TASMANIAN FARMERS AND GRAZIERS ASSOCIATION

SUBMISSION TO

PRODUCTIVITY COMMISSION INQUIRY

REGARDING

RURAL RESEARCH AND DEVELOPMENT CORPORATIONS

JUNE 2010

The Tasmanian Farmers and Graziers Association

The Tasmanian Farmers and Graziers Association (TFGA) is the peak representative organisation for the agricultural sector in Tasmania. The TFGA's mission is to advance the development of Tasmanian primary industries. The TFGA is committed to ensuring that the agricultural sector in Tasmania is profitable and sustainable. The TFGA is also committed to promoting the vital contribution that the agricultural sector makes to the environmental, social and economic fabric of Tasmania to all levels of government and the wider community.

The TFGA is a member of the National Farmers Federation and national peak councils and supports many of the issues raised in their submissions.

Tasmanian Agriculture

Agriculture plays an important role in Tasmania, more so than in any other Australian state or territory. The agriculture sector in Tasmania contributes significantly to the social, economic and environmental framework of the wider community.

The farm gate value of agricultural product in 2008/9 was $1.1 billion[1], which amounts to 5% of gross state product (GSP). Taking into account the multiplier effects of agricultural activities, the farm dependent economy (FDE) contributes around 16%[2] to GSP. The agricultural sector is also a major employer in the state. Agricultural employment accounts directly for 7% of state employment[3] and approximately one in five Tasmanians are employed in the FDE[4].

Agriculture is complex and is constantly under changing pressures. With rising input costs and declining terms of trade there is a need for further developments in agricultural production in order to remain viable. Tasmania has a strong innovation approach to agriculture. For example, the University of Tasmania in conjunction with the State department responsible for agriculture developed the Tasmanian Institute of Agricultural Research (TIAR) which is regarded as a centre of excellence in temperate climate agricultural research. Through the activities of TIAR there has been research conducted into all areas of agriculture relevant to Tasmania.

---

[1] ABARE, 2010, *Commodity Outlook and Financial Performance of Key Agricultural Industries in Tasmania*
[2] Tasmanian Agricultural Productivity Group and Tasmanian Farmers & Graziers Association, 2007, *The Contribution of Agriculture to the Tasmanian Economy*
[3] ABARE, 2010, *Commodity Outlook and Financial Performance of Key Agricultural Industries in Tasmania*
[4] Tasmanian Agricultural Productivity Group and Tasmanian Farmers & Graziers Association, 2007*, The Contribution of Agriculture to the Tasmanian Economy*

The Need for Rural RD&E

In an ever changing world there is an unavoidable need for research and development in order to facilitate adaptation. The global population is increasing at around one million people per week, at the same time the area of productive land is decreasing through factors such as urban expansion, salinity and land use regulation. In order to meet these increasing demands research, development and extension (RD&E) activities need to be undertaken to develop new innovations and farming practices to maximise the land use through more efficient productivity whilst minimising environmental impacts. Rural RD&E has a pivotal role to play in continuing the development of agriculture and there is clear support from industry for the RDCs and the role they play.

Innovation plays an essential role in ensuring industry growth and maintaining global competitiveness. The activities of RDCs are critical in facilitating effective, innovative research. In a recent research paper West (2009) discussed a potential innovation strategy for Tasmania, this paper identified that innovation is critical to productivity advance and that "productivity advance is the essential underpinning of prosperity in any economy"[5]

An important additional benefit from agricultural development is the encouragement for outside investment and interest in Australian agriculture. In Tasmania the agricultural sector contributes significant proportions to the GSP and the state employment figures. As such, the long term viability of the Tasmanian agricultural industry is reliant on investment and interest from both interstate and overseas.

It is important to also consider that rural RD&E benefits not just the agricultural industry but also the wider Australian economy, environment and society. Examples of this include:

- Food safety and supply: providing low cost, nutritious, safe food
- Natural resource management
- Maintaining export diversity at both a state and national level
- Supporting regional economies and communities: as stated previously the FDE in Tasmania accounts for one in five jobs and contribute 16% to the GSP

[5] West, 2009, *An Innovation Strategy for Tasmania. A New Vision for Economic Development*, Australian Innovation Research Centre, http://www.airc.net.au/index.php

- Research relating to climate change, emissions reduction and carbon capture and storage also occurs through rural RD&E.

The Need for Funding

The question around the value of investing in Research and Development Corporations (RDCs) is one that has been raised previously through numerous forums. There is considerable effort from the RDCs to evaluate investment in RD&E. The 2007 Productivity Commission review on Public Support for Science and Innovation reported a benefit-cost ratio range of 2 to 1. Recent figures for the return on investment after a 25 year period have been reported at 10.5:1[6]. It is vitally important to note that recent work has linked productivity growth declines in the agricultural sector in both Australia and other developed countries to falling investment in RD&E. Given that Australia requires a 2% annual productivity growth to remain static[7], this is currently not being achieved, a greater investment in rural RD&E is required to drive productivity and maintain competitiveness.

RDCs rely on both public and private investment; this investment is important in enabling research and development and in encouraging innovation in the sector. Without this investment many of the improvements that have been made in agricultural production would not have occurred. As is clearly evident from all previous studies into the benefits of R&D, further value could be gained from continued development in RD&E.

A reduction in RD&E funding not only risks jeopardising the future expansion and development of agriculture but would also have detrimental effects on the wider community and economy. As mentioned previously there are significant 'public good' additional benefits that need to be considered. There are also beneficial returns specific to Government including addressing core Government responsibilities such as biosecurity and natural resource management. Government also have the potential to positively influence the strategic direction of agricultural industries through active involvement in the development of the strategic policies of RDCs.

[6] CRDCC 2008, *Measuring Economic, Environmental and Social Returns from Rural Research and Development Corporations' Investment*, Council of Rural Research and Development Corporations' Chairs, Canberra. http://www.ruralrdc.com.au

[7] Mullen 2010, 'Trends in Investment in Agricultural R&D in Australia and its Potential Contribution to Productivity', *Australian Agribusiness Review*, Vol. 18, pp18-29

The RDC Model

As stated previously RDCs play a crucial role in rural RD&E and their activities are supported by industry. There is a need for research and development in Australia to have a clear, co-ordinated vision that provides direction. There are already many instances where research is being undertaken co-operatively between different RDCs, research institutions and funding sources. Through this co-operative work and the Council for Rural Research and Development Corporations (CCRDC) there continues to be collaboration that minimises duplication.

Any consideration of consolidating administrative operations of RDCs must involve extensive consultation and analysis to ensure that there are no lost opportunities for individual industries as well as the overall agricultural sector. It is important that the links between RDCs and industry stakeholders is not diminished.

In Tasmania the Department of Primary Industries has historically been responsible for agricultural extension activities. However, recently the extension activity conducted by the Department has been progressively withdrawn. The withdrawal of extension services from state services has resulted in a failing of extension services. Extension activities are fundamental to the research and development process and are a critical component of the adult learning structure. Funding for extension activities should be considered in the same way that Government invest in educational institutions. Where state Government investment in rural RD&E has decreased this needs to be replaced with Commonwealth funding.

Where there are cross-commodity issues, such as environmental, animal welfare, climate change, and social and economic issues, there should be co-operation and collaboration between RDCs. The RDC model as it currently stands is fundamentally sound; provided the model can continue to adjust to accommodate changes it will remain relevant.

Wool Industry

The Australian Superfine Wool Growers' Association has provided a comprehensive submission to this review as has Wool Producers Australia. The TFGA Wool Council supports their submissions.

Over the years the wool industry has fluctuated widely yet it continues to be an important export industry. Recently the wool industry has been significantly impacted by drought and declining prices, this has highlighted the importance of investing in RD&E for both productivity and sustainability

improvements as well as leading to more effective marketing to capture more of the value of wool back to the producer.

The wool industry has to compete not just with other natural fibres but also with synthetic fibres. RD&E is essential for the wool industry to remain competitive. For example, superfine wool under 18.5 microns accounts for approximately 22% of the national clip, at a higher price this then contributes to 35-40% of the levy collected. The shift in structure of the clip is a direct consequence of RD&E activities meeting market demands for softer lighter fabrics.

In order to maintain wool as a desirable fibre and to ensure the Australian wool industry has a competitive advantage in the export market there must be ongoing RD&E activities and support.

Conclusion

The future success of Australian agriculture depends on continued advances in technology that must be underpinned by the best RD&E activities possible.

Producers already make a significant contribution to RD&E programs, the outcome of these programs have significant public benefit. As such it is appropriate that public funding continue to contribute towards rural RD&E. A withdrawal or reduction in public funding risks triggering a loss of industry funding and significant under investment in RD&E. Any reduction will limit the future capacity and impose further constraints on long term productivity growth.

Provided the RDC model allows for adjustment to changing conditions it will continue to be relevant. The TFGA strongly recommend the continuation of both industry and government funding of rural RD&E.