainly amongst the Cattle Council membership, there's support for the intent of the national RD and E strategies and the coordination of

resources and alignment of objectives is a good thing. Some of our members, not all of them, are concerned that some states might see it as an excuse to withdraw effort in RD and E, even though there is a commitment from the state agencies not to do so. In addition to that, the RD and E strategies for beef are looking at a more coordinated approach to extension which the Cattle Council is supportive of, and making sure that there's no crowding between the private and public sector delivery services for extension. We think there's a lot of value in that.

**DR SAMSON:** Has the Cattle Council been actively involved in formulating the strategy for your industry?

**MR FRY (CCA):** MLA has been strongly involved and they have been keeping us up to date at our regular meetings over the last couple of years.

**MR WEICKHARDT:** Can I ask one last quick one: you responded, thank you, to one of our information requests and that was the issue as to whether or not the boards of an RDC which were involved in levying for both marketing and R and D should have the ability, as do, for example, the board of AWI, to vary the amount spent between marketing and R and D. You suggested that you are uncomfortable about that. I guess I'm just interested in a quick reaction as to why this is so. You just talked about the fact that the IOCs go to an AGM every year. Presumably the levy payers have a pretty fair opportunity to communicate their lack of support or their support for the boards of an IOC at such meetings. Why is it that you trust the board of the IOC to invest in the right portfolio of research - as we said, research is a pretty risky investment anyway, you can waste a lot of money in research and you can make a lot of money in research - but why would you trust them, if you like, to make wise judgments about the portfolio of research they spend, but not to trust them to say, "This year, we've got an absolute winner of a project in research, so we'll spend a bit more money there," or, "We'll spend a bit less money on marketing"?

**MR VALLANCE (CCA):** I think the industry model that's there currently, Cattle Council and ALFA, the feedlotters, and the Sheepmeats Council tick off on the spend, as it were, annually, gives you a far greater pool of knowledge, where they think the industry should be and where it should go and I think the industry is quite comfortable with that formula at the moment. It's a good question, why don't we trust the board members. I think it just provides a greater depth of stability to the industry, that there are other people involved in making that decision.

I mean, the board has the opportunity to bring that to the peak councils and then the peak councils can discuss it amongst its shareholders and then come back with an answer. I think it provides that bit of stability so that it's not chopping and changing. On all boards, you have a change of mix of people, sometimes for good and sometimes for maybe not so good, and given the long-term investment in R and D and in marketing, the strategies are long term and therefore you need to have that

stability there and not have chopping and changing. I think in the beef industry with MLA, I think it has been very stable. Stability gives you a great deal of confidence over a period of time in an industry and that's what we need, stability. I think that's where we need to be.

**MR WEICKHARDT:** Okay, all right. Thank you very much indeed. Thanks for appearing and thanks for your written comments. We appreciate it.

**MR VALLANCE (CCA):** Thank you.

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**MR WEICKHARDT:** Okay. Our next participant is Citrus Australia. Welcome. If you could just give your names and the capacity in which you're appearing today, please, and then over to you to make a brief introduction to what you want to talk about.

**MS DAMIANI (CAL):** Thank you very much. Judith Damiani, CEO for Citrus Australia Ltd.

**MS CHAPMAN (CAL):** Tania Chapman, chair of Citrus Australia Ltd.

**MS DAMIANI (CAL):** Thank you for the opportunity to have a chat to you today about your draft report on the Rural Research and Development Corporations. Citrus Australia Ltd is a national peak industry body representing Australian citrus growers and is one of the largest horticulturists industries in Australia and certainly the largest export fresh fruit industry. We are the prescribed representative body by DAFF and we are an A-class shareholder of HAL. Overall, we are pleased to see such a strong case for retaining core elements of the RDC model, and, as a summary, we agree in principle with all the draft recommendations except for two of them.

Our first exceptions is to recommendation 6.1 in the draft recommendations, which is the establishment of a new RDC, Rural Research Australia. That's really only because we don't have enough detailed information into its role, its operations and funding sources, and we believe this is fraught with challenges if not considered fully. Our second exception is obviously to the intention to reduce matching contributions for statutory levies from .5 per cent to .25 per cent of an industry's GVP over 10 years.

What I'd like to do really is give you an example from our industry and paint a picture of how we are travelling as an industry and also how we invest in our research and development through HAL and other ways. I have presented a graph which shows our production levels over 10 years or so. If you have a look at the total production of citrus you can see that there's a declining trend where we used to produce between 700 and 800 thousand tonnes in the late 90s and early this decade to where we are this year, an extremely light crop of just over 500,000 tonnes.

There's a number of reasons for that, but really in the last five or six years water has been a major part of that effect, particularly where we have about 90 to 95 per cent of all Australian oranges grown in the Murray-Darling Basin area. So you can see the impact that the drought has on that. We have seen the biggest impact of the low water allocations, particularly in the Riverland area of South Australia where they have had quite a significant reduction of growers and also hectares of trees removed or left to go brown.

As well, the industry has been in the process of changing its varieties, from

growing lots of Valencia oranges for processing to growing fresh fruit varieties destined for export and the domestic markets, so Navel oranges and mandarins in particular. We forecast that our production will recover, now that the water is back, mainly focused on those varieties, and there has been quite a significant replanting of those varieties in the Sunraysia area and the Riverland area as well. Don't forget our Queensland growers, south-east Queensland has experienced water problems as well - not part of the Murray-Darling Basin, but they have experienced water problems, as all of South East Queensland has, but they grow about 65 per cent of Australia's mandarins and there's quite a significant amount of production to come out of that area as well.

The other significant thing that has happened to our industry in the last 10 years has been a fairly serious incursion of citrus canker in Emerald in Queensland. That eradication program saw the removal of 500,000 trees, all the commercial citrus trees in Emerald, all the backyard citrus trees and a range of host material. That happened from 2004. The eradication program has worked. It was very devastating to the local community and the local growers, but there's two growers now that have started replanting with citrus, and we hope that they have significant volumes coming onto the market by next year. So there's numerous impacts on industry that have impacted significantly enough for our production to go down.

I wanted to highlight to you that a lot of our national levies are based on production, on tonnages. Our trend for national levy programs has been declining. As you know, that really has caused the whole value of the program to decline even further, because our costs have increased, levies have increased as well; and there have been other costs that have to be increasingly borne by industry, such as fruit-fly management programs. I just wanted to paint that picture from our industry perspective of how difficult it is for us to manage with the small resources we have, then to be told yet again that we're going to have less resources with which to go forward.

We are very keen to look at our investment in R and D, and marketing as well - we have marketing levies for oranges; we are very keen to have a look at investment, how we can make more with what we have got, but also how we can increase our levies in the future. So in terms of Citrus Australia's three-year plan, we're certainly looking at consulting with levy payers in our industry on increasing the growers contribution. We are realistic about that and we understand that it's going to be challenging, but we are building the case. So we're taking our time to build the case and we are confident that we will be able to invest more into these programs. In terms of a reduction of government matching contribution to R and D, it certainly won't be a reason why growers will pay more. They won't be wanting to make up for that reduction, but they will be wanting to invest to get better value and to see more effective programs.

Because we have had a declining program, we have had a bit more time to have a think about the National Horticultural Research Network and their work and their initiative in trying to reduce duplication and increase collaboration amongst the research agencies, particularly the state based ones. We have worked with HAL to trial a similar concept, where we have a lead agency take over a part of the program, an R and D program, in the citrus pathology area, and that has been running for a couple of years now. In actual fact in the last couple of days the pathologists and extension people have gotten together here to discuss that program area and how they can work better together.

What I wanted to highlight was, despite the fact that we have put in extra resources to get them all together and to collaborate, it just seems like it's very difficult to get extra value out of that arrangement, and there's still a lot of criticism from within that group about how it's performing and how the lead agency itself is performing and communicating. So there's certainly a number of ways we can improve that. We're keen to look at those improvements and we're keen to see how the national framework will assist and how we can go forward.

The other thing I wanted to highlight is that our national agency, CSIRO has been our flagship partner, in terms of our national citrus breeding program, and has taken the decision to pull out of a lot of horticultural breeding programs. Our breeding program with CSIRO ends next December. So we've been having a big, hard think about what we do going forward, what are the alternatives and what do we do with the people that have been involved, that have developed skills and experience over a long time in the industry and the region and what is the future for citrus breeding in Australia as well, so how we tackle that very important part of our R and D program.

So we are looking at different options with CSIRO. We have been working through options and we are happy to keep working through with them. One of the options was even to continue the citrus breeding program with them, but fully costed out. It will basically take up three-quarters of our whole R and D program. So the cost is prohibitive for us to invest in the loan without the incline contribution from CSIRO, but I guess that just flags another area where government agencies are pulling out. I did pick up that in your report there's a perceived reduction of research agencies at the state level. It's not perceived in our industry; it's quite real. But not just state agencies, also the national agency, CSIRO. So we're certainly looking at how we can extract the best value with the program we have and how we can make better investment decisions going forward.

**MR WEICKHARDT:** We've got about another 10, 15 minutes, so leave some time so we can ask you some questions.

**MS DAMIANI (CAL):** Sure. I'll just touch on the main points. In terms of how we work with HAL - so let's focus on Horticulture Australia Ltd - we're an A-class shareholder of HAL and have been for a long time. We believe the arrangements work quite well within horticulture. It's a very diverse range of members and membership and issues and HAL does a fairly good job in trying to pull that together as best they can, but also work with individual industries and their needs.

In terms of the governance and administration issue, we support the establishment of a more independent director selection committee for HAL and I think that is in progress. So that's all been something that's been discussed with the members in HAL and have been put into arrangements with DAFF. So we look forward to that happening. In terms of the levy and review arrangements, a big area there is the voluntary contributions that HAL run. I notice that there's only two RDCs that have that arrangement: one is HAL and one is MLA.

For us it seems like it's always been part of what we do with research and development and it's certainly been a very important part for citrus in particular. We've got probably one of the biggest R and D programs in HAL, but half of that is through VC arrangements. What we are suggesting though is a review of those voluntary contribution arrangements because I think there are ways of improving the effectiveness and value of those research projects.

I believe that running a whole range of independent projects probably requires a lot more in terms of administration through HAL and I am not sure whether they have the same level of extension and industry adoption as the national levy program does. I think too in terms of just finding the right balance between a voluntary contribution project and levy project in terms of the totality of the program itself, it's quite challenging to place all those projects under a strategic plan. I'm not saying it's impossible. It does happen, but I think that is just something that we can look at improving, so how can we streamline that process so that all the projects that are run are run under a strategic plan and they are there to deliver outcomes that the industry wants.

But the biggest thing I can see is that the VC program takes value from the levy program by contributing to the cap. HAL has been bumping along the top of the cap for a while and I see that that is something that needs to be looked at. I haven't got the answers for you, but I'm certainly reporting a review of how that goes forward. Improving the levy system very much supports the work that you've done in terms of how we can improve the way that we set a levy, increase a levy, change a levy, strongly support the combination of R and D and marketing levies into one so we can maximise the flexibility and also looking at streamlining the whole levy process, so giving a time frame for when a proposal is submitted to when a levy is put in. All those things, I think, will significantly assist industries and the R and D system to better focus on the things that actually matter.



I have got a little point there about the LRS, that I believe that they have performed quite well in their obligation to report and review and I've said they're also quite approachable to individual inquiries and questions. That's not to say that there aren't ways of improving that part of it and there's always questions about the costs of collecting levies, I can assure you, from my board and levy payers, but I think that is probably not a very high priority. The last point I want to make is all about representation and communication. I just want to point out that there's been a claim that's been made on page 187 of the draft report that we, Citrus Australia, represent less than 30 per cent of the industry.

**MR WEICKHARDT:** It wasn't our claim. It was a quotation from somebody else.

**MS DAMIANI (CAL):** Yes, sorry. That was a claim by somebody else, by a third party, that we represent less than 30 per cent of the industry. Though I understand that is an issue, I don't think it's quite relevant to this inquiry and we were a bit disappointed to see that part in there, particularly as we're on the same page as references made to the wool industry. We would like to see in the final report that that is not represented in the same way that the issues in the beef or the wool industry are.

**MR WEICKHARDT:** We drew no connection between the two. I don't see any connection between the two. There was no attempt by us to make a connection between the two. But we were interested in the degree to which the current model, in a generic sense, provides the RDCs with industry input that is representative in industry and there's not dependent industry input. In some industries, not citrus and not MLA, there have been concerns that the industry body is so dependent on finances from the RDC, which are paid out as expenses, but where 90 per cent of your revenue comes from that direction, we would say it's hard to be independent and critical of the hand that feeds you.

So that was the issue that we were trying to traverse in that section of our report and we think it's a pretty important one. But if you say that you are confident you are representative and if you're confident you're not unduly dependent upon HAL for your revenues and expenses, then that is material to us and we would be interested to see that information.

**MS DAMIANI (CAL):** On those two issues, I might pass over to my chair, Tania, because Tania also sits on the industry advisory committee that recommends projects to HAL. We are very aware of the perceived conflict of interest when a prescribed industry body sits on the industry advisory committee of HAL and they have projects that come up which are their projects. So I'll pass over to Tania just to talk about that and how we're addressing that particular issue. On the other one about being dependent on the RDC for funding, I'm happy to provide you with our financial

statements. You can compare them with the other peak industry body financial statements.

**MR WEICKHARDT:** I don't think we want to trawl through the financial statement, but if you told me roughly what percentage of your total revenues come from HAL, as opposed to from members or other directions, that would be interesting.

**MS DAMIANI (CAL):** 55 to 60 per cent come through projects, so whether they're HAL projects - which the majority are - sometimes we have other grants through DAFF which are currently running at the moment, so probably about 55 from HAL, probably another 5, 10 per cent from other sources and the rest is from voluntary membership fees, sponsorship, advertising, those kind of things.

**MR WEICKHARDT:** Okay. I think our concern at that level of funding would be still there. If half of your existence comes from HAL, can you be totally objective and critical of HAL and the way it performs for your industry?

**MS DAMIANI (CAL):** Okay. That is a good question but I think the way it's been presented in the draft report, I didn't interpret it that way, so I think - - -

**MR WEICKHARDT:** Okay.

**MS CHAPMAN (CAL):** In terms of the Industry Advisory Council, Citrus Australia has gone through the process of realising that because of the perceived conflict of interest of having the whole board, the peak industry board, as the IAC, so we've embarked down the path of bringing on some independent people as well, some of which also have specialised skills. One of the things that we went out there thinking was what is citrus lacking? How can we make our industry perform better? So we looked at some of the other industries that are doing good things. One of the first people that we have brought on board actually comes from the apple and pear industry. We thought some of the ways that they're doing marketing and looking at things was right timing for citrus.

One of our other newer members is an ex officio member who has technical skills in biosecurity. Citrus Australia sees that as probably one of the biggest issues going forward. Having recovered from one canker outbreak, we certainly don't think that it's gone, so we see that as another focus. So we are trying to get a blend. Citrus Australia also does have a skills based board. We have a blend of three independents and four growers nationally. So what we have done is we've kept what we believed to be the most needed and the strongest skills out of our board and taken them to the IAC with the independents.

In terms of Citrus Australia not being able to be critical of HAL's processes in

any way, when Citrus Australia applies for a project, we actually come under a lot more scrutiny than any other service provider, so I think we have to perform twice as hard to be able to get that funding back through to us. It's certainly not a given that just because it's got Citrus Australia's name on it that HAL will approve it. They actually asked for more information than we think they need at times, but we do understand the process.

**DR SAMSON:** Just a comment: you said right at the start that you broadly agree with a lot of what's in the draft report but the two areas where you disagree was the draft recommendation that the Australian government reduce its contribution and the establishment of RRA. On the RRA one, quite recently I think you said your reservations were based on sort of not a lot of detail in our draft report - a fair cop, I think - and indeed we did ask for input from people about what the remit of that organisation would be. We've certainly got a lot of input on that.

I guess just to share with you some of our thinking on the RRA, you mention in your industry that you've had two big hits, if you like, the water and the biosecurity, both the drought and the water allocations in the Murray-Darling Basin, and obviously the Emerald citrus canker issue. They're pretty good examples to me about what we're thinking with RRA because both R and D and the science of water usage and the whole area of biosecurity, obviously whilst both those areas have things that are very specific to different industries, there's also an awful amount of commonality in the underpinning basic science that goes there.

So really what we were saying with the RRA, we think at the moment, 20-plus years of operation of the common models shows, as I think you gave an example within your industry, this collaboration, this cooperation business is actually quite hard. For a whole range of reasons, it's hard, and 20 years of operation of this model leads us to conclude that there hasn't been the degree of collaboration and cooperation that investors in this system should reasonably expect and therefore on things like water, biosecurity, good examples, you've got a lot of duplication. You've even got some issues that should be taken up that haven't been because no particular industry is prepared to shoulder the cost. That really was the genesis of our thinking on this RRA, that you can ensure that you get that common basic underpinning work done in conjunction with all the other industries though and it actually frees you up to focus and get better value for your ever-decreasing investment dollar on the aspects of those national big-ticket items that are particular to their application to your industry. I accept in the draft report that at the time we wrote it, our thinking was it wasn't as mature perhaps as it is now, but that was the logic behind it.

Now, some people think the glass is half full, some think it's half empty on that, but honestly, having gone into this a lot, 20 years of operation of this model, people will point - and the Cattle Council guys gave a good example of a collaborative project. They are out there but after 20 years, there aren't as many of

them as we would expect to see.

**MS DAMIANI (CAL):** I would agree with everything you've just said. I think it is so important that we look at making research and development in this country a lot more effective and extract a lot more value than what we're getting. Though we are a big country, we're very small in terms of people and resources and I think we compare with countries just like New Zealand, who have very centralised research and they seem to be able to extract a lot more value than we are able, and I think it's because we've got so many competing interests in this country with the states and all those issues. I think that we do need to shake it up a little bit to improve it.

I would agree with everything you've said and I wouldn't discount RRA. It's just that I think we need to have more discussion about how it operates because by establishing another RDC, if you don't look at how it's going to operate and how it's going to tackle those big issues, it's not going to work. In terms of the biosecurity issue on that point, there is Plant Health Australia and Animal Health Australia and they are very much integral to biosecurity and plant health programs. I'm not sure whether we need RRA to do that.

We also have supported the CRC for plant biosecurity, so horticulture has, and we're part of that bid. So we are certainly very focused on driving that research in that area, but there are other means that we can do it. Now, whether they're all the right ones, I'm not sure, but that's what we've got at the moment. Whether RRA could come in and do some of that or part of that, I'm not sure how that would work. So I guess it's just about opening that up for more discussion before we say, "Let's fund it early next year."

You mentioned water, but I think the things that RRA could really look at and help - and this is what we struggle with and horticulture does struggle with - is the whole energy debate. The cost of carbon, carbon sequestration, changing climates, that is really tough. That's a really hard area and we struggle to get a grip of how we invest in that area. HAL has done a great job in trying to facilitate it with a stocktake and a bit of direction for us, but I think we need a bit more leadership in that area for agriculture.

**MR WEICKHARDT:** Can I ask two hopefully quick questions. The first one is the voluntary contribution; you've suggested there are some issues about a voluntary contribution and the concerns you've got about it. One of the issues we've got a concern about is the degree to which, if you like, projects funded through the voluntary contribution are to the benefit of a specific firm that might have put that money up or to the extent that those benefits flow through to the whole industry, so I would be interested in your comment on that. A quick comment: we had somebody come along to the public hearings in South Australia, an academic from the University of Adelaide, who was extremely concerned that so far as he was

concerned HAL had significantly cut back on the funding and the open call of projects across the board in a whole range of areas, and we were a bit mystified as to why this was so. Have you got any evidence that HAL have chopped back on investing in direct research through the universities at all?

**MS DAMIANI (CAL):** The first question was the benefits of individual enterprises versus industry good from voluntary contributions. I think it depends on the type of project that is funded through voluntary contributions. What we have seen in our industry is, because a national levy program has been in decline, a lot of projects that would have been funded that way have been pushed out to voluntary contributions. So it has been a very good opportunity for us to continue some work through voluntary contributions because of that reason. If you have a look at our projects in the VC area, there will be a lot of industry-type projects that are funded that way.

**MR WEICKHARDT:** Are these widely funded by multiple entities or do they tend to be mainly a couple of big companies that have funded these?

**MS DAMIANI (CAL):** No, a lot of them are industry organisations, so a lot of citrus industry - - -

**MR WEICKHARDT:** So they pass the hat around among a whole series of growers?

**MS DAMIANI (CAL):** No, they have their own funding. In our industry we have a lot of levels of structure and one of the reasons why we have tried to move away from that federated structure is to streamline things. So in our industry, probably unlike a lot of other horticultural industries, we have a lot of very well resourced industry organisations in the regions and the states and, in many cases, are state statutory authorities, so they have their own state levies. They collect state levies and they fund industry development, research and promotion-type areas. So very similar to what we do on a national level is done on a region or state level.

They tend to run a lot of the VC projects; they have got state levy funding that they can use to match. Have a look at the projects that are funded through particular firms, like private enterprises, those that are more closely associated with the industry - and I can just use one example: the largest packer and exporter in our industry is Mildura Fruit Company. They ran a VC project, a study tour, where they took some of their growers to Spain to have a look at the production practices over there and packing and marketing practices. They work very closely back with us in terms of promoting the findings. Even though there are benefits to the company and their suppliers, they are very happy to put the report in our industry magazine, give us copies of the DVD, even attend regional meetings and talk about what they've found. The closer the firm is with the industry, I think there are more benefits to the industry. But then there are some that have a bit more of a commercial nature, where

there is either a technology or an intellectual property that is funded, that maintains - fairly much closely involved with that project. So there is a wide range.

**MR WEICKHARDT:** Right.

**MS DAMIANI (CA):** I think the closer the company is with the industry, the better, in terms of extension and adoption. This is where I am saying the improvements could be within how that - there's a lot more linkages with those that put in VC projects and the industry plan, the R and D plan, so that those things can be more closely aligned. There are other things, where we look at harvesting technology. There is one particular project, a recent project, looking at improving our particular harvesting machine in Australia, which will have benefit just to that firm, I suppose, but also to the growers that might want to use that particular machine. Yes, so it does vary a lot.

**MR WEICKHARDT:** Okay. And the comment about HAL cutting back university funding and research?

**MS DAMIANI (CAL):** Yes, that's an interesting one. Looking at citrus R and D program, there are not a lot of projects that we run with universities. I think it has been something that is acknowledged as a little bit outside of the system, so to speak, and even within the National Horticultural Research Network it is really the state agencies and CSIRO. I don't think they include the universities into that loop, and I think we do have to make better use of other providers, other than the well established ones. I think you mentioned 20 years of operation of this model, and I think there are ways we can look outside of that. I know some people are even looking at providers outside of Australia, so how can other providers do the work for us, rather than just looking internally all the time.

**MS CHAPMAN (CAL):** It is probably worth noting there that, when you say an "open call", I know, for instance, in the citrus industry there has certainly been a reduction on our call-out there for new projects. That stems on from our reduced production. Because a lot of the projects, as you would be aware, are in the pipeline for three, maybe four years, we have got to the stage, at this point in time, where we are actually not calling for any new projects over the next 12 months, because we just do not have the dollars there for the resources, because they are already tied up in those pre-approved programs, so we need to wait a further 12 months. So on the citrus industry, yes, there is certainly a reduced call at the moment, but that is from production, not from anything that HAL has done.

**DR SAMSON:** Okay, thanks for that.

**MR WEICKHARDT:** We had better call it time. Appreciate you coming along, thanks for your input.

**MR WEICKHARDT:** We welcome our next participant, MLA, and if you could each individually please introduce your name and the capacity in which you are appearing, and then over to you to give us a brief synopsis of your lengthy written submission. Please don't read it all out. Assume we have read, if not every word, we have tried to digest.

**MR PALMER (MLA):** Thank you, commissioner. David Palmer is my name and I am the managing director of Meat and Livestock Australia.

**MS PITT (MLA):** Christine Pitt, I am a general manager at MLA.

**MR HALL (L):** And Cameron Hall, I am the chief executive officer of LiveCorp.

**MR PALMER (MLA):** Commissioner, we have got a short - and we have made even shorter, I hope - opening statement, and that will give us ample time for some questions, as you seek. First we want to thank you for the opportunity to present today. The three red meat and livestock RDCs, MLA, AMPC, and LiveCorp, have fully engaged with this inquiry into the RDC model. Each of us prepared initial submissions in the first round, and we have jointly submitted a response to the commissions draft report. We have also collaborated with other RDCs in the preparation of both of the Council of Chairs' submissions. We are also encouraged by the exceptional support we have received from our peak industry stakeholders throughout the course of this inquiry.

Many of our peak industry bodies have prepared their own submissions, which strongly support retention of the RDC model in continuing industry and government investment. A number of them have taken the time to appear before the commission, including the Cattle Council here today. Over the next thirty minutes or so we look forward to engaging with you on a number of critical issues we believe should be addressed prior to the preparation of the commission's final report. We are happy to answer questions regarding any points made in our submission. By way of opening this discussion, however, we would like to emphasise some key points. We want to state at the outset that the red meat and livestock RDCs view the government as a key stakeholder. We also welcome the commission's finding that the RDC model is fundamentally sound and that there is strong evidence that it provides a more effective and efficient mechanism to deliver both industry and public benefits. Further, we believe our rigorous governance structures, combined with our extensive consultation with industry and government have resulted in robust strategies and effective and efficient programs which are delivering positive and substantial benefits to our industry.

However, we are very concerned with the commission's draft recommendation that calls for the halving in the rate of government funding to RDCs. We believe this will have far-reaching and extremely negative impacts on both our industry and on

the broader community. On a more specific note, we see no justification for the creation of the proposed new RDC, Rural Research Australia, as we believe this will add costs and little value to the system. It will create confusion and duplication of the national RD and E framework and will impact negatively on industry engagement and adoption of outputs which our experience reinforces is critical if the public-good outcomes the government is looking for are to be delivered.

In conclusion, we understand the commission's concern to ensure that the rural R and D system delivers an appropriate return to government in terms of public benefit. We welcome constructive initiatives that will assist government to better articulate strategic priorities and outcomes to be delivered by the RDC model and we would like to elaborate on that later. Finally, commissioner, on perhaps a personal note, I'd finally like to add to that in 25 years of meat and livestock industry administration I believe we are collectively on the verge of an exciting era for Australia's food producers. Near Asian economies are expanding and with prosperity comes an appetite for good food.

Australia is superbly situated to cater for these consumers, but we need a continued partnership to optimally and sustainably develop and manage our land and water resources and this, on top of driving greater productivity at the enterprise level. Beef, by way of example, needs 2 per cent increased productivity annually and currently is running at about 1.4 per cent. Innovation and market access are our life blood and neither can be squandered. Thank you.

**MR WEICKHARDT:** Thank you. Let me say thank you for - sorry, did you want to say something too, Cameron?

**MR HALL (L):** I might just say something initially, commissioner, if that's okay.

**MR WEICKHARDT:** Sure.

**MR HALL (L):** Thank you for the opportunity to present and I would like to thank for the other red meat industry collaborating organisations in Meat and Livestock Australia and AMPC. I think the joint submission says a lot about our sector and its ability to collaborate effectively and efficiently across areas of common purpose whilst maintaining individual sector responsibility. This same collaboration approach is fostered and delivered through the existing structures for both R and D and marketing within the red meat and livestock industry and whilst we service different sectors and at times need to work independently on different outcomes, we have a history of consultation and collaboration that provides efficient and effective investment outcomes on behalf of both our respective levy payers and government alike. Between LiveCorp and MLA this extends to joint staff, planning and delivery and co-location within the international marketplaces that we service.



Reductions in R and D investments will not only result in significant industry impacts, but also on the broader community as well as in areas such as harvest mustering and less sustainable farming practices, particularly in Northern Australia, and losses of income profitability, potentially asset values and the ability to continue to invest in environmental improvements in regional and remote areas, including indigenous production. As David said, Australia has a major role to play in the future around regional and global food production and access, as evidenced by the commitment of the federal government just recently of \$1.8 billion through to 2015 in that regard.

The development of the national RD and E framework, while initially slow, has now provided a sound basis that engages all parties, funders, providers, researchers, extension and government at both state and federal levels to be able to constructively and collaboratively address industry-specific and cross-industry issues and priorities and we see this as a significant step forward and a substantial and tangible commitment to improving on one of the largest criticisms of the RDC model in the past which has been collaboration. Thank you.

**DR SAMSON:** Thanks very much for that and for the submissions that you made. One of the things that interests me in your most recent submission, you reference your belief that if the Australian government were to reduce its contribution to the system, this would cause further reduction in state government funding as well. Would you care to elaborate on why you have that view.

**MR PALMER (MLA):** Thanks, commissioner, if I might open and others may wish to add to my comments. There is no question that the RDCs are an integral player in initiating but very much providing the resources for R and D that involves state administrations, particularly and even more emphasised, I guess, now through the RD and E framework where the interdependencies, if you like, between RDC and state governments and other agencies is becoming even more pronounced. If there were diminished resources through the RDCs, it's certainly our view, and certainly my view, that the erosion at the state level will intensify.

There is good evidence now that something in the order of 1000 people have left state agriculture in the last 12 to 18 months. They are not being replaced. The average of extension officers is getting - we've got to be careful about ages here - but not getting to good levels.

**MR WEICKHARDT:** That reduction has occurred despite the fact that the RDCs haven't cut back during that period of time.

**MR PALMER (MLA):** That's correct. So that only, in my view, makes more certain - and we've got anecdotal and direct evidence that reduced outlays from RDCs will hasten that demise. But you're right, the 1000 have gone regardless. If

that's the circumstances under our current rates of resources, then one can only assume it will speed up.

**DR SAMSON:** In looking at that issue of the balance of public/private investment versus public/private benefit, logic led us to the view that the Australian government does perhaps more of the heavy lifting than it should but equally we are concerned in all our recommendations that there not be unintended negative consequences of those things and this issue of interrelationship between the RDC investment and state government investment is clearly an important issue.

**MR PALMER (MLA):** I think made more so recently with the RD and E framework. If I might say, Cliff, it was you that coined the phrase initially in your previous job about the centre of excellence and I know for myself and our company intuitively strongly believe in that concept and that's why we have got behind the framework. We work very closely with the states and Commonwealth, we have set up the co-investment strategy committee which is made up of all those parties, to give substance to the RD and E framework. We intuitively believe in it and how it can maximise diminishing resources.

**DR SAMSON:** Just on that issue and I think Cameron raised the issue of the national RD and E framework is an example where perhaps collectively you're embarking into an new era of more cooperation, more collaboration than in the past. One of the things that I'd appreciate your comment on, clearly one of the reasons why we came to the view that the notion of an RRA or something similar had merit - and these all are value judgments, but it's a judgment we have quite firmly come to, that if you look at the operation of the model over 20 years the level of cooperation and collaboration in some cross-sectoral areas, in our judgment, has been considerably less than you would hope to see.

There are great examples of cooperation and collaboration, but not as many as we would expect to see. So we are looking for and would welcome some sort of analysis that would give us some comfort that, without the injection of an RRA or some other vehicle to enhance that collaboration and cooperation, that it is going to happen. I mean, in the crudest terms, if people - not you - were to say to us, "Look, trust us, it will get better" - notwithstanding it hasn't for 20 years - I would find it personally very difficult to be persuaded by that. So we are genuinely looking for some arguments of substance to demonstrate that in going forward, on the issue of collaboration and cooperation, the world, with some degree of certainly, would be a better place than it has been.

**MR WEICKHARDT:** Can I piggyback on that before you go on and say that there is a sort of implication repeated a number of times in your submission that, "If only the government would tell us precisely what they wanted, then we could do more of it." Let me say, I think it would be a disaster if the government told you exactly what

they wanted, because governments don't have a good track record of actually being right in this sort of area. I have said a number of times that it's better for the government to be approximately right than precisely wrong.

If they have got some broad priorities that they think are important, what we were hoping is that a body that had one foot in the reality of what happens on the farm, through their connection with the existing RDCs but its mind on the government's broad priorities could interpret those and have a set of work programs in RRA that had relevance to the government's priorities but also had a good chance of eventually being adopted out in the farm. In answering Cliff's question, I'd like for you not to say, Well, if the government just told us what it wanted we could do more of it," because we don't see that as the answer, quite frankly.

The problem that we see now where Land and Water have gone is that the existing RDCs tend to be very focused on the priorities about which their levy payers scream. What we wanted was some body that was knowledgeable, thoughtful and could connect the government high level priority and translate those into relevant sets of programs and projects that eventually would be adopted but had a longer time frame than the sort of thing that goes on in many of the RDCs today. So if you can read those two points together - - -

**MR PALMER (MLA):** I'm worried we're going to get tangled here a bit. I'm going to have a crack at the bit about the government, development of their priorities. Then I'm going to ask Christine to touch on the RRA aspect, and also Cameron to touch upon some cross-sectoral references to which he can speak. On the matter of the government priorities, our view is that there is a greater capacity, greater outcome, of having industry and government work together to develop some of those priorities. If I might speak from my own experience, we will get a letter in February telling us what the priorities are. I think we would get a more optimal outcome if there was a little more collegiate, collaborative development of what that text is about.

I'm not asking to replace the government's priority-setting capacity, I just want to be part of it, and I think you get a better ownership, and with ownership comes commitment and implementation, and back out to the levy payers, and, in our case, 47,000 people who have willingly joined the company. We are in constant contact through emails and various other forms. There's a fabulous communication trail that sits there. I think with a company like MLA, with our consultative bodies - from Cattle Council, Sheepmeats to feedlotters, processors, and the whole labyrinth of communication that comes with it - that, if we could go arm in arm with government and passionately, as it were, articulate the priorities - with government blessing - you'd just get a terrific outcome. When it all boils down, we're all human; and if you believe in something and you have ownership of something, you get a much better outcome. Can I ask Christine to perhaps touch on the RRA issue?

**MS PITT (MLA):** Thanks, David. Just before I get to that, I think it would be fair to say that in our submission we're not necessarily disagreeing with the problem that you're trying to solve, I guess we have a different solution for it. We believe that the kind of things that we have put up - through the diagram that you may have seen in our submission - are really trying to address all of those key deficiencies that you've also identified. We have two points of difference. One is that we believe that the limitations in data, which you properly have identified, make it very difficult for any of us to truly know how much cross-sectoral work is being invested in and/or whether collaboration is being undertaken; and we'd separate the two issues, we don't like to use the words "cross-sectoral" and "collaboration" in the same breath necessarily.

We felt that there were a couple of pieces of evidence that you appeared to rely on where there were perhaps vested interests in claiming that there was a lack of cross-sectoral or collaboration; we quote one in our submission - and I'm quite happy to refer to it, if you like - where a proponent is suggesting that RDCs that are not good at cross-sectoral or collaboration work were perhaps a party that had hoped to benefit by the way that you would frame your recommendations. As it turned out, they didn't; but, nevertheless, those sorts of comments were made. So the first point we wanted to make is that we're not as convinced as you perhaps that there is overwhelming evidence that there isn't already a very substantial level of cross-sectoral work and appropriate levels of investment. But we can't claim to say we know it's right, if I can put it that way.

We definitely agree with your recommendation that one of the key findings should be that this data could be much improved, so we of a single mind with you there. Going to the solution - assuming that everything can be improved - our main concern with the concept of Rural Research Australia is that it's really a one-size-fits-all model. We're not sure how you came to the conclusion that \$50 million was the right amount, although we accept that you're not absolutely convinced about that either. We're similarly not sure what the appropriate level of investment should be.

We definitely believe that there is evidence now emerging that the national RD and E framework can answer many of the concerns that you have and we would propose that this framework be given an opportunity, basically to prove its value in this way. We think there's lots of benefits - which we can go into - over an RRA that the national RD and E framework can satisfy. However, we are acknowledging that there needs to be some higher degrees of confidence that government could have. So in addition to that collaborative definition of the strategic priorities, to which David just referred, we are also proposing the concept of business plans being developed, that these business plans come out of those strategic priorities.

So we're not asking government to answer your question, commissioner, we're not asking government to specify, prescribe or tell us exactly what to do, we're asking just for the strategic priorities to be more clearly articulated through a consultative process and probably to be articulated more in the terms of outcomes, so some ideas about what the future would look like if these high-level priorities were delivered; once again, not prescriptive.

The business plans would then take those priorities and turn them into a much more considered plan - which we see as an iterative process - and the minister, or whatever is the appropriate body in government, would then approve those business plans; then, depending on the particular circumstance, the appropriate structural arrangement would then be put in place. We think national RD and E strategies would serve a lot of that purpose. We think RDCs can continue to lead some of those cross-sectoral areas, as we currently do. I know you've had a proposal put to you, which we support, from the Council of Chairs that perhaps RIRDC could take a slightly greater role in some of these areas. So we think it's not a one size fits all, rather than a fundamental difference that we have in terms of your RRA and we just think that there are additional costs that are just not warranted. It might lend itself to more duplication, rather than less, and certainly it will disassociate those strategies from industry, even if we try to collaborate well with that one body.

The other thing that I just wanted to draw to your attention in our thoughts on this whole area of cross-sectoral, we do make a distinction between the cross-sectoral work, which we think is the majority, that has both this public and private good benefit which we are all in agreement from - I've heard you reinforce that this morning - versus what might be a smaller, but not unimportant portfolio of what might be called purely public good. I'm not sure if you can make that distinction, but we think that there may well be some areas that you would argue would be purely public good.

We've tried to imagine that as being where government policy is the main audience or recipient and so we've proposed that it may well be that there is a need to hive off a small amount, but specific amount of government-only funding that probably is inappropriate to expect industry to co-invest in that area. We haven't tried to be too prescriptive, but we've proposed that RIRDC, once again, could lead some of those, as they do currently. We know Fisheries do work in this area and your recommendation is that they continue to do that with their existing funding. We've suggested maybe you could look at ABARE or BRS or another suitable agency that has the kind of capability, without duplicating or creating new ones, and that possibly that \$12 million that was lost to this rural R and D system when Land and Water Australia was disbanded could be reinvested back through that kind of vehicle.

**MR HALL (L):** Thanks, Christine. I think, Cliff, if I may, one of the questions that

you posed was that there is a need to not rely or to move away from relying on being told that, "It will be right". I think there's strong evidence that we are already moving away from "It will be right" through the development of the RD and E framework. Certainly one part of that in the cross-sectoral strategy that I've been involved in with animal welfare is one that probably three or four years ago we wouldn't have believed that the opportunities that we're now seeing were there. It has been a substantial change in mind-set from both the RDCs themselves, from our peak councils, from our levy payers and funders that now - really believe that there is strong advantage in working - whilst we may work with sheep, cattle and goats, but the fundamentals around welfare, the fundamentals around consumer impact of welfare, the fundamentals around developing the capacity and capability of animal welfare research and capability is important enough that we will cross-invest with other organisations, whether that be from the pork industry, dairy industry, chicken industry and other industries that we otherwise may have no direct relationship with.

I think that's quite an important step forward right across. I see that - whilst I'm particularly involved in animal welfare, given we have a high need for animal welfare research, but they are things that I believe will be developed out of all of the cross-sectoral strategies.

**DR SAMSON:** To each of you, thank you. David, absolutely agree - and we saw as part of the role of an RRA or whatever very much working with the government. I think you're absolutely right, only by - I think at the moment up until recent times the RDCs have sort of passively sat back waiting for the government to tell them what they want. That hasn't happened and it won't happen till the government works with industry to develop those joint strategies. So we totally agree with that.

I guess part of the issue we've got - and I hear what you say, Christine, and that all makes sense - is that with any issue - we're dealing with 15 RDCs and almost on any issue there is a spectrum of response, enthusiasm, compliance, whatever word you want to use. We are constantly in the exercise balancing - not proposing to enforce some micromanaged draconian impost on the whole system to remedy some problem that has emerged in part of the system. The other side of the coin though, it is difficult when the sort of proposal that you're coming up with here, which I can understand the logic of, just the worry is that not all 14 of your colleagues would sign on to this with the same enthusiasm as you would. That's the sort of area - and I hear what you say, that there are examples and signs that things are improving, as it were. But there is still - and we have sat and listened to people from many RDCs and at times, I have to say personally, I've ended the conversation less convinced than perhaps you are that that voluntary collaboration would be forthcoming.

So that's the sort of - the issue that we struggle with. We don't want to make things worse, obviously. We want to leave the system in better shape than it is now. But it's that reliance on everybody in the system to do the logical and right thing.

There is still a degree of nervousness, certainly in my mind, that that would automatically occur.

**MS PITT (MLA):** If I could just make a comment. I think that the proposal to withdraw 50 to 60 million dollars from the existing RDCs and place it into an RRA doesn't sound like a voluntary solution at all.

**DR SAMSON:** No, exactly.

**MS PITT (MLA):** I guess what we're trying to do is find a more collaborative approach to achieving a similar outcome. As I suggested at the beginning, and I think you do as well, that none of us are really sure that 50 or 60 million dollars is the right amount. It might be too much, it might be too little. So our proposal, if you like, is trying to create a more formal structure than currently exists, there's no question about that, a more - sorry, a more formalised process than currently exists around defining not only - so taking those strategic priorities and elaborating them through what we're calling business plans - and we can debate that term, we're not wedded to it specifically - but certainly really having a robust and rigorous process that defines what is required and what the level of investment is required. So that's, I guess, the first thing that we're suggesting to add to your concern or to try and answer your question about what would be the right level of investment and how could we go about working out what it would be. So that's - and it would be done on a priority basis.

I think we've been quite subtle, because we're aware of some of our colleagues in the RDC family. We've actually used the words "the minister approves that level of investment". So we're not seeing this as a totally voluntary process going forward, if you like.

**MR PALMER (MLA):** Can I also just add though, Cliff - and I can't speak for all the other RDCs but I think there's a collective sort of community responsibility that the RDCs in partnership with the federal government in determining and assisting in these priorities and resourcing them accordingly and articulating the outcomes. So I - you know, I don't want to offend my fellow RDCs but to do otherwise is almost an abrogation of our responsibility.

**MR WEICKHARDT:** Can I ask you to help me explain and rationalise something? On the one hand I hear you saying, well, the work that has been done on the PISC framework actually will help the existing RDCs to really identify these cross-sectoral issues and do the collaborative work. Some of the work that we see as being truly additional - that is, work that probably doesn't have enough motivation for any one sector to do individually, where government funding, we think, has probably got to be an essential catalyst to get some of this work actually started - one person who has been heavily involved in driving this work on the RD and E

framework in Victorian DPI, Bruce Kefford, in our discussions with him and in their discussion have said that he sees an RRA structure as being absolutely important to pick up some of the cross-sectoral work that's been identified from that PISC framework work that really none of the RDCs will pick up, either individually or collectively themselves. So he's telling us on the one hand that this is almost an inevitable and important hole that's got to be filled as a result of the work that's been done by the framework and yet you're telling us that you don't believe that hole exists.

**MS PITT (MLA):** I guess our response would be - and I haven't spoken to Bruce about it recently - that structure follows strategy and that it's premature to assume that one RRA at whatever size or scope might be envisaged is going to automatically be the answer. So there's probably no doubt that as each of these - so there's seven, I think, cross-sectoral strategies as well as all of the sector based strategies - you know, the animal welfare one was only finalised in September 2010, so it's certainly premature to assume that we need one body to do whatever is not going to be picked up by those individual strategies. I guess what we're saying is that: here is a structure, we believe it's going to work, we believe there's a degree of formality that can be added to it. We've hinted at some ministerial sanctions perhaps as these business plans progressively get delivered, which they will be over the next 12 to 18 months. It may well be that some of them will identify that there isn't an existing structure, if you like, that is best suited to do the implementation of that particular strategy and that over time, it may well be that there's some sort of consolidation of that arrangement.

I know and you know that what we've proposed at the moment is that we've got an existing RDC in RIRDC who could well pick up those sorts of things. We just don't want to be prescriptive before we've got the strategies in place to say it's one place or it's multiple places. We're saying let the strategies emerge, let the structures that best suit those deliveries and outcomes become apparent. Use existing structures, because they're low cost, they've got existing capability, they're likely to be efficient and effective. Let that work its way through, put some formality behind it, and as things start to sort of fall off that bus, if that's the case - we don't think it probably will be - but if they do, then maybe in five years' time, we say there's a need for an RRA. I don't think so but it may well be that that's the time that we identify that need, rather than defaulting to that as the structure at the front end. That's really the difference in our proposition to yours.

**DR SAMSON:** Clearly you put a lot of importance on your alternative model to the RRA and I think, David, you've said that we would have seen the more detailed submission from the Council of Chairs on that sort of thing. Well, we haven't. I think I made it quite clear when I talked to the council in Canberra some time ago that the deadline for submissions and comments on the draft report was the 26th and was a real deadline, because we're on a fairly strict time line to deliver to the assistant



treasurer. Anything you can do to encourage your colleagues to submit this document would be appreciated because we - - -

**MS PITT (MLA):** Yes, I was actually referring to our model, not the joint one. I'm aware that you have spoken to them. I wasn't there but I thought that they had elaborated on that. My understanding is that they submitted their submission yesterday morning.

**DR SAMSON:** We haven't seen it.

**MS PITT (MLA):** I apologise for that. But when I was referring to our model, I was referring to the joint Red Meat and Livestock RDCs. I wasn't referring to the Council of Chairs model. I was referring to the diagram that you've got.

**DR SAMSON:** Which may or may not be different or the same.

**MS PITT (MLA):** Yes. It's quite similar. There's certainly no inconsistencies between them, so it's really focusing on looking at the strategies, looking at the business plans, evolving the appropriate structures according to the needs of those individual cross-sectoral strategies, accepting that over time, it may well be that those seven cross-sectoral strategies are not deemed to be sufficient and that new ones may emerge and that they could then either fall under the RD and E framework which envisages new strategies going forward and then as structures that are deficient become apparent with each of them, then they are picked up, as I said, primarily relying on existing frameworks that are in place.

**DR SAMSON:** Okay. We look forward to seeing it and hope we have time to read it.

**MR PALMER (MLA):** Yes, Christine is right, it certainly reflects the comments we've been making around the role for RIRDC. But I'll just step back for a moment and again reiterate, if we can get greater clarity around sort of roles and responsibilities at the RDC level, be more connected to this priority setting, out of which - you know, ordain, as it were, the appropriate council to join with others to undertake a specific task that we've all settled on and agreed to, and on occasions RIRDC would be the most suitable lead agency, I think that a lot will be improved. The building of the plan and the determination of the priorities done efficiently will set the die more effectively into the implementation phase, which I don't think has been as strong as it could have been in the past. I'm not critical, but I just think we can always improve. This plan-building, concept-building priority setting can be done more transparently, but in a more engaged framework.

**MR WEICKHARDT:** Can I change gear a bit. In your submission, you've commented on a number of our specific recommendations. One that you were silent

about, at least to my ability to read this document, was our recommendation 8.4 which talked about the option of a consensual appointment of a government director to each of the RDCs. I'll be interested if you've got any comment or reaction to that recommendation. The other is draft recommendation 8.6, you say that the red meat and livestock industry endorses the draft recommendation, which I'm pleased about. You then go on to say that all three RDCs have completed independent performance reviews. This is my inference from those words, but it sort of sounds like, "Well, we're already doing it, so it doesn't really apply to us." Perhaps we weren't clear enough, but the process we were recommending would be a change from the sort of process that you are going through at the moment.

First of all, the so-called independent reviews that the IOCs go through, as we understand it, involve you suggesting a reviewer, which admittedly I think you've got to get ministerial sign-off for, but you suggest the reviewer, you pay for the reviewer. I guess we were seeing a process more akin to the CRC process where somebody else appoints the reviewer. They appoint a scientific adviser and those reviewers look at some of the things that I don't think are covered at the moment, one of which is the scientific merit of the research that's being sponsored and the second issue that I particularly want you to comment on, which was a clause we inserted in there after some feedback from people - one party I think you'll immediately know - is about the transparency and the visibility of the research that's been sponsored and its availability to other researchers and to levy payers. Particular feedback has been given to us that some levy payers in your industry are concerned that some of the research that goes on in MLA is not particularly visible to them and they believe this is not appropriate. I have to say we have some sympathy with those concerns, if they're justified. So could you comment on those recommendations and your feedback, please.

**MR PALMER (MLA):** I can. I hope I get all the questions here. First up, the government director: we have pretty constant contact with the department at all sorts of levels. We have a routine consultative program with the department. We go right into the body of the annual operating plan, long before it's been signed off by the board. During the industry consultative process, the department is equally engaged. We have our own sort of go-to point, as it were, within the department. That's in addition to all the sort of ad hoc contacts that are maintained during the course of the year.

I don't feel that our engagement with the government and the department on a company basis would be significantly improved. If it could be, we'd have done something with the department in addition to what we already do, and probably it would be more effective than going to a government director.

**MR WEICKHARDT:** I hear that, David, as saying that you wouldn't take up the option. In other words, you wouldn't, if you like - speaking as MLA, if the option

was there and it's a mutually consensual appointment, I hear you saying, "We wouldn't actually probably say, 'Yes, let's do it,'" but do you have a problem with the option being available? That is - - -

**MR PALMER (MLA):** I have no problem with the option. I suppose, trying to pick a word in all this, I guess I'm sort of agnostic on the matter.

**MR WEICKHARDT:** Okay.

**MR PALMER (MLA):** But it doesn't rule it in or rule it out. But the link is critically important and I think we've got quite a good one at a management operating level. All of those contacts are routinely fed back into the board as it is, so it doesn't readily come to mind where it may add value, but I'm not ruling it out.

**DR SAMSON:** David, just on that issue, would you have a view - it seems to me, without actually counting the heads, virtually all the six statutory authorities or the majority at the very least have indicated one way or another they will take up that option, and again we've not asked everybody, but I guess what you said has mirrored what some other of the industry-owned companies have said to us, that they probably wouldn't take up the option. So there seems to be a split on that issue between - - -

**MR PALMER (MLA):** I don't think it's a split, I'm sorry, Cliff. I don't say it's a split on our part. There's bigger fish to fry. We've got bigger issues to worry about. I think it speaks to the culture of the organisation. Prior to MLA, we were two bodies of AMLA or the Meat Research Corporation and the AMLC, both statutory bodies, both with government representatives on the boards. We changed away from all that. We were, if you like, reinvented into MLA, an industry-owned organisation. I think with that, the culture of the place changed as well. Now, I'm not saying it's good or bad, but we just changed in a different direction. Now we have a very much more corporate style, skills based board, and I'm sort of struggling to reconcile today's arrangements with a bit of yesterday's involvement, hence my agnostic sort of feel about it.

**DR SAMSON:** Yes, and we're just genuinely trying to understand the dynamics.

**MR HALL (L):** If I may also speak a little bit about that, the structure of our board was really brought about and reviewed through the Keniry review and that brought significant changes to our board's structure with a majority of independent board members and we think that that works very well.

I guess part of the difficulty for us from a live export point of view is we engage on a regular basis with about 10 different parts of the department and there's not a week that goes by that we don't have some form of formal contact with one of the parts of the department. So we think that from our point of view, the best way to

feed into the various parts of the department is to have quite structured formal arrangements across the various areas and programs with which we work directly.

**DR SAMSON:** Okay, thanks for that.

**MR PALMER (MLA):** Just to finish off the questions, the Arche review, some of the recommendations - we refer to it affectionately as the Arche review - one of the criteria in our deed of agreement and review by government is that we must come up with a list of consultants that haven't previously been exposed or had anything to do with MLA. I don't want to make light of this, but there aren't many out there that haven't had some involvement with our company. So we pulled together a short list and even that, there were three or four consultants of some standing that hadn't previously been blessed with the contact of MLA, so we took that to the department and they were happy with that list. Then, yes, we did select, based on what we thought, you know, of competency and cost and value and benefit et cetera, but I will say that it's a jolly hard task to get a consultancy in the place - and they have got three months to completely dissect us and put us all back together again and provide something sensible and coherent to government - it is not an easy task. I mean, it was the first one I'd been exposed to and admittedly it was over the January, February, March break when the first body of the work was done. I think the independent external reviews, and based on this criteria of consultants that had a relationship with the company, I think is very sound and is one that wants to be continued and we strongly support it. I certainly do. But there are some logistical issues because of the sheer nature of the \$170 million company and 240 staff and all the tapestry around the world et cetera. You don't get to understand it overnight. But I just wanted to reiterate the selection process, how we pay and select. We do have a short list. They haven't previously had any business dealings with the company. It's quite a limiting exercise in terms of how you get to that final list.

Transparency of search results was another comment made a moment ago. The people who were behind those comments, it's a pity they couldn't have perhaps talked to us first, but this has not been their strong suit. They have unfortunately confused projects for contracts. Our system counts contracts and they refer to them as projects. We have some projects that might have hundreds of contracts - for instance, beef and pastures work - it's got something like 200. I think the sheep genetics work has got 185 contracts involved in one project, so there's a bit of a confusion in terminology.

Were we behind or do we have insufficient final reports on our web site? I think we could have done better and we have done better. We've now got 1033 final reports that went up over the last period of time. So that was a useful reminder about the putting of final reports up on the web site. However, our concentration had in the past been about taking technology for adoption in the field, and we wanted it to be measured, about the adoption and implementation of R and D results in the field and

having measurable quantifiable benefits to levy payers. We did see that, perhaps not consciously but we did certainly see that as being a more important criteria or a more important project, more important program, than simply writing up final reports to the web site, because final reports in the main are used as a platform or a foundation for further work with the ultimate goal of getting tools into the field suitable for levy payers. So whilst I acknowledge the importance of final reports and the need for them to be publicly available, I accept that, but our priority had been around getting tools implemented in the field with value to levy payers.

**MR WEICKHARDT:** Surely most of these reports would be provided by your research providers, wouldn't they?

**MR PALMER (MLA):** In the main, yes, correct. That's correct. But they have got to be formatted; we had some internal issues. We changed systems and various bits of pieces, so there's some formatting issues and getting them in the appropriate phase and stage to go up on to our web site and that's taken a considerable amount of resources.

**MR WEICKHARDT:** I guess the issue we were detecting concern about is if levy payers and the government are paying for this work, it ought to be visible to them. Researchers ought to publish work so that other researchers can build upon it and not duplicate it. Even a null result is an important outcome sometimes of research, so that other people know not to go down that track. I guess the other concern that people have expressed to us was the donor company arrangements that I know MLA have, some of this work may be bound up in confidentiality arrangements. Certainly we have had universities say to us that they have acute concerns that some RDCs come to them and say, "A condition of you doing this work is that it's not published," because it has got confidentiality aspects with a company that has supported it. So those are some of the issues about which were particularly worried - and one of the reasons why we had that recommendation - and which I'm trying to get to the bottom of.

**MS PITT (MLA):** If I could just comment on a couple of those. Certainly where research that we're engaged in delivers new scientific evidence, I can't think of an example, but I'd be happy to be corrected and take on notice, where we have prohibited the scientist from publishing in peer reviews. We actually like our research to get that kind of international recognition, and much of it has, as do some of our staff also publish in tier-1 credible peer-reviewed articles. So wherever it's appropriate, wherever it's possible, we're certainly making sure that the world scientists are benefiting from the investment. But, as I said, if you've got an example where you believe we haven't done that, I'd be happy to provide you with further information on it.

**MR WEICKHARDT:** Sorry, we're not fishing for it. I just want some

understanding that you're supportive of this concept.

**MS PITT (MLA):** Yes, we're very supportive of scientists being able to publish for the benefit of the community. We have a very strong ethos in MLA about building the scientific capability particularly of Australian scientists, and we know that peer-reviewed publication is something that gives them that kind of international status and credibility and enables them to, if you like, get a seat at a table internationally where we're going to benefit from that as well. So it's certainly part of what we do. In terms of the reports, I'm sure David, as the managing director, has given you a good enough answer there.

I guess what we're really trying to say is that often those final reports of individual contracts are building together to ultimately culminate in an outcome, which is what we call a "project", and every project that MLA undertakes is either a failure - and we, hopefully, communicate that, so that other people don't go down the same dry gully; or it's a success and we turn it into a tool or a technology or a body of knowledge, a guideline, a handbook, a workshop, there's so many different ways which that knowledge is distributed to the industry. All of those things are on our web site, but, unfortunately, some people don't have that experience that we have in understanding that, and they didn't come and ask us, so they weren't aware that in fact all of our projects eventually get onto our web site in that way.

Specifically in relation to the donor company, once again, there's some misunderstanding, or misinformation - I'm not sure, probably a bit of both. Certainly when we work on projects where we have co-investment from commercial partners, which we sometimes do through the donor company - it's not the only kind of work we do through the donor company - in those final reports they are willing to make available to MLA what you would call commercial-in-confidence information about their business, not about the project but about their business, and we need access to that; we do very detailed cost-benefit analyses, and we can only do that when we have made available to us this very commercial-in-confidence.

So those are the pieces of information that remain commercial-in-confidence, we guarantee that we're not going to reveal the very detailed financial data that comes to us through those projects. But none of our donor company projects of themselves are commercial-in-confidence. Sometimes we have exclusivity arrangements, the limit of that is two years. I would say that less than 2 per cent of our donor company projects have exclusivity arrangements. 98 per cent of them are made available during the research phase, and certainly on conclusion of the research.

We constantly write reports about them, run industry field days, demonstration sites, give update progress reports through AMPC when it's in relation to processes. So none of the donor company projects are commercial-in-confidence. Some of the

information included in the final reports will remain commercial-in-confidence, but, if you get the distinction, it's not about the project, it's about information that has been made available to us in order to better understand the project.

**MR WEICKHARDT:** Summarising that, even with those clauses that we have inserted in 8.6, you're supportive of - - -

**MS PITT (MLA):** Yes, we would be supportive. The only other comment I would just make would be the notion of a scientific adviser on scientific merit. I think that's not something on which we elaborated, but we'd be happy to if you felt that you would benefit from our thoughts on this. Two comments. The breadth of MLA's and AMPC and LiveCorp's portfolios go across many scientific disciplines. So it would be entirely impossible to imagine that you could have one scientific adviser, for example. I'm not sure if that's what you're proposing.

We gain access to scientific advisers in most of our programs, because we don't hold that expertise internally either. We have many of them around the world, not just in Australia, from whom we seek advice. So my only cautionary note to you is that it would be very difficult to find one scientific adviser who could give make a meaningful contribution to the scientific validity of our research across the entire portfolio. You'd have to focus in one or two years, if that's what you wanted to do.

Secondly, there's a lot more to delivering outcomes from R and D than just scientific merit and I think we have to be careful not to go back to, with respect, what is perhaps an old-world view of what R and D is, it's not only about scientific validity; it includes that, but it's so much more. So any kind of review I think needs to take a more contemporary view of innovation and how you actually deliver outcomes from R and D. I would suggest that there would be advisers in the whole range of areas, such as innovation systems, innovation capability building, as well as scientific merit. So I wouldn't limit myself to that area of expertise.

**MR WEICKHARDT:** I think, with respect, if people are trying to recreate perpetual motion machines and trying to deny the first law or second of thermodynamics they're wasting their time, and so there does need to be somebody who can sit back and say, "Quite frankly, that's a project that might have desirable outcomes but is a complete waste of time."

**MS PITT (MLA):** Absolutely, but you just need someone who has credible scientific skill in that particular area.

**MR WEICKHARDT:** Absolutely. You have acknowledged you don't inside your own organisation.

**MS PITT (MLA):** Yes, and that's why we rely on them as well.

**MR WEICKHARDT:** Yes. All right, thank you for that. The last question about reviews was that some people have said, "We're in favour of the review process but we don't like a three-year periodicity." You are involved at the moment I think in three years. Do you have any comment about how soon is too soon, or how late is too late?

**MR PALMER (MLA):** We discussed this internally and with some of the peak councils as well, and I've raised it with the department. We actually quite like to get in sync with the meat industry strategic plan, that's a five-year program; we're in the middle of one now, 2010 to 2015. If we were going to do something in the interim to get balance, that's fine, but it would be quite sensible, we thought, to get in sync with this five-year rolling meat industry strategic plan, from which we then develop our plans etcetera, so everything is in harmony, as it were. So that's a bit of our thinking.

**MR WEICKHARDT:** But there'd be two ways of getting in harmony of course: one would be to - - -

**MR PALMER (MLA):** Have an interim step.

**MR WEICKHARDT:** - - - make the strategic plan, say, of three years; and the other would be to make the assessment five years and coincide with the five-year plan. If you were redesigning this yourself - I accept the logic of having a sequence step of doing a review and then a strategic plan maybe a year later - what is the right periodicity, do you think, for the two?

**MR PALMER (MLA):** As I said, keeping in sync with the five years - - -

**MR WEICKHARDT:** Is five years the right number, is what I'm saying, for the strategic plan?

**MR PALMER (MLA):** I haven't thought this through very carefully, which is always dangerous, but if an RDC - and I'm not sure who judges all this, but I guess the minister and the department have a big role to play - is performing to expectations, then the frequency might be of that nature, as distinct from if an RDC is not complying with all that I just said, then perhaps the frequency might be more frequent. But in good management practice - through audits, for one thing - people are audited less frequently if they behave themselves, to be blunt.

**MR WEICKHARDT:** Okay.

**MR HALL (L):** Given until just recently we were the newest RDC - I think the initial one was just over two years - we have just completed a three-year review, and we have now just recently signed on to a statutory funding agreement for four years.



For a small organisation, the costs of those reviews are quite large, there is a significant time impost on the business, and we think they're extremely valuable to go through, but for us, in similar ways to what David spoke about, we have peak council structures as well and they tend to establish strategic plans around the meat industry strategic plan of five years. If we could find a way to sync those processes I think it would be positive, particularly for the red meat and livestock industry.

**MR WEICKHARDT:** Thank you.

**MR PALMER (MLA) :** I'm just conscious of time. 8.6, in a nutshell, we endorse, but mindful of all those remarks that are made. I think the Arche review was \$130,000 for us, so they're not insignificant amounts of money and I've also got to be mindful of the staff time that's devoted to all these things. But my parting comment on that one was don't underestimate the difficulties of an off the street consultancy having to dissect and dismember and put back together again a company of our size. I'm not bragging, but it's quite complex. The other comment I'd just like to make in near closing, if that's the case, is we've touched on many things, but we haven't touched on the 60 million that over 10 years is going to, in your draft report, evaporate from rural industries.

**MR WEICKHARDT:** It wasn't our recommendation that it evaporate. We were looking to the industry, if you read our report, stepping into that breach. I've read your words and I know that you push back, as you are rightfully able to do, as to whether or not our assumptions about what might happen are legitimate or not, but we were certainly not recommending a reduction in overall R and D spend; we were recommending a change of who spent the money.

**MR PALMER (MLA) :** Then it raises the issue about how do you fill that void and I have to say I'm not as confident as others might be that that void will be readily filled. The likes of the Cattle Council, the Sheep Meat Council, ALFA, other industry bodies, they would have the unenviable task of going to industry and selling the story in association with MLA and other RDCs, as the case may be, but selling the story to industry that our government partners have vacated the scene, that, "It will be all right. You just step up with another couple of bucks and it will all be okay." I think that's a tough ask, I have to say.

**MR WEICKHARDT:** From the mathematics in your report, you'd say to them, "Every dollar you invest in us, you get \$5 back eventually. Brothers, this is a great investment."

**MR PALMER (MLA) :** Made possible by the co-investment between government and industry, largely around the lag period of the return on that investment. Farmers will readily invest in a benefit that is visible, but something that might have a five or 10-year lag periods before payback is more challenging. The initial planning around

BREEDPLAN was first put together in 1957 and it started to take shape in Australia in the late 60s early 70s and it's really only in the last 10, 15 years that it's had some serious paybacks so that it's now delivering around \$18 million a year cumulative benefit to the beef industry. It's not reasonable to assume that farmers would readily dig deeper for a payback that was 10, 15, 20 years out.

**MR WEICKHARDT:** No. But your own assessments suggest that, on average, across your portfolio, you're getting 2:1 benefit-cost ratios after five years and five or so after 10 years and maybe 11 after 25 years. I accept that if every one of your pieces of research you had to wait 25 or 30 years for getting a payback, you wouldn't have many takers, but most people, if they were confident they were going to get twice as much money as they had put in after five years would invest in that.

**MR PALMER (MLA) :** I, for one, am not mad about taking that challenge up to go and sell that. Farmers will take a punt on buying land that might appreciate over five years, as you said, but that's a decision that they and they alone take. They're fully at risk as an enterprise. The matter of socially investing in long-range research where the benefits are not readily - I mean, the benefits are identifiable through CBA, there's no question, but when you get it all back to the enterprise level, which is, after all, where it all starts and therefore it must all finish, it's a more difficult challenge. I think that the Cattle Council and Sheepmeats and ALFA and other industry bodies will find it quite difficult and we would stand shoulder to shoulder, but we've just been through a levy review exercise in the marketing side and they're all 12 months, bang, finished and gone. We got a good result in that. We got a very good result. But we had over 100 meetings around Australia to sell the need to retain the \$5 levy and they weren't all great fun.

**MR WEICKHARDT:** So why is it that in the wool industry that goes out every three years and gets a vote actually now invest in R and D more than the matching government dollar, and the wool industry is not full of 100 per cent happy campers, from the information that we've received? So why does it work there and it wouldn't work at all in the industries that you represent?

**MR PALMER (MLA) :** I can't answer that. I think there's a cultural inclination in our industry that has locked us in quite successfully for a long, long time, .5 GVP, and the industry happily stumps up with its 92 cents in beef and a corresponding percentage in sheep meats. It's a culture of an industry which has been locked into a process over 20 years or more - at least 20 that I know of - whereas, in the wool industry, there's a different set of propositions that are put out every two or three years in their wool poll. I just think it's complex. It's just a cultural expectation and historical standards which are pretty strongly ingrained.

**MS PITT (MLA):** I think even if the levies were to increase, notwithstanding all those difficulties, the portfolio would change substantially so there would be no

question that we would be redirected into much shorter term applied R and D. We won't go into the public-private benefit debate again, because I know you're probably weary of it, but many of those public benefits that are accruing from what is now a very balanced portfolio across the continuum of strategic right through would be lost, we believe, as an unintended consequence to - - -

**MR WEICKHARDT:** I hear that, but, as I say, there's an interesting example right now in the sugar industry where the sugar industry significantly over-invests over and above the government matching moneys from a variety of different methods and the sugar industry collectively are saying, "We're going to go out of business unless we invest in some big deal-changing, longer-term blue-sky research." So, if anything, what they're doing is quite the contrary with their own money. So I accept that industries are different, but the behaviour that we're seeing and hearing is quite different too.

**MS PITT (MLA):** I agree and that's why one policy is probably not going to suit everybody.

**MR PALMER (MLA):** It's a good point because even within our own industry, a northern cattleman struggles to find something in common with a - I mean, there's a lot of differences within an industry.

**MR WEICKHARDT:** We have been exposed to some of those.

**MR PALMER (MLA):** So when you're trying to compare across industries, I think it's - - -

**MR WEICKHARDT:** We are out of time. One last question you didn't comment on was our information request for sanctions for organisations that might not be actually performing. You mentioned one of frequency of review, but did you have any other pearls of wisdom you could offer us?

**MR PALMER (MLA):** I rather arrogantly assume that we're not one of those problem children so we don't spend too much time thinking about it, but I think that frequency of review is one such mechanism and of course, given that in our case, our second largest stakeholder in MLA is the federal government and as the federal government, through the minister, wants to tell us to do something, I can assure you we do it. So I think there's sanction through the minister's office and then there's frequency of review. Our largest stakeholder is the grass fed cattle industry. I think we've got something like 14 streams of income and they all proportionately consulted and discussed and when MLA is not performing to the expectations of the Cattle Council, we hear about it pretty fast. We would assume - - -

**MR WEICKHARDT:** We were talking specifically here about the minister

looking after the public purse and you say you are responsive to the minister. I guess we were saying, "What happens if an RDC and particularly an IOC is completely unresponsive to the requests of the minister?"

**MR HALL (MLA):** There are requirements under the statutory funding agreements that are quite well set out with regards to the actions and I guess the potential punishments that can be put in place.

**MR PALMER (MLA):** The government collects the levies, so that's the ultimate sanction, I would have thought.

**DR SAMSON:** But it is a bit nuclear in its - a lot of innocent people suffer. The levy payers, the research providers get caught up in that particular punishment.

**MR PALMER (MLA):** I guess there's degrees of nuclear exchange here, but the ultimate sanction is you just shut the levies down and then there's all sorts of tailored solutions up to that point. That's at the discretion of the minister in this case. One of those right down the list is audit frequency. I guess then it's how government responds to those audit reports. I think it would be a terrible indictment on all our part if we got to a stage where you had to turn the levy off. We've all failed, including government.

**MR WEICKHARDT:** Absolutely.

**DR SAMSON:** I agree.

**MR WEICKHARDT:** Thank you very much indeed for appearing. Thank you for your submissions. We've benefited a great deal from those. Thank you very much indeed.

**MR PALMER (MLA):** Thank you, commissioner.

**MR WEICKHARDT:** We're going to adjourn now until 1.30.

(Luncheon adjournment)

**MR WEICKHARDT:** We'll resume the hearings. Our first participant after lunch is Mallee Sustainable Farming group. If you could please individually give your names and the capacity in which you're appearing today please.

**MR HASTINGS (MSF):** I'm Ian Hastings, the current chairmen of Mallee Sustainable Farming, and I farm at Ouyen in north-west Victoria.

**MR MAYNARD (MSF):** Jim Maynard, director of Mallee Sustainable Farming and I farm 30 kilometres east of Mildura in New South Wales.

**MR MOONEY (MSF):** Jim is the immediate past chairman of Mallee Sustainable, I might add.

**MR WEICKHARDT:** Just for the transcript, give your name.

**MR MOONEY (MSF):** Mike Mooney. I'm the executive manager of Mallee Sustainable Farming.

**MR WEICKHARDT:** Thank you. Over to you. We've received some notes from you. Thank you very much for those. If you can give us an introduction to the sort of themes and topics you want to cover.

**MR HASTINGS (MSF):** We've got about a four-pager here, which we're happy to present you with later. But if I was to read that out, it probably gives me an opportunity to highlight some points. Is that - - -

**MR WEICKHARDT:** We've got about half an hour, so recognise that the more time you take reading it out, the less time we've got to chat.

**MR HASTINGS (MSF):** Have they got a copy of this yet?

**MR WEICKHARDT:** Yes, we have.

**MR MOONEY (MSF):** The copy they've got is slightly different to what we've done since then, I suppose, but it's essentially the same, but there are some updates.

**MR WEICKHARDT:** I think if you can hit the high spots, probably that would be the most productive thing to do.

**MR HASTINGS (MSF):** Our position is that we do strongly support the current RDC model where it has joint funding both from industry and government. I have had a reasonably long association in the grain industry and I understand how the process works and I think at this point for anybody, any farmer who wants to get involved, it works quite well. There is ample opportunity for the farm community to

have a say in what's done and we believe that there is opportunity for plenty of benefit for the public as well as the private sector. Local decision-making input is vital and I believe that the process that is in place at the moment allows for that. Again, any farmer or anybody else who wants to have input has ample opportunity to do so.

I'm very much in favour of farmers' needs being the driver of the issues, rather than the product being the driver, so it is what is required by the farming community to be sustainable which has to have the utmost importance. The importance of continuing or even increasing R and D funding in the industry cannot be understated and I believe that very much so. I have advocated for a number of years that we should increase the spend, rather than decrease the spend. There are ample examples of issues which are going unresearched at this point in time, some of which may have substantial benefits. It is a good process to get a project up, but they just can't get every project up. There is a limit to what can be done.

In this region, as you will see, we have remained viable and we have in fact produced a large percentage of the grain grown in Victoria over the past 10 years, as compared to some of the "better areas" of Victoria, which have suffered far more severely under the adverse conditions of the last 10 years. We believe that it is in fact the result of the R and D in terms of direct drilling and stubble management and so on, which has allowed this part of the world to continue to improve. The joint funded R and D and E issues there are all reasonably well spelled out so I won't go into that. But, again, we would believe that the current system has the ability to provide improvements for natural resource management and sustainability in a region. We can only speak about our region.

The way that it works at the moment with the adoption of better practices, being direct drilling and continual cropping and things of that nature, we believe we are better protecting the natural resource. It was stated by a friend of mine just recently when he said that he often asks people about their impression of the Mallee in three words and what he's looking for is "dry, hot and dusty" and he said if you're correct, then we've actually removed the dust in the last 10 years with the improved practices which occur and that surely is a benefit to the public good when you think of it from that perspective. We maintain that it's difficult to identify improved farm practices which don't provide associated public good benefits. There are so many public good benefits that come out of everything that makes farming sustainable. We believe that that's really seen as an obvious one.

When it comes down to practice change, groups like ours, Mallee Sustainable Farming, play a vital role in driving practice change. Part of the reason behind that is the link that we do form with the growers. Whenever we have any gathering of growers, we always ask them what is it that we want done to improve their efficiency on their farm and we then attempt to build a project around their requirements. So

the way that we operate in Mallee Sustainable is that we always look for feedback from our farmer members and supporters. We have been very lucky over the past two or three years to have had a very good association with GRDC, both in the southern panel area and also the board, and we believe we have a very good communication relationship with GRDC, with both of those groups. Again, believe that we have ample access to driving practice change and driving the change in the way that the GRDC sets up its lines of business and its strategic direction.

One of our major concerns is the lesser achievement through the D and E part of RD and E. We really see that development and extension are the two areas that are not producing as well as the R part. The R part is so easy, in terms of it's easy to categorise it, it's relatively kept within four walls of a building or something of that nature; development and extension is the area where we are really concerned about sufficient money being spent and sufficient capacity. That has been done in the past, to an extent, by state governments. As they have withdrawn then we see that farming systems groups like our own are the obvious groups to step in and take that role, but we do not have the financial or other resources to do all of that as well as we would like, and that is where we are really concerned about a fall-down in the process.

Funding for groups of our sort is very, very difficult. To find funding to do the extra things is just so hard. In fact we struggle very severely, financially, to just manage to do what we have to do to keep our members happy. The farm business socioeconomic and adjustment areas are also of concern to us, in terms of the overall, and we are, like everybody else, I'm sure, watching with interest the trial program in WA, in terms of changing from EC funding to the other way that they intend to do it. We are really concerned about how that will impact on farmers' ability to take up development and extension on their properties. The focus may well change to trying to put things in place which will tie up spending aside from productivity improvements on properties.

**MR WEICKHARDT:** Sorry, you referred to a trial in WA?

**MR HASTINGS (MSF):** The trial of the removal of EC funding, and they are trying - - -

**MR WEICKHARDT:** Right, the drought relief funding.

**MR HASTINGS (MSF):** Yes, drought relief funding. It's one of the things that we just don't know what is going to happen there. Obviously it is a political issue and we don't know what the impacts are going to be if it is taken in. I have got a headline here, but it is really all about the same thing: "Of key importance in any consideration is who decides the research agenda," but, again, I have stated that, as far as we are concerned, we believe the system that is in place at the moment does work very well, allowing farmers' concerns to get through to the development of

projects which will alleviate those issues.

There is a case, we believe, to allow others to contribute via levies into the way that R and D is carried out, in terms of the grain - I should be specific, we are talking about the grain industry only; we are not looking at any other type of R and D. I believe that there is a case to allow others to become involved in the GRDC, for example, if that is how it is going to continue, and to have an opportunity to put funds into a particular project and realise a benefit from it. I really cannot understand why we can't - for example, one of the greatest issues in this region is the fact that the chemicals used for summertime spraying, for weed management under our conservation-type farming methods, are all biodegradable, which means the moment there is a speck of dust then you take away the effectiveness of the chemical.

It is an issue that is just so hard to get anybody's head around: how do you ensure that a biodegradable chemical gets onto a weed in a dusty environment? It's a really big question. Why don't we allow the chemical companies to buy into this argument and jointly do the research? To me it just doesn't make any sense. So often in the farming community we see farmers say, "Well, yes, I did the spraying last time. All the weeds are still growing in the wheel tracks, so I'll get the plough out and plough it." We just absolutely waste what we have previously gained. That is just an example of where I believe industry could become involved. But clearly, when you look at the marketeers, also there is a reason for them to put dollars in and get outcomes which are going to assist in the marketing of the product at the end.

One of the other things that we are concerned about is the shortage of expertise within the RD and E area and the fact that the programs currently are all on short-term three or five-year terms, and it is so hard for continuity of employment, if you like, when you are running on those sorts of things. I would assume that you have heard this story so many times before, where somebody gets to year two of the three-year program, starts looking for their next job and then, in some cases, doesn't even write up the final result of their previous thing, because they have got the next job. Somehow or other we have to change our process so that we have got long-term employment for those who are capable of being of value to our industry. At the moment I personally believe that is part of the reason we are not seeing extra graduates come into agriculture, because they cannot see the long-term employment available for them.

Collaboration between the RDCs has always been something that I've believed should take place. Whether it's forced or able to be done through collaboration is something that I'm not in a position to recommend, but it certainly is something that I think should be able to be done and may well alleviate some of the other concerns around duplication, because that certainly is one of the issues that government has a concern about. I'll leave it there. I think if we answer questions or talk about issues.



**MR WEICKHARDT:** Okay.

**DR SAMSON:** Thanks, Ian. Just a couple of things. We were over in the west recently and they are still very badly in drought. You know, on the eastern seaboard people are struggling with too much water. The current system has a three-year rolling average to calculate the government contribution to the R and D effort. Given what you have all experienced in the last 10 years or so, do you have a sense that three-year rolling average is still okay or would you contemplate looking at a longer-term rolling average, given the sort of seasons?

**MR HASTINGS (MSF):** I haven't given that a huge amount of thought, I must admit, Cliff, but it wasn't an issue that ever came up in the agropolitical role that I was involved in; it's not something that people were concerned about. I think there was a general belief that a three-year rolling average was sufficient, because if you take it out to 10 then it may well build up a substantial reserve or in fact drop down substantially over a period if you have two or three in a row that are good. I personally think the three years is probably sufficient. I can't see a problem with it.

**DR SAMSON:** One of the things I'm sure you did come across in your agropolitical endeavours over in the west is a very strong view that the level of expenditure on R and D should at least match the level of levy collection.

**MR HASTINGS (MSF):** From a region?

**DR SAMSON:** Yes, by region. A few people have said that to us, mainly located over in the west.

**MR HASTINGS (MSF):** Perhaps rather than answering that directly, I'll go back to when the south-west of Victoria was being developed and it was a high-rainfall zone and there was money put in from GRDC to research development of the grain industry down there, and at that point in time there was almost zero levy being collected out of that region, because most of the grain out of that region was being sold direct-to-farm as stock feed. Discussion took place at that time and everybody in the end decided that perhaps it was valid to allow development of an area without there being a levy collected from it.

If you take that same philosophy into the question you've just asked, then I believe that the system is set up so that if there is a need develops it can throw money into that, it doesn't necessarily have to keep the money in the region all the time. I am not an advocate of maintaining the money there just for the sake of maintaining the money there. I think we need to deal with issues rather than geographical areas.

**DR SAMSON:** Thanks.

**MR WEICKHARDT:** Ian, it would be helpful to me to get just a bit of education perspective. We heard in South Australia from the low rainfall collaboration project, Nigel Wilhelm presented there - - -

**MR HASTINGS (MSF):** I hope I'm not going to argue against that, because we are part of that collaboration.

**MR WEICKHARDT:** That's one question I had. Were you part of that group?

**MR HASTINGS (MSF):** Yes.

**MR WEICKHARDT:** The second was your relation to our next participant, the Birchip Cropping Group. Could you just put all that in perspective for me, please.

**MR HASTINGS (MSF):** I think we are all starting to realise that collaboration between groups with a similar requirement is the sensible way to go. In the past I certainly, from where I was at the time, saw that we were competing for funds, and was concerned about that. I have matured to realise that it is more a case that collaboration is going to get a better result than fighting for the dollar. We can increase the size of the pie through collaboration and get a better result. Obviously, the low rainfall collaboration group is set up on exactly those same terms. I mean, it is a case of getting together to achieve the best result possible where we have common interest. I think the same thing applies to BCG, that where we have a common interest we, to the best of our ability, do collaborate.

**MR WEICKHARDT:** So do you see, if you sort of fast-forward it 10 years, more of these groups existing in individual regions but bound together by some sort of overall coordinating body, or do you think there'll be some rationalisation of these groups?

**MR HASTINGS (MSF):** It's a very difficult one. I referred earlier to the difficulty of funding groups like ours. I'd be very surprised if there was an increase in the number of groups. The collaboration that is occurring - and I'll ask Mike to speak about that in a moment - within Victoria we believe has benefit to all of us, and we also think that we can better utilise the money available. One of the issues that we have is that in the past we have all tried to apply for the same opportunity, and surely, with collaboration, we can cut that down to the point where we better utilise our resources to get the same outcome. In terms of the collaboration that we have in Victorian, Mike, if you could just make some comments on that.

**MR MOONEY (MSF):** Yes. There has been some activity for a couple of years now that's starting to bear fruit in our Victorian grower group alliance, which we haven't had in this area before. There's one operating in the west and there's one

operating in South Australia that are slightly different, but models that we are looking at. That's something that's being funded by DPI Victoria in conjunction with GRDC. It's not completely bedded down yet, we're still working through some of those differing contractual needs of those two funding bodies. As Ian said, instead of seven different executive officers trying to do the same thing seven times over, we can share some resources and share some ideas and not re-invent the wheel a bit.

There may be some consolidation in grower groups, as Ian said. I'm not sure. As the grower group area gets bigger - you know, from higher rainfall, different soil types - you still need to keep that local validation and interaction with your growers. We're perhaps one of the bigger ones going across three states, but to use the GRDC term, the agro-ecological circumstances are all very similar - slow rainfall, sandier, drier, Mallee sort of country - so it doesn't really matter in which state you are in, that Mallee area is Mallee area. I guess the rub point with Birchip is their area has a bit more heavier and darker soils and traditionally a bit better rainfall. So, yes, there are some overlaps and collaborations; and that's happening more I think, which is good thing. But you still need to keep that local focus about your soil types and rainfall zones and country.

**MR MAYNARD (MSF):** Could I just come in there. In my experience, there'll be some projects that will be specific to an area, whereas there would be other projects where collaboration has worked well. You wouldn't say that it will work well with everything that we intend to do, it will depend on what you're researching and what you're trying to achieve.

**MR WEICKHARDT:** So moving on from that, you talked about the fact that getting the D and the E done is critical, and I think we're in heated agreement with you that having valuable R and not having it applied is absolutely pointless. We have been scratching our heads a bit about why in some cases it appears to take so long for stuff to be applied. Lots of people are pointing out with great pride the no-till cropping process. I remember the chemical company I worked with back in 1970 first started trying to preach that, and we're now starting to see people saying, "Yes, this is great stuff."

What is the solution to getting all the new technology that exists applied as efficiently as possible and where do your groups fit in against private agronomists and to what degree should the RDCs or indeed even the state government say, "Look, we clearly have to prove some research has got validity. We have to sort of trial it in certain regions. We have to demonstrate it works. But once we have done that it really ought to be up to the private sector to leap on that and say, 'We can see it works on Tom's farm here. You ought to trial it on your farm,'" and let, if you like, private enterprise take that over. To what degree should the RDCs or even the state governments or the federal government be stepping back from that area and saying, "Once we have demonstrated this works and an early adopter has proved it, it's none

of our business then, it's up to individual enterprise to get on with doing this"?

**MR MAYNARD (MSF):** It's a very complex question. Extension along the lines that you're talking about is something that is a favourite subject of ours. Private agronomists generally talk one-on-one with their farmers, they normally have relatively small group meetings. I participate in one of those and I don't find it a very good forum in which to have general discussion and air your underwear, as it were. In the case of groups like ours, I think it is far easier to do the extension parts through a demonstration on a farm scale size and bring a lot of people in, and then you get the conversation going on as to whether or not it works.

I would see that we are better placed to do that sort of demonstration than private enterprise in the form of an agronomy firm. There are two or three of them in our region that are quite large, each of them probably has almost a third of the progressive farmers on their books. So they have got quite large groups of progressive farmers. But I think honestly that that is an issue that is better done by us than them, and I subscribe to one of them so I do think I know what I'm talking about, because we can do it where the monitoring of the process is easier validated than compared to an agronomy group who may be seen to be selling a part of the process, whereas in our case we're not.

We can provide agronomists or others to ensure that what is seen to be done is in fact done and documented and so the farmer comes along to see the end result and he can see the process clearly that has happened behind the end result. That extension is, in my view, the best way to further extend what is coming from the RPART. The dilemma we have is in funding to be able to do that properly. We're in the middle of trying to get a project up at the moment with the GRDC to do precisely that, paddock scale sized trials. In some terms we would say let's take what's occurring in the national variety trials and extend it out to paddock scale so that the farmer can see what happens when it's on a paddock scale or at least my air seeder or Ian's air seeder scale compared to a two-metre plot. It performs quite differently.

That part of the extension is absolutely vital. But the next thing about it is and the reason that's it not being taken up as much as it should is to get to that point, the progressive farmers are now talking about having quite large capacity computers in headers and tractors and so on to manage this process and there are lots of farmers out there who are saying, "That's too hard and too expensive." There is no doubt that the uptake is occurring at the right rate amongst the farmers who are prepared to spend, but the terminal farm businesses, ie those who don't have young people or who have decided, "I will stay here farming until I'm too old," don't want to take up this technology. They are very comfortable leaving the computer alone and doing it themselves. That's a dilemma we're always going to face.

**DR SAMSON:** So would you say, from your experience of the GRDC, they have

the balance right or not right in terms of their investment in the R, the D and the E? What would you like to see them do differently, other than give you more money?

**MR HASTINGS (MSF):** Previously the D and the E, to an extent, was carried out by state governments and it's really a relatively short period of time where that has changed. I don't think that the whole industry has really worked out how we now ensure the D and E is done satisfactorily. So rather than being critical of GRDC, I think we are in a learning process. "How are we going to manage the D and the E over the next short period of time?" I don't think there's an easy answer there at the moment. We would see - and I'm sure BCG are the same - that groups like ours are able to step in and fill the void that the state governments have left, but we don't have the resources to do it. Is it GRDC that is responsible to provide those resources or who is it? It's not a question that's easily answered.

**MR MOONEY (MSF):** We can do it if we're funded to do so, I guess is the - - -

**MR MAYNARD (MSF):** Could I just make a point there. In my observations, there are progressive farmers that will always lead and they are the ones that will pay for the agronomy services and for the information. There is a larger group of farmers that are quite good farmers, but are not prepared to go down that path. That's where community funding or government funding or whatever you like to call it, public good, comes into it because it's essential that government provide food for the country or export dollars and if the capability of those farmers are lifted, that's part of the job. I can argue that all day.

**MR WEICKHARDT:** That's, if you forgive me saying so, an agrarian socialist's view of life. We've had some people present to this inquiry, one of whom in Melbourne - you can read the transcript, these are not my words - who said, "Once stuff has been demonstrated, once that work's been done, it should be up to farmers to do this stuff, and if they don't do it, the bad ones will go broke and the good ones can buy their farm and they'll get bigger." So there is a view of life on the other side of the fence saying government really shouldn't meddle in this. At the end of the day, we've got a private enterprise system that relies on people using their initiative and their hard work and their knowledge to get better and the ones that don't utilise that knowledge, once it's been developed, really don't deserve the government to put a crutch under them.

**MR MAYNARD (MSF):** Yes, but you could argue too about the automotive industry in Australia.

**MR WEICKHARDT:** That's not, in our view, a very good example.

**MR HASTINGS (MSF):** It's not part of your terms of reference either.

**MR MAYNARD (MSF):** It could be part of the argument, couldn't it?

**MR WEICKHARDT:** Two wrongs don't make a right, is what I'd say.

**MR HASTINGS (MSF):** But, Philip, the point of view you've presented, we could all aspire to that at times. "I want to buy the next-door neighbour. I hope he hurries up and goes broke." That's not the point. From government funding it surely is about ensuring that the production and the assistance to Australia's gross domestic product is maintained and that we're not allowing that group of farmers, whatever that particular group is, to start farming in a way which is going to be detrimental to the environment et cetera. So surely there is an argument to say that public money must be spent to ensure that they are in some way kept up to speed.

**MR MAYNARD (MSF):** Also another point that I could make is that, yes, you might be subsidising that farmer with that information, however, what about the community that that farmer serves? That farmer just doesn't make money for himself. That money is dispersed around the whole community. If you don't want to support the farmer, are you going to divert all that money for the community or do they just have to starve too?

**MR WEICKHARDT:** I hear your point of view. We probably don't buy all of that, but you've got a perfect right to express it. I think we need to draw stumps there and move onto our next participant. So thank you very much indeed for coming along. We appreciate your input and you're of course welcome to stay and listen to what the Birchip Cropping Group have got to say. Thanks very much indeed.

**MR HASTINGS (MSF):** Thank you.

**MR MOONEY (MSF):** Thank you.

**MR WEICKHARDT:** If you could please give your names individually and the capacities in which you're appearing please.

**MR McCLELLAND (BCG):** I'm Ian McClelland, chairman of the Birchip Cropping Group since its inception in 93.

**MS GARTMANN (BCG):** I'm Alexandra Gartmann, the CEO of BCG and I've been there since 2001.

**MR WEICKHARDT:** Thank you very much indeed. Thank you for coming along. I have to say, if we'd done a word search on every conversation we had had in this inquiry, the words "Birchip Cropping Group" would have been mentioned more frequently than probably any others words, almost always in glowing terms. So congratulations on that. Your reputation is proceeding before you. I apologise that we haven't done what I wished to do, and that was come and see you in situ. But thank you for coming to Mildura and talking to us. We're looking forward to hearing your story.

**MS GARTMANN (BCG):** Great. What we might do is just present a brief overview of BCG and some of our thoughts on the issues raised in the draft report, and then head into some conversation and discussion. We certainly do have a great profile predominantly within the broadacre grains industry, but also across agriculture in Australia and internationally. We formed the concept of the organisation in 1992 and started with our first project activity in 1993. We have since grown the business, which has been relatively sustainable growth, to an operating budget on an annual basis of about \$2.2 million.

We have 460 farm business members and they pay an annual fee, which is \$300 plus GST at the moment. We have a staff of 18, plus consultants and casuals; 18, but they're not all full-time equivalents. We are currently managing corporate partnerships with about 25 agribusiness and commercial companies. We have research partnerships with 40 organisations that provide science and extension support. We have got investor partnerships with about 31 organisations, and that includes federal, state, research development corporations and the philanthropic sector.

Over the last nine years our business has grown threefold, from about 700,000 through to 2.4 was the top about two years ago. The project portfolio has grown from six to 50, and that has been through a challenging period of low rainfall conditions and climatic challenges. We have three staff currently undertaking masters education and one recently-departed staff member who completed his PhD with the organisation. So we are focused on ensuring that we build scientific capacity within the business as well as accessing the best research and minds around Australia and the world. We operate across five platforms or areas. The first two

have been part of the foundations of BC, the first being agronomic and farming systems research, and the second being communication extension, and they're the fundamental two pillars. In 2004 we launched a - - -

**MR WEICKHARDT:** Before the thoughts have escaped me, you talked about the membership of a group - and if my maths is correct, about 150,000 of your income is coming from membership fees.

**MS GARTMANN (BCG):** Correct.

**MR WEICKHARDT:** Could you just quickly tell us what the other major income sources are, please?

**MS GARTMANN (BCG):** Yes. So 34 per cent comes from non-project income. In the 2009 year it was 5 per cent from membership; 16 per cent from corporate sponsorship; and 13 per cent from other income, so that might be contract private trials or other contract services that we would deliver. So therefore 66 per cent is coming from project income from RDCs, federal government sources and philanthropic sources.

**MR WEICKHARDT:** How much would come out from the RDCs?

**MS GARTMANN (BCG):** From the RDCs themselves, if you have a look at the bar chart that I've handed out, our major investor is GRDC, but no more than one-third of our project income would come from GRDC. In the past Land and Water Australia has been a major investor, and that had an enormous impact a couple of years ago with the closure of Land and Water Australia; and we have had ad hoc and smaller projects with RIRDC and Meat and Livestock Australia.

**MR WEICKHARDT:** This gives me exactly what I was looking for. Thank you.

**MS GARTMANN (BCG):** Good. So in 2004 we launched the Making Conservation Pay program, very much focused around trying to make conservation pay for the farmer and for the environment and to also capture the benefits of some of the natural resource management funds that were heavily available at that time. In 2005 we launched our climate research platform, and that has certainly been one of the program areas that has grown substantially in recent times. If you have a look at the page with the pie charts, that shows you from 2002 projected into 2012 the breakdown of investment across these five platform areas.

The Social and Community Development platform was launched in 2007 in response to ongoing drought conditions and we launched that with a social research project called Critical Breaking Point. That looked at farm family decision-making and some of the challenges within the region. So from only two project investors in



2001 to 31 now it was certainly a strategy for us to reduce risk of falling out of favour with any one particular investor, but also to support the growth of our business which was broadening its focus into other areas of conservation, climate and environment. It also reflects that funding is more challenging to access, and hence you're looking at more and more sources of funds and often smaller buckets to access. So the administration burden of managing multiple projects can certainly be substantial.

We have had challenges with the change of government in 2007. There was a 12-month hiatus of DAFF program funding availability for our organisation and that had an impact on our budget. The closure of Land and Water Australia had an impact on our budget and operational activities, and the introduction of Caring for our Country had a major impact on the natural resource management projects, those impacts being that there were either no funds or much greater challenges in accessing those funds, predominantly because of a change to a national scale priority list as opposed to local and regional priority lists. So if you didn't match what was determined as a national priority, funds were quite limited.

Over time, essentially that has split between membership sponsorship, project income and other income. It has remained fairly stable, so that as the overall budget has grown those percentages have grown substantially as well, in the same ratio. We do anticipate in the next couple of years increased challenges with corporate partnerships. We know that we will have a drop-off next year in the corporate dollars that are available, and that's reflecting some tightening of belts. We anticipate that we will also continue to struggle to maintain some of the activities that had previously been supported by Land and Water Australia and some of the natural resource management programs. So our board made a decision to retain staff numbers and use reserves to support people over the last two years, and we are at a point where we can't really continue to do that any longer.

We do have some concerns in relation to some of the recommendations within the report. I'll move on to a couple of those at the moment. We certainly feel that the current program portfolio fails to cater adequately for development activity, which you would have heard from Mallee Sustainable Farming; extension and adoption activities; in-season response, research development and extension, and that's very much to do with timing and the capacity of the organisations to be nimble on their feet; local and regional environmental issues, as I said earlier, not matching with national priorities; farm scale adaptation and mitigation, particularly focused on climate risk and variability; social issues and resilience; and non-immediate outcome research from longer-term research, which often tends to be the last in a long line of people holding the bowl out for funds.

In the mix of public funds for rural and ag RD and E, we don't feel as particularly well coordinated. RDC funding cycles are three to five years, which

give you some stability, but there is an extraordinarily long lead time from application to implementation, and that has become worse over the last three years - our own example is GRDC having to reduce their administration personnel and costs, and that has had a direct flow-on impact to the efficiency of the deliverables and operations with service providers.

**MR WEICKHARDT:** I'm not sure I got that point. This is GRDC, you say, have reduced their staffing?

**MS GARTMANN (BCG):** There were issues with reserves and there was a change in expenditure programs and essentially a lot of the administration and administration support at GRDC for programs and program managers was reduced and that has meant that essentially the process has slowed down.

**MR WEICKHARDT:** DAFF funds are certainly - - -

**MR HASTINGS (MSF):** Can I please buy in there?

**MR WEICKHARDT:** No, I'm sorry, we can't take comments from the floor because it can't be on the transcript.

**MS GARTMANN (BCG):** Sign language me. DAFF funds are short term, generally 12 months, and the focus seems to change in every election and then there's a hiatus. So the continuity of funding programs and availability means that it's quite challenging to maintain a stable staff and program base at a regional level. Philanthropic and private sector funds often only get considered when we're desperately trying to find matching dollars for programs. Otherwise, we, being the overall industry, do tend to forget to talk to them. We have concerns that the PISC strategy, when we're thinking about coordination, has left extension to the last item to consider and really it just has to fit in around the research coordination program. So our concerns are that the silo approach still remains.

I'm sure you've heard from Mallee Sustainable that overhead costs are an enormous challenge for grower groups. RDC programs and government programs really don't allow you to recover very many overheads at all. You cannot cover off your annual leave or too many other overheads, so that falls back onto our other non-project income, the private investment, the membership, the sponsorship to cover overheads. So in the case of BCG, overheads is about 29 per cent of our budget. That's administration, vehicle, plant and equipment overheads. That equates to 84 per cent of our non-RDC project and government income. So overall that's taking 34 per cent of our income. So that does limit where the private dollars can be invested for RD and E.

We've struggled with the concept of socially valuable R and D in the report.

So we were wondering who determines the valuableness of that work? Is it at a local scale, regional scale, state or national and is it from the perspective of a scientist, a policymaker or an end user? So we would be interested in exploring that a little bit further to understand it better.

**MR WEICKHARDT:** Do you want to talk about that now?

**MS GARTMANN (BCG):** We could, yes.

**MR WEICKHARDT:** In the context in which we've used it, the social value of the R and D would be the totality of the benefits to both private and the overall community, so it's the sum of all the benefits that arise. What we're saying is really nobody should be funding work that doesn't have a positive net benefit to the total society. If it has negative benefits, then there would have to be a very good reason why anybody would put funds behind that. It's a shorthand way of just saying, "Let's forget where the benefits flow for the time being and just integrate the totality of that. To the Australian community, what is the benefit of this work?"

**MS GARTMANN (BCG):** Certainly grower groups have in more recent times been asked to demonstrate their effectiveness and evaluate their impact and we have struggled to do that in a formal sense, to be able to articulate the social valuableness of the work that we do or the private public benefits of the work we do. Certainly accessing the intellectual skills to do that and the resources to do that has been something that we haven't had as top priority and something that we get told to do quite frequently, but we haven't.

We tend to assume that if our members keep returning every year, there's a private benefit; if the corporate partner continues to invest on an annual basis, there's some commercial or corporate benefit and if we still can get projects up, then we must have done okay on the last one. So that's certainly an area that we do need to address and improve our skills in. We applaud the establishment of Rural Research Australia to coordinate social climate and NRM based programs. Highlight the coordination role, rather than developing another bureaucracy in silo. There's a number of programs currently managed by DAFF that the effectiveness could certainly be enhanced by putting it into a truer business model that would react with more nimbleness and less - - -

**MR WEICKHARDT:** Can you give us some "for instances"?

**MS GARTMANN (BCG):** On the public record or - - -

**MR WEICKHARDT:** You're speaking on the public record now.

**MS GARTMANN (BCG):** True. Some of the national land care programs, the

administration burden and the reporting required is often excessive in relation to the scale of dollars that comes through, particularly in comparison to RDCs and the philanthropic sector and their requirements for reporting. The time frame of application to notification, to contracts, to implementation will often mean that you are naturally placed one season behind where you could have been. So that nimbleness of actually responding to funding submissions and making decisions quickly enough to actually do the work as the time is appropriate has been a challenge with state and federal sources.

**MR WEICKHARDT:** One concern that we have with the current RDC model is where mixed systems fit. Most farm businesses are diverse mixed enterprise and the complex interaction between decisions for different commodities and different aspects of the business really can only be addressed by better coordination between the RDCs and the private sector. So when considering the establishment of RRA, certainly their role in working with commodity based RDCs on the mixed system approach, so for the sugar growers who have cereals, for the cereal producer who has livestock, et cetera, that's certainly been one, as farmers become more significant and the knowledge base increases, the complexity of interactions is certainly enhanced.

We believe that RRA should focus on extension adoption of integrated system information, things like Grain and Graze program and FarmReady, local and regional environmental issues and management, farm scale adaptation and mitigation and there are programs within DAFF with the Climate Change Research Program, the Department of Climate Change and Energy Efficiency with the Carbon Farming Initiative and also programs like Managing Climate Variability that could fit nicely into that kind of agency, social issues and resilience and again the long-term research that is addressing long-term soil health or rotations.

The grains industry and the dairy industry have very effective grow groups that undertake RD and E; the livestock and grazing sectors less so. We wonder whether or not those RDCs that direct industry dollars to marketing, as opposed to RD and E, whether or not that is at the expense of having effective regional entities that do focus on the D and the E end of that continuum. Marketing and promotion funds could - and I'm unclear of the specific definition from your perspective - be utilised to promote to the industry outcomes of research, to be used to attract new entrants to the industry and also to consumers. So on the issue of marketing that was raised in the report, we'd be interested in broadening that scope. I think we might leave it there, unless Ian wants to talk a little bit about achievement.

**MR McCLELLAND (BCG):** What I'd like to say is that in the very beginning of our organisation's foundation it was about being a conduit for researchers, industry and farmers to meet each other and to share information, and share success and failure. This has grown to such an extent now that in every project we do we have a partner. Really some of the greater benefits we have achieved is being able to

educate researchers in some of the practical problems that farmers have. In relation to the question you asked Ian Hastings before about the link between consultants and farmer groups and research, my theory on that is that the farmer groups are a platform for extension and applied research and for researchers to have access to property and all sorts of capacity to do things.

We provide a lot of services for consultants to use for their clients, and almost quid pro quo they give us back, talks and field days and information. So they help in the whole process of forming the research priorities, delivering information themselves. Most of them have full books of clients anyway, so they're quite happy to share their information, particularly when it's a public-good organisation like BCG. I mean, our mission has always been improving the prosperity of farmers and rural communities. We see there a natural synergy between profitability of farmers and prosperity of all communities.

To be able to get consultants and researchers and industry all on the same platform, through a model like farmer groups, which are able to get either get people at field days or to get information out, to get people talking and being able to ask questions is a really important aspect of getting them to share in actually the beginning of the question, "What should we do to solve a question?" From that very first day the question is asked to the end of the result of solving that question, if you can involve the farmers in that question, then adoption happens very quickly.

If you just answer the question, then try to adopt it, it becomes far harder than involving you in the question. To actually give credit to a farmer group or to a researcher or to the DPI - I'm not sure whether we get a speaker or a researcher or a radio program - through a platform is very hard to distribute credit. So we quite clearly say that we're just part of the package, an integral part of the package, but really we don't take the credit.

**DR SAMSON:** I was a little concerned hearing you and reading here that you're nervous that the national RD and E framework may make your job or the regional adoption work harder, because I can recall when that framework first started it was the national R and D framework and a lot of people, particularly in Victoria, put a lot of effort into focusing people's minds on the extension component, and the catchphrase through a lot of the discussions was national research regional extension. So to hear people as close to that regional extension work as you are express some nervousness is quite worrying. Where is the weakness in the system? That people are just not going to deliver, or what?

**MS GARTMANN (BCG):** Firstly, we feel that it may be more expensive to access the leading cereal researchers when they're based in Perth as opposed to somewhere closer to our regional centre. As Ian said, we don't do any projects alone, so we're partnering with various researchers and various professional experts around

the country, and that's all based on relationships. It's quite easy to form relationships when people aren't too far away. We try and reduce the amount of travel and all that basic wasted time for our organisation. So to form a relationship with the leading researchers who, for the cereal breeding side of things, will be based in Perth will actually be much more challenging, and the relationship is the foundation of success to understand the challenges that affect the region in which you're trying to extend. The context and scenarios, I think that that will be more difficult.

If you are working in a state whose priority focus is not the priority focus of your particular region and the extension work that you'll need to do for your key members and partners, there will be less support available, you won't be as high on the priority list. So naturally that will make things take longer and require more resources to achieve the same outcome. There's very few grower groups that have been actively engaged in the PISC process. A lot of the extension discussion has been undertaken between RDCs and state government authorities. So sometimes that nervousness can stem from lack of knowledge of what it might look like and lack of involvement and participation in designing the framework itself.

**MR WEICKHARDT:** You can sort of, from what you said, empathise with the people from Western Australia who say, "99 per cent of the time it's researchers in the east who are supposed to be working on things to benefit 40 per cent of the grain crop in the west," and I guess anyone who has the challenge of working remotely feels that challenge. If the researchers travel so that they can actually see the local environment in which their work may be applied and consolidating and getting centres of excellence and efficiency in driving your research dollar further, do you accept the fact that those upsides will exceed the downsides, or do you have concerns about this whole RD and E framework consolidation?

**MR McCLELLAND (BCG):** One of our key partners in our research is the CSIRO agro-ecosystems out of Toowoomba, and we have the commercial rights for Yield Prophet, which is a crop simulation model. We have a fantastic relationship with them, and we seem to be able to do it between Brisbane and Toowoomba and Birchip, but they also give a lot of their time in travel to catch up. That's why we quite strongly believe in social activities and getting them into your home so you can really get to know people. So it become then a matter of trust and building relationships. So, yes, it certainly can be done. I think it's just a matter of noting that you have to be conscious that they are servicing the whole of Australia and trying to give groups the due processes to be able to access them or the information.

It's very interesting, if you actually see the cost structures of science as opposed to, say, industry, that the wages of scientists and the costs of science programs have been really shaft skewed in comparison to private industry, and to other areas, like banking for instance. I believe that it's going to be a real challenge, not only to find suitable people to do the research but of the market pushing it aside,

as there's becoming a shortage of good scientists and it's basically because of the cost structure of science.

Groups like ours, for instance, we're not competing against government scientists but the consultant people, the agronomists and the people who go into private industry, who are paid far in excess of the wages of scientist graduates or even PhD graduates can get in public space; not only that, the cost of equipment and the science is going to be a challenge in the future, and that's why I believe that the reduction in funding for science is going to be a challenge not only for science right across Australia but for public good and for private good.

**MR WEICKHARDT:** You mentioned that you have some difficulty with the valuation of your work and I can totally empathise with that. It's not a simple task, even with a lot of resources. But do you have some sort of key metrics which are perhaps easier to monitor, like the rate at which the work that you're pushing is adopted and things of that sort and, if you do, what are those sort of things telling you? Are you confident that your activities and the money that's being spent through you by GRDC is actually catalysing greater benefits to your grower groups and the members.

**MS GARTMANN (BCG):** Certainly we undertake an annual members survey and ask people about what research from the previous season they found most valuable, what key changes they made to their system this year, what key decision-making concepts they may have used this year and link that back to programs that we have been undertaking. We will regularly ask similar questions to try and gauge a level of knowledge, understanding and awareness on key issues and technology and practices. So that's certainly something that we've had going essentially since commencement of the organisation to keep us honest on what's been effective, where they believe the gaps are, what we could be doing better.

In recent time, we've also undertaken a lot more case study work, so specifically looking at particular farm businesses to understand adoption and what the impact of adoption of particular technologies and practices has been, because for us it's just as valid and important for someone to have considered a technology or a practice and non-adoption is the outcome. If they've considered it in light of the context of their business and their situation and decided it's not right either now or ever, that is as important as if they had chosen to adopt, from our perspective, because that's having thought through in light of their particular situation.

So what we and others have tended not to do particularly well is actually determine whether or not adoption has been a profitable decision and we've tried to go back now and look at some of the adaptation strategies over the last 10 years, such as moving to hay carting or introducing a particular livestock practice or tillage practice and whether or not that has actually enhanced the farm business's viability

over the last decade of dry conditions. How you extrapolate that adoption back to ourselves or someone else or a public investment or private investment, that is a bit more challenging. As Ian said, we are just a part of the process and work with private advisers who then take it down to a different scale and work with broader communicators who raise awareness through often paper based media et cetera.

**MR WEICKHARDT:** Some of the people we've spoken to at a grower level and producer level have said that the benefit-cost analyses that are published by the RDCs don't pass the laugh test, that they claim these mighty benefits and yet the guy walking around with dust on his boots doesn't see this happen. If you looked at some of your surveys of adoption and the case studies of people who have tried adopting and the sort of success they've got and compared it with the evaluation that the GRDC have done that work, is there any sort of correlation between the two? Can you identify that, yes, these benefit-cost ratios that are claimed are real or are they the basis of some academic theoretical uptake rate which is never borne out in practice?

**MS GARTMANN (BCG):** I think the challenge of taking a cost-benefit analysis of a particular practice or technology and then determining the impact of that across a whole farm business, if you isolate the practice or technology, those analyses probably are quite accurate. It's when that's implemented across a farm business and something else may have been compromised from a time or investment perspective that the real whole business impact would be different to what this single practice or technology impact is. I don't think we're particularly good at understanding that whole business impact and when adoption does take place, the amount of resources both intellectual and financial that are required to actually make a success of it. So you spoke - - -

**MR McCLELLAND (BCG):** Certainly there's been a huge number of changes which have happened in agriculture over the last 10 years and we've made a bit of a list coming up today and in terms of nitrogen management, for instance, being able to delay nitrogen management to growth stage 32 has now become a standard practice, which always once was pre-sewn. Phosphorus has now become a different product than it was 10 years ago. People blindly put on 10 to 20 kilograms of phosphorus and it's now horses for courses through soil sampling and then the DGT test that now gives accuracy for phosphorus. That has been a huge advantage to farmers. It has saved them a huge amount of money.

We did a lot of work in the early days on sowing rates and the difference between barley and wheat for sowing rates. Now you can increase wheat but not barley. That was quite a big outcome in the early days. In terms of farming systems, there's obviously been a change of practice to conservation farming and if you remember the dust storm in 82 and even the dust storm in 2002, you realise that since that dust storm in 2002, the other dust storms in 2006, 2007 and 2008 really didn't



come from the grain growing areas; they came from the western desert, the grazing areas. So that has been a change of practice which we have been part of, as a number of other people have.

We started because herbicides were not being tested or demonstrated to farmers back in 93. The whole herbicide tolerance, testing herbicides and giving independence of the testing has been a key aspect. We really introduced fungicides into Australia and did the work through the FAR group in New Zealand and we did a lot of diagnostic schools with fungicides and educated farmers in that whole process and it still hasn't finished. We did spray technology schools for herbicides and water quality and drift management. All those, in a sense, public good stopped the vines getting drift and so forth.

In 98 we had a theme for that year that we were going to grow a six-tonne crop of wheat so we threw every input at it and it only went to 5.2 tonnes, where it should have gone 7.2, and we realised with CSIRO - John Angus and Harm van Rees found it was subsoil limitations. That experiment suddenly made subsoil limitations a major investment for not only our group, but for GRDC and for state departments. So in a sense that was a catalyst for investment somewhere else. We've done a huge amount on root diseases, fungal diseases, varieties. We're doing GM herbicide, canola, GM benchmarking so that we can demonstrate to the world that farmers are doing best practice. There's a lot of work that's happened in livestock containment areas and obviously climate has been a key factor. I am chairman of the Managing Climate Variability program in Canberra and in terms of public good the investment in short and medium term forecasting is really now starting to bear fruit. Now the Bureau of Meteorology's WATL site, Water and the Land web site, for seven days is now 70 to 80 per cent accurate and they claim they can get up to two months' accuracy. This has all happened through farmer inputs.

**MR WEICKHARDT:** Can I ask you just to step back from all that and look at your experience and what you've done, and if you were suddenly parachuted into the lodge and you were the great benevolent dictator of Australia, knowing everything you know at the moment, but assuming you had no more money - because lots of people say, "Well, government should put more money in," and government don't really have any money, they have your money and mine through taxes, which they have to manage prudently - let's assume there is no more money, what would you change to the system to get a better bang for the buck out of the money that exists at the moment, and in particular what would you change in the RDC model?

**MR McCLELLAND (BCG):** I would put it slightly differently, in that BC spent \$2 billion on farmers in droughts, and I'm sure we're going to have droughts again and the new model that Mr Burke has put up in Western Australia for making people drought-proof can work to a degree but it can't totally work when you get cycles like we have had for the last 10 years. The only way we're going to get out of making

farmers more resilient and sustainable - and the farmers who didn't get EC are probably the ones that are going to be here in 20 years - is through research, extension and development of product. So to me it's a very clear message that it's through innovation, adoption and new technologies that it's going to be the key to farmer success and sustainability, particularly with the high dollar and the mining boom and all those pressures.

**MR WEICKHARDT:** Let's accept that as a given. So what do you do? You've now got to give some directions to your minions.

**MR McCLELLAND (BCG):** I think it really gets back to building strong relationships between researchers' industries, so that there's that strong communication that leads back into research and then feeds down to farmers. So there's honestly and integrity with the research that's done for the best purposes, instead of just for the sake of it.

**MR WEICKHARDT:** So what would you change to improve that?

**MS GARTMANN (BCG):** I'll jump in here, while you have a think. As was mentioned by the previous people presenting, that there are a number of grower groups, there's a plethora, and there should be an amalgamation. Certainly grower groups and RDCs can benefit from amalgamation of an administration, back-office functions and some of the overheads. There are enormous benefits to be gained from that level of coordination. I think considering the scale of delivery, scale programs - whether there's a national focus, a regional focus or a local focus - and having some mechanisms that allow the engagement at those appropriate scales. So it's quite hard for local people to engage at a national level, and vice versa.

I believe that the use of regional panels, feedback mechanisms, is essential but also needs to be quite diverse in representation and participation in that, rather than just having growers involved, or a particular sector, to truly capture the benefits of all of the investment into rural RD and E: the philanthropic community, the private sector, the semi-private sector - which are the grower groups, the state governments and other non-government organisations need to be engaged so that there is an ownership of the issues that are put on the table and the process to prioritise those for investment, because no matter what we will always have a limited bucket of money to invest into those areas.

**MR WEICKHARDT:** So apart from legislating for perfect wisdom and sensible people etcetera, what would you change about the way the model is set up, to make some of these things happen, better than it does at the moment?

**MR McCLELLAND (BCG):** We have been great supporters of GRDC and I think even though it has faults it has a lot of strengths. One of the faults has been its

lead time, and they're trying to change it to more a part of their response to be short-term response. For instance, we have just had a problem with fungicides, that happened last month, and suddenly you want to be able to do short-term research on it, and you've looked the world over and you can't find a solution.

Then there are lots of those areas where we believe there should be a person in between the farmer group, or the consultant or whoever it might be who wants to get some funds to solve that problem, which would be the person who would give GRDC the good oil about, "This is worth funding and we can start it next week," or, "We can start it now, because it's appropriate," instead of making it a long-term problem, which then means a lot of the research money is wasted because you're trying to do funding on, say, rust, and suddenly you don't get rust, because you have drought and you want to be able to do that the year it happens.

**MR WEICKHARDT:** But what I'm trying to get at is GRDC say they have got these regional panels, they go round, they have field days, they consult with all their growers, they have got an industry representative body that may have been slightly defunct or non-functional but now there's a new one. I mean, what is it that they should do differently that would achieve all these things? Because it would appear that they have systems in place, but you're suggesting they don't work as well as they should do.

**MS GARTMANN (BCG):** I think every system is open to enhancing the effectiveness and reviewing and throwing out the old and introducing some new is always refreshing. GRDC have that system in place, but not every RDC has that system in place. I have no idea how RIRDC identifies its priorities and how we can influence or inform those. Rather than having every RDC accessing the same regions at different times for ideas, if the GRDC model with some tweaks and modifications is effective, could that not be a cross-commodity and cross-issue forum to capture ideas that are then relevant at a regional level, given that most business decisions are complex and across a range of areas. I certainly see that whilst we have a fantastic relationship with one RDC, some of the others find it quite difficult to understand how you actually access and influence.

**MR WEICKHARDT:** That is interesting. Thank you.

**DR SAMSON:** Thanks.

**MR WEICKHARDT:** Is there anything else in our report that either you'd like to applaud or push back on?

**MR McCLELLAND (BCG):** Alex?

**MS GARTMANN (BCG):** Just thank you very much for undertaking the review,

because no system is perfect and every model can do with review and modifications. This process has been a catalyst for our own organisation to review public; private; where are the benefits, how are these being accrued; how are these being evaluated and impacted. So there has been flow-on effects down to our local and regional level, purely from having considered the report. With the concept of less resources for R and D investment, naturally there is going to be push-back on that, but if there are fewer resources but the targeting and the effectiveness of those have greater impact then we wouldn't argue that the outcome is what we all seek. So if the response to your report is an enhanced system that does achieve that, fantastic, what a world-changing report it will be.

**MR WEICKHARDT:** Thank you. I should say - I have probably said this so many times people are sick of hearing me say this - that we were not trying to encourage less resources being spent on R and D, what we were trying to do was focus the government on spending where it and only it will really ever spend money in certain areas, because the benefits are so diffuse or the private benefits are very marginal, when you take into account the costs of research, "Government, you focus on doing that, let the private sector focus on where it has benefits that are clearly measurable and tangible," and I we believe there is evidence that the private sector does eventually step into those breaches because if it doesn't it hurts itself and self-interest normally wins out in these circumstances.

I recognise there are all sorts of difficulties in assessing how people respond to these sort of challenges but we certainly were not starting off with a mind-set saying, "Too much money is being spent on research." All the evidence seems to suggest that the evaluations of the research money that has been spent indicate quite high pay-offs. That's good and what we're trying to do is make sure that people accept their responsibility as part of this whole system.

**MS GARTMANN (BCG):** And that distribution of that investment across RD and E reflects the requirement to achieve the outcome.

**MR WEICKHARDT:** Yes.

**MS GARTMANN (BCG):** One thing we haven't touched on is that area of development and the almost pulling apart of a strong emphasis on research and we ourselves espouse extension but sometimes that bridge required in between about development has been one that the private sector doesn't necessarily see a direct opportunity in and the public sector - again, is it private, is it public - so sometimes that can be the area that we struggle to find resources and end up really digging into - - -

**MR McCLELLAND (BCG):** I often think about what it is going to be like in 10, 20 years time and I worry that we will become an industry like the cattle industry in

northern Queensland where they fly in a team of helicopters and so all the towns disappear and the culture of the inland just changes. I saw it happen in Western Australia where they're flying in from Geraldton for three or four hundred K's to run the farms during the week and then fly everyone out which means it's not long. I remember speaking to a farmer - in fact it was Neil Young - who said that all his neighbours are leaving and he asked himself the question, "Well, why am I staying here?"

So there is a certain critical breaking point where a whole industry change and not necessarily for the best. I know that the basic statistics of our area within 100 K's of Birchip there are 2000 farmers of which only 17 per cent had a gross income of over half a million dollars. Most of them were under \$150,000. So you then have to ask yourself the question, "What happens if the rationalisation happens and you only have half the farmers? What happens to the Wycheproofs, Donalds, Charltons?" Suddenly you have a completely different change in structure of those towns. Our philosophy has always been, not like the banks, the 80-20 rule - look after the 20 and the 80 can look after themselves - we always try to have the philosophy that little fish can grow into big fish and so give everyone the opportunity to be successful with the right information, so that a little farmer might be more sustainable because he might have an off-farm job.

So it's that whole reform - thinking about the supermarket and the school and hospital in our local town in 92 - and so it was trying to give farmers that will of wanting to live in a place because they're prosperous and enjoy it and so then the school prospers. So trying to sort that between public and private good is to me a really difficult question when you start to take that out 10 or 20 years to the Queensland cattle industry or to the Western Australia crop industry where suddenly communities disappear and all the kids have to go to Perth to university and school and they don't have that culture of going back to the farm if dad just goes to a job and suddenly you have no-one to work the country.

**MR WEICKHARDT:** Well, I understand those questions and concerns and I don't have a perfect crystal ball to say none of that will evolve. I think what I do have though is a philosophy saying that governments can't stand in the way of inevitable adjustment. We're in a competitive global marketplace. The evidence seems to be that scale and the advantages of scale has limitations in this sort of sector. I mean, corporate farms have been tried and don't seem to have been the answer to everything. Governments have to put in place, I guess, policies that ensure you get development and you look at change and adjustment over time. Exactly how all that is going to pan out, I don't know. But I can understand you're sitting in those communities and you have concern about that.

**MR McCLELLAND (BCG):** And the question of whether a person is better living in Broadmeadows or living in Birchip in terms of the good of the kids or the health

or whatever it is are sort of the questions. What's the cost of someone unemployed living in Broadmeadows or Birchip? Are they questions which, as a community, we don't know the answer either. They are questions which are worth thinking about.

**MR WEICKHARDT:** They are.

**MS GARTMANN (BCG):** Stop playing team sports and pick some sports with fewer people.

**MR WEICKHARDT:** I think some of these are things we ought to be talking about over a glass of red wine rather than here in the public hearings. Thank you again for appearing. Thank you for your input. That actually concludes this hearing but for the record, is there anyone else who wants to appear again before the commission. If you have any comments you wanted to make, now is your opportunity; speak now or forever hold your peace. You will need to come back up to the microphone and reintroduce yourself for the transcript.

**MR HASTINGS (MSF):** It's Ian Hastings again. I just wanted to make comment on the comment that BCG made or Alex made about the reduction in administration staff at GRDC and the impact that that was now having and it was my - I'm not sure what I would call it but anyway I was part of the decision which was made to reduce the administration of GRDC. It was because of a drop in levy income it was resolved by the oversight body which, at that point, was GCA, that we put a lot of pressure on GRDC to reduce costs and the costs that they reduced by their decision was the admin cost. Now, it's really interesting to see the flow-on effect that's occurred from that decision because of a lack of level playing field in terms of income.

So we just need to take that into account in any reforming of this, what impact that can have and how many years later it actually still has an impact on the industry. That was a very sensible, very appropriate decision to make at the time but nobody really realised what the implications were going to be and how many years later it would come into that impact.

**MR McCLELLAND (BCG):** They still have that restriction. I know GRDC still have that restriction.

**MS GARTMANN (BCG):** They're trying to address it.

**MR HASTINGS (MSF):** But there was a lot of pressure put on by the oversight body because they believed - and this was partly because of - again to do with comments that Alex has made about the other RDCs and the fact that admin can be seen to be an enormous costs in some of the RDCs. In GRDC it wasn't a great cost but it was still seen to be too high for the level of income through levies and so that was why the pressure was put on to make substantial reductions. But the flow-on

impact of that is now being seen.

**MR WEICKHARDT:** Hopefully there is a feedback loop here that you tell them what it's like to be at the other end of this system and hopefully there is some sort of recognition and adjustment where they believe that's required.

**MR HASTINGS (MSF):** I'm not sure there is an answer that simple to it.

**MR WEICKHARDT:** All right. Thank you very much indeed everyone for attending. I now adjourn these proceedings and it's up to us now to go away and deliberate and eventually write a report for the government. Thank you very much indeed.

AT 3.10 PM THE INQUIRY WAS ADJOURNED ACCORDINGLY