



Australian Government Department of Agriculture

Submission to the consultation on: Modernising the Research and Development Corporation system

December 2019

About the Australian Fresh Produce Alliance

The Australian Fresh Produce Alliance (AFPA) is made up of Australia's key fresh produce growers and suppliers. The members include:

- Costa Group,
- Perfection Fresh,
- Montague,
- One Harvest,
- Pinata Farms,
- Fresh Select,
- Mitolo Group,
- Mackay's Banana Marketing,
- Driscoll's,
- 2PH Farms,
- LaManna Premier Group,
- Rugby Farming,
- Freshmax, and
- Fresh Produce Group.

These businesses represent:

- half the industry turnover of the Australian fresh produce (fruit and vegetables) sector - \$4.5 billion of the \$9.1 billion total,
- a quarter of the volume of fresh produce grown in Australia - 1 million of the 3.9 million tonne total,
- more than a third of fresh produce exports - \$410 million of the \$1.2 billion export total,
- more than 1,000 growers through commercial arrangements, and
- more than 15,000 direct employees through peak harvest, and
- up to 25,000 employees in the grower network.

The key issues the AFPA is focusing on include:

- packaging and the role it plays in product shelf life and reducing food waste landfill,
- labour and the need for both a permanent and temporary supply of workers,
- market access to key export markets for Australian produce,
- product integrity both within and outside of the supply chain,
- pollination and research into alternative sources, and
- water security, including clear direction as to the allocation and trading of water rights.

The AFPA's aim therefore is to become the first-choice fresh produce group that retailers and government go to for discussion and outcomes on issues involving the growing and supply of fresh produce.

Products grown by AFPA Member companies include:

Apples	Blueberries	Cherries	Nectarines	Raspberries
Apricots	Broccoli	Fioretto	Onions	Salad leaf
Asparagus	Broccolini	Green Beans	Oranges	Spinach
Avocado	Brussel Sprouts	Herbs	Peaches	Strawberries
Baby Broccoli	Butternut	Lemons	Pears	Sweet Corn
Baby Corn	Pumpkin	Lettuce	Pineapples	Table grapes
Bananas	Cabbage	Mandarins	Plums	Tomatoes
Beetroot	Cauliflower	Mango	Potatoes	Water Cress
Blackberries	Celery	Mushrooms	Cucumber	Wombok



Executive Summary

There would be few who would argue that there is not a strong need for continued investment in agricultural research and development to support the long-term development of Australian agriculture. Much of the discussion is therefore focussed on the 'who, what, when and where' of that research and development.

Agricultural research, development and marketing functions in Australia are performed by governments, universities, companies, institutes, and a range of other stakeholders. Within this complex framework there are '15 Rural Research and Development Corporation across agriculture, fisheries and forestry industries in Australia. Each one is tasked with delivering tangible and practical improvements for their industries in terms of productivity and profitability, sustainability, and the community'.

It is clear from the Primary Industries Research and Development Act 1989 that the system was designed to meet a combination of strategic and 'public good' objectives. This reflects funding from 'compulsory industry levies' and Australian Government contributions funded by Australian taxpayers. The Australian Fresh Produce Alliance notes that the original objectives remain as relevant as ever and if the RDCs were dismantled there would need to be another collective mechanism established to support the strategic and 'public good' objectives.

The Australian Fresh Produce Alliance proposes a way forward for the Australian RDC system based on a realignment of focus, structure, and systems. A useful approach to focussing the RDC programs will be to focus on research priorities which provide strategic and 'public good' benefits to contributing industries and the Australian taxpayer, and avoid short term ad hoc research topics which will be met by other parties.

It comes as no surprise that the key challenges for fresh produce (sustainability, trade, biosecurity, food safety, and pollination) are highly relevant to all plant industries and agriculture as a whole. We must consider the objective and outcome as the priority moving forward, rather than the structure of organisations or the RDC framework in isolation.

The Government needs to consider implementing a collaborative approach to strategic agricultural issues in RDCs funding deeds. The Government should consider allocating part of the Commonwealth funding contribution to cross-agriculture strategic challenges in order to drive collaboration.

Regarding what an RDC should not do, once an industry agrees by majority vote to implement a levy, an individual levy payer is compelled by law to pay the levy. If an RDC participates in advocacy or 'political lobbying' while receiving Australian Government funding it creates a conflict of interest whereby an RDC is 'encouraging or criticising' an investor. This could lead to a range of accusations and is also a poor platform from which to undertake advocacy. For these reasons, the Australian Fresh Produce Alliance does not support an advocacy or 'political lobbying' role for RDCs, particularly Hort Innovation.

For fresh produce and horticulture more broadly, there are currently 37 levies collected by Hort Innovation as the industry services body for horticulture. While there is more than \$100 million invested by Hort Innovation annually, there are significant inefficiencies in administering 37 different levy funds. If it is accepted that the purpose of the RDC system is to address strategic challenges and provide 'public good' outcomes, 37 different levies are an inconsistent structural approach to strategic research in the horticulture industry - fruit, vegetables, nuts, nursery and garden, and cut flowers.

The last key piece of realignment which needs to occur is a review of systems across RDCs. All levy payers should have access to their levy return through a levy payer register and the ability to communicate directly with their RDC. The levy payer register and direct communication with levy payers should form the basis of modern communication, extension and adoption in Australian agriculture.

Recommendation: Adopt a policy to **streamline agricultural Research and Development, and Marketing, to resolve key industry challenges, reduce duplication and drive innovation and automation** to deliver economic growth not only to horticultural producers but through the broader supply chain and regional economy.



Introduction

Agricultural research, development and marketing functions in Australia are performed by governments, universities, companies, institutes, and a range of other stakeholders. Within this complex framework there are:

“15 Rural RDCs (Research and Development Corporations) across agriculture, fisheries and forestry industries in Australia. Each one is tasked with delivering tangible and practical improvements for their industries in terms of productivity and profitability, sustainability, and the community. They do this through strategic and targeted investments in and partnerships for research, development and adoption, and in some cases, market access, market development and promotion¹”.

There are a range of differing views as to the benefits, costs, systems and structures that are utilised by Rural Research and Development Corporations (RDCs) and the best way forward. Before considering these, it is important to recall the legislated purpose of the system through the *Primary Industries Research and Development Act 1989* (page 1&2):

(a) ... for the funding and administration of research and development relating to primary industries with a view to:

(i) increasing the economic, environmental and social benefits to members of primary industries and to the community in general by improving the production, processing, storage, transport or marketing of the products of primary industries; and

(ii) achieving the sustainable use and sustainable management of natural resources; and

(iii) making more effective use of the resources and skills of the community in general and the scientific community in particular; and

(iv) supporting the development of scientific and technical capacity; and

(v) developing the adoptive capacity of primary producers; and

(vi) improving accountability for expenditure on research and development activities in relation to primary industries; and

(b) ... for the funding and administration of marketing relating to products of primary industries.

Purpose of the Rural Research and Development Corporations

There would be few who would argue that there is not a strong need for continued investment in agricultural research and development to support the long-term development of Australian agriculture. Much of the discussion is therefore focussed on the ‘who, what, when and where’ of that research and development.

Since the establishment of the RDC system Australian agriculture has become more globally integrated and connected, where technology plays a significantly greater role in production, marketing and the supply chain; and consumers demands have shifted markedly. The breadth of research underway has increased significantly which is reflected in the research portfolios of RDCs. In a modern environment of many participants, global research programs, and rapid technological development, every organisation must focus its efforts, resources and attention.

It is clear from the *Primary Industries Research and Development Act 1989* that the system was designed to meet a combination of strategic and ‘public good’ objectives. This reflects funding from ‘compulsory industry levies’ and Australian Government contributions funded by Australian taxpayers. The Australian Fresh Produce Alliance notes that the original objectives remain as relevant as ever and if the RDCs were dismantled there would need to be another collective mechanism established to support the strategic and ‘public good’ objectives.

¹ <http://www.ruralrdc.com.au/about/>



A Way Forward

The Australian Fresh Produce Alliance proposes a way forward for the Australian RDC system based on a realignment of focus, structure, and systems.

1. Focus

As grower funded organisations working closely with industry it was probably inevitable that without strong strategic frameworks directing research that each RDC would be drawn into the many and varied issues which exist in agriculture. This has led to research funding being spread thinly across many 'priorities', duplication across the RDC system, and as some would contend - a lack of outcomes. A useful approach to focussing the RDC programs will be to:

- Focus on research priorities which provide strategic and 'public good' benefits to contributing industries and the Australian taxpayer,
 - Undertake research to address strategic challenges which won't otherwise be addressed by other parties, and
- Avoid short term ad hoc research topics which will be met by other parties.

Once the long-term strategic objectives or challenges are reviewed and assessed against 'public good' objectives, key issues become apparent. A framework of fresh produce strategic issues are outlined below. Addressing these are crucial to the continued sustainability and growth of the Australian fresh produce industry.

Framework of Fresh Produce Strategic Issues

1. Sustainability

- Climate Change
- Water
- Packaging

2. Trade

- Market Access
- Industry Capability Development
- Technical Exchange with key export markets

3. Biosecurity

- Managing pest and disease
- Integrated Pest Management
- Chemical use

4. Food Safety

- Systems
- Science based approach
- Application of technology

5. Pollination

- Research into bees and flies
- Alternate pollinators
- Pollination across different production systems



RDCs and Advocacy

Regarding what an RDC should not do, once an industry agrees by majority vote to implement a levy, an individual levy payer is compelled by law to pay the levy. If RDCs were to undertake advocacy or 'political lobbying' it creates a conflict of interest whereby a grower who is paying a compulsory levy is participating in, or being represented, by an entity (an RDC) which they are not voluntarily participating in.

Further, if an RDC participates in advocacy or 'political lobbying' while receiving Australian Government funding it creates a conflict of interest whereby an RDC is 'encouraging or criticising' an investor. This could lead to a range of accusations and is also a poor platform from which to undertake advocacy. For these reasons, the Australian Fresh Produce Alliance does not support an advocacy or 'political lobbying' role for RDCs, particularly Hort Innovation.

There is however a clear role for RDCs in establishing data and evidence for Australian agriculture across key issues such as sustainability, labour, trade, biosecurity, food safety and other matters. This information can be used by governments and industry bodies in the development of policy and programs.

2. Structure

It comes as no surprise that the key challenges for fresh produce (sustainability, trade, biosecurity, food safety, and pollination) are highly relevant to all plant industries and agriculture as a whole. We must consider the objective and outcome as the priority moving forward, rather than the structure of organisations or the RDC framework in isolation.

For fresh produce and horticulture more broadly, there are currently 37 levies collected by Hort Innovation as the industry services body for horticulture. While there is more than \$100 million invested by Hort Innovation annually, there are significant inefficiencies in administering 37 different levy funds. If it is accepted that the purpose of the RDC system is to address strategic challenges and provide 'public good' outcomes, 37 different levies are an inconsistent structural approach to strategic research in the horticulture industry - fruit, vegetables, nuts, nursery and garden, and cut flowers.

Regarding cross RDC collaboration on whole-of-agriculture issues, the Government implemented the *Rural Research and Development for Profit*² program to drive the priorities identified in the Agricultural Competitiveness White Paper. This program has been successful in driving collaboration across RDCs on the issues identified but has not led to substantial ongoing collaboration on other issues.

The Government needs to consider implementing a collaborative approach to strategic agricultural issues in RDCs funding deeds. An example might be an RDC which has a significant track record and demonstrated capability in extension and adoption activities for farmers could lead this work across multiple sectors. This would ensure that the content and industry specialists remain to support their individual industries while leveraging the systems, platforms and networks of other RDCs in specific areas. The Government should consider allocating part of the Commonwealth funding contribution to a cross-agriculture strategic challenges in order to drive collaboration.

There have been some suggestions that 15 RDCs is too many and they could be merged to create efficiencies and better outcomes. With levies being collected by industry it is important that farmers maintain a connection to 'their RDC' to support adoption, farmer engagement and RDC relevance. While a merge of all RDCs into one plant and one animal RDC might be a step too far and create large bureaucracies rather than RDCs responsive to their stakeholders, potential mergers might be identified against a review of industry strategic challenges and issues which would improve outcomes for growers and taxpayers.

² <http://www.agriculture.gov.au/ag-farm-food/innovation/rural-research-development-for-profit>



3. Systems

The last key piece of realignment which needs to occur is a review of systems across RDCs. All levy payers should have access to their levy return through a levy payer register and the ability to communicate directly with their RDC. The levy payer register and direct communication with levy payers should form the basis of modern communication, extension and adoption in Australian agriculture.

In consideration of the strategic challenges of the industry and the research program and portfolio it will become clearer what other system requirements might exist across RDCs. The balance will be establishing systems which reflect the needs of the levy payers, research programs and ultimately value for taxpayers.

Recommendation

The Australian Fresh Produce Alliance is made up of 14 of Australia's largest fresh produce growers and suppliers. These businesses are responsible for half the value of the fresh produce (fruit and vegetable) industry and are responsible for remitting approximately half the industry levies collected. The recommendation from the Australian Fresh Produce Alliance is to:

- Adopt a policy to **streamline agricultural Research and Development, and Marketing, to resolve key industry challenges, reduce duplication and drive innovation and automation** to deliver economic growth not only to horticultural producers but through the broader supply chain and regional economy.

