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Modernising Australia's R&D Corporations

The Australian Government has released a discussion paper on Modernising Australia's Research and Development Corporations as part of the growth agenda for agriculture (to realise a \$100 billion industry by 2030).

This discussion paper outlines key focus areas to support a modern Research and Development Corporation (RDC) system that will:

- deliver value for money for levy payers and the taxpayers who fund the RDC system;
- drive collaboration and participation across the agricultural innovation system, with a focus on better cooperation and improved adoption of research and development (R&D);
- target long-term cross-sectoral and transformative R&D; and
- improve levy-payer representation and advocacy.

Livestock SA was formed in 2013 to represent the interests of beef cattle, sheep and goat producers across South Australia. Currently Livestock SA has in excess of 3,500 members. For the sake of our members, it is essential that they received value for money as levy payers and have more involvement in priority setting. In this submission, Livestock SA is advocating for changes to achieve these aims.

Livestock SA is directly interested in two RDCs - Meat and Livestock Australia (MLA) and Australian Wool Innovation (AWI), and indirectly also Australian Meat Processor Corporation (AMPC) and Australian Livestock Export Corporation (LiveCorp).

1) RDC structures

This review of RDCs has come soon after the review of the Red Meat Memorandum of Understanding (MOU) and for those with an interest in livestock (sheep, cattle and goats) it is difficult to consider the relevant RDCs without referring to recommendations on the Red Meat MOU.

Livestock SA made a submission to the independent Taskforce appointed by Red Meat Advisory Council (RMAC) to review the Red Meat MOU, indicating preference for one RDC which would incorporate MLA, AWI, Livecorp and AMPC.

The independent Taskforce has now released a White Paper recommending three new streamlined and unified industry bodies: Red Meat Australia, a single Red Meat Research Body, and an industry standards forum.

Red Meat Australia would be the single voice for the Australian red meat and livestock industry. It would be the single conduit for levies collected from business as well as assume the industry public

policy, social license and marketing roles for the industry. In addition, Red Meat Australia would set the Meat Industry Strategic Plan (MISP), with all three new bodies accountable under the MISP to Red Meat Australia.

RMAC would be abolished with its activities absorbed by Red Meat Australia as well as the industry marketing function, while the research functions of AMPC, LiveCorp and MLA would be combined into a single red meat research body.

Should AWI be included?

Livestock SA was disappointed that the independent Task Force concentrated solely on red meat and made no comment about AWI. Fortunately, the discussion paper on modernising Australia's RDCs now allows consideration on whether AWI should be included and if so, how.

There are mixed opinions about including AWI, with views ranging from MLA and AWI being different and the interests of the wool industry could be consumed, to it is only the one animal – sheep – and as virtually all production issues are identical, sheep should be in the same R&D organisation and it is only marketing that is different.

Regardless of these views, it is felt that there needs to be more collaboration and joint programs and activities. In the past, often there have been vast differences, for example with the Cooperative Research Centre (CRC) for Sheep Industry Innovation, AWI refused to be involved or to provide funding for the last five years of the CRC. Another example is that MLA pays 100% for MerinoSelect (producing ASBVs (breeding values) and genetic improvement tools for Merino breeders) because the AWI Board decided to cease funding it. Such behaviour, which leads to a silo-mentality should not be allowed to happen in future.

While consideration could be given to including AWI, this should not become the stumbling block that prevents much needed reform.

Engaging with levy-payers

As it is difficult for direct levy-payer input on a day-to-day basis, it is essential that the bodies that represent producers have an oversight role of their relevant RDC (or RDCs).

In the case of MLA, they recognise the need to regularly liaise, seek advice and update the relevant peak bodies (Cattle Council of Australia, Sheep Producers Australia and Goat Industry Council of Australia).

In contrast AWI takes scant attention of WoolProducers Australia. If wool growers across Australia are to be effectively involved in making input, it is urgently required for WoolProducers to become the representative organisation that has oversight of AWI.

Livestock SA is a member of all four of these peak bodies.

In any model going forwards, it is essential that the RDCs do not have too much influence over the decision-making processes of the peak industry bodies that have the oversight role on behalf of levy-payers.

Cross commodity issues

At a cross-sectoral level, there should be a special purpose organisation to oversee cross-sectoral R&D funded by existing levy funds from each RDC.

This new entity (not another RDC) should have the ability to operate across or even outside of the individual industry focus of RDCs. It needs the authority to act within a responsive investment framework, the capacity to manage uncertainty through adaptation, an ability to deliver arrangements which are enduring (even up to 20 years), and the capacity to attract non-traditional investors as partners.

In many ways this would be a similar model to that in South Australia between Primary Producers SA (PPSA) and six independent commodity organisations, where PPSA as the overarching body works with its six member organisations on cross-commodity issues impacting all South Australian primary producers. Livestock SA is one of the six members.

2) Collaboration and attracting new participants

Livestock SA is very supportive of the MLA Donor Company model. It has injected valuable new investment into red meat industry R&D and commercialisation, with a range of benefits. The model complements levy investment through voluntary contributions and supports some of the more commercial aspects of R&D, benefiting the whole supply chain. It has assisted some of the projects that form part of the SA Sheep and Cattle Industry Blueprints that Livestock SA has developed through industry consultation.

The MLA Donor Company model needs to be developed further, particularly to attract investment from more of the private sector, including from the food and fibre value chains and at an international level.

3) Uptake of agricultural R&D

R&D is essential and must be funded and undertaken, particularly long-term R&D. And in addition, for most projects there must also be consideration of extension and adoption of the outcomes. For on-farm projects, there needs to be a requirement of a percentage of the funding to be provided towards extension and adoption. Fortunately, MLA does provide some extension effort, and so does AWI to a certain extent – but much more is required.

To achieve improved uptake of R&D in South Australia, Livestock SA has been involved with the whole of industry in developing the SA Sheep and Cattle Industry Blueprints. In the SA Sheep Industry Blueprint the overall aim is to increase productivity by 20% by 2020, with one of the five key objectives being to act as a conduit for greater research, development and extension collaboration along the value chain at the regional, state and national level and develop a measure of greater adoption and uptake. At the regional level much of this is happening through various farming groups which is one of the best ways to achieve uptake.

If the value of R&D is to be achieved it is essential that there is a pathway to adoption and where applicable there needs to be an embedded adoption phase within all R&D projects.

Marketing

The need for marketing appears to have been ignored in the Discussion Paper. Both MLA and AWI put considerable resources particularly into promoting red meat and wool overseas. On behalf of livestock producers, this is an essential role that these two central organisations need to undertake, coordinate and facilitate. The Minister in her Forward to the Discussion Paper focuses only on what the future looks like for R&D. If marketing is not to be undertaken by RDCs, what is being suggested?

And it is the marketing role where the differences between MLA and AWI are considerable. AWI invests along the global supply chain for Australian wool to deliver outcomes that benefit Australian woolgrowers. Through the Woolmark Company, the marketing subsidiary of AWI, the focus is on fostering talent, developing new innovations, and helping businesses around the world realise the benefits of Australian Merino wool.

Social license

There is also the need to consider the “social license to operate” which has grown in importance alongside a deepening understanding of demand-side drivers on the supply chain. For livestock producers, this needs to focus on such issues as live animal exports and broader animal welfare concerns, environment, climate change concerns such as greenhouse gas emissions and sustainability, water management, and transport and processing. There is the need to show activities and strategies that engender good corporate citizenship and social purpose along the supply chain and that there is a baseline of acceptable behaviours (“codes of conduct”) which empower industry efforts at self-regulation, and importantly, secures community trust and their social license to operate.

Under the proposed future MOU, the RMAC Taskforce has recommended that Red Meat Australia would assume the industry public policy, social license and marketing roles for the industry.

4) Advocacy

Agriculture needs strong and effective advocacy to promote the interests and priorities to the Australian public and to government. However, RDCs are but one of the sources of knowledge for influencing policy directions.

It is important to differentiate between agri-political advocacy (the role of organisations such as the NFF and the State Farmer Organisations including Livestock SA), and industry advocacy (the role of the peak industry councils such as Cattle Council of Australia, Sheep Producers Australia, WoolProducers Australia, and the Goat Industry Council of Australia).

In relation to RDCs, much of the advocacy needs to come from the peak industry bodies that oversee these.

The role of the peak bodies is not clearly discussed in the Discussion Paper. As much of the funding for RDCs comes from farmers’ levies, it is essential that there is a strong oversight role by the peak bodies on behalf of producers within their respective industries.

To ensure that the peak bodies effectively undertake their oversight roles, it is crucial that they are adequately funded. Consideration needs to be given to a specific percentage of farmers' levies being allocated to the peak bodies to undertake this role, rather than to go cap-in-hand for funding to those RDCs they are supposed to oversee.

In South Australia, advocacy and industry assistance through Livestock SA is funded from producer levies on sheep and cattle. The money is collected through the SA Sheep and Cattle Industry Funds under SA Government legislation (*Primary Industry Funding Schemes Act 1998*). Consideration could be given to this South Australian model, to ensure funding for the peak bodies.

It is essential that there are strong, independent and well-resourced peak industry councils. These need to be supported by policy committees that allow the production sector to have input into policy development.

Both the Cattle Council of Australia and Sheep Producers Australia have policy committees where policies are formulated and tested. It is through these policy committees that the State Farmer Organisations as members of these peak industry bodies can have input.