



ABN: 25 107 507 559
ACN: 107 507 559
3 Glenarm Road
Glen Iris Vic 3146
T (03) 9882 0277
F (03) 9882 6722
E info@ausveg.com.au
www.ausveg.com.au

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TO WHOM IT MAY CONCERN

Please find following a submission by AUSVEG to the Department of Agriculture's review entitled "Modernising the Research and Development System".

Kind regards

A handwritten signature in black ink that reads "James Whiteside". The signature is written in a cursive, flowing style.

James Whiteside
Chief Executive Officer

AUSVEG LIMITED

SUBMISSION TO THE FEDERAL GOVERNMENTS' DISCUSSION PAPER TITLED "MODERNISING THE RESEARCH AND DEVELOPMENT CORPORATION SYSTEM"

25 November 2019

About AUSVEG

AUSVEG is the national Peak Industry Body representing the interests of Australian vegetable and potato growers and is committed to securing the industry's future through effective advocacy and high-quality service provision.

AUSVEG is run by growers, for growers. It has three purposes:

1. It competes for project funding from Hort Innovation and other funding bodies for projects that deliver practical outcomes for growers. None of these funds are used for the purpose of advocacy.
2. AUSVEG co-owns and runs Hort Connections, the largest and rapidly growing professional development and networking event in the horticulture industry
3. Profits from Hort Connections are used to fund AUSVEG's political advocacy activities. AUSVEG has also played a leading role in the development of the Horticulture Council, to provide a consolidated industry position and voice on key industry issues.

AUSVEG has a unique position in the Australian vegetable industry given its status as the industry representative body for growers and its extensive grower network and industry contact base; this gives it a strong understanding of the issues that are relevant to vegetable growers and the greatest ability to act upon them.

Summary:

A summary of the key principles that AUSVEG believes should apply in this review is as follows:

1. *The Government should use the review to reconfirm its intent to continue to provide matching, such that total funds invested by the government are no less than under the current arrangements.*
2. *AUSVEG does not believe that having fewer RDCs is likely to result in better management of the cross sectorial issues: the duplication of activity and resources is often a function of the construct of the levy itself rather than of RDC's.*
3. *AUSVEG supports initiatives that reduce the fixed costs associated with running the RDC'S, as long as there is no loss in the ability of growers to influence how and where their levy funds are invested.*
4. *AUSVEG recognizes that there is significant duplication of R&D effort and supports the principal of mechanisms that encourages collaboration across industry sectors.*
5. *AUSVEG believes that R&D is only of value when it results in practice change on farm. Consequently it will support improved validation of economic outcomes and strong investment in extension. AUSVEG also believes that IRB's that are run by growers for growers, should be the preferred advocacy deliverer provided they can demonstrate a competitive capability to do so.*
6. *AUSVEG believes that the current construct whereby levies may not be used to fund advocacy activities is an important one, and would not support government funding of advocacy.*
7. *AUSVEG would support RDC ownership structures that enhance the control by, and influence of growers, as long as appropriate governance mechanisms are in place to protect the integrity of RDC operations.*
8. *AUSVEG believes that the inefficiencies in the current RDC model partially masks the outperformance of some projects that are acknowledged by growers and the industry more broadly, to be immensely valuable.*

AUSVEG's response to questions raised in the Discussion Paper:

RDC's enable the sector and government to collectively invest in innovation.

1. Is the current RDC system delivering value for levy payers and taxpayers? In what ways?

Whilst there are significant opportunities for improvement, there are very real and significant benefits to growers of having a consolidated and supported investment focussed on growing farm profitability by focussing on sustainability and productivity. For the taxpayer, it is logical to invest in the support of industries that contribute so directly to their physical and mental wellbeing, such as agriculture. It is also an excellent means for the taxpayer to support rural and regional communities that directly benefit from a strong agricultural industry.

RDCs manage and invest almost \$800million each year in R&D and marketing. We need the most effective and efficient system for delivering this service.

2. What are some of the benefits of keeping the same number of RDC's?

Agriculture is a broad and complex industry, with a complex range of technical and biological challenges and opportunities. The current construct provides an opportunity for all growers to influence the process of expenditure prioritisation, program execution and practical adoption on farm, all of which is essential to retain their ongoing support for the compulsory levy system.

3. What are some of the benefits of changing the number of RDC's?

There is no case for increasing the number of RDCs. There may be a case for fewer RDCs to eliminate the high fixed cost and potential for duplication of effort. However AUSVEG believes this should only occur if it is very clear that those large, complex biological, socioeconomic and technological challenges in agriculture that are multi sectoral, are best tackled with consolidated resources.

This is not a certain outcome, however. It is worth noting that even within an RDC (for example Hort Innovation) there is considerable duplication of effort and resources. The cause of this waste is the levy construct itself: Hort Innovation has to manage 35 different commodity funds, each with their own group of stakeholders. This issue is beyond the scope of this enquiry, however it cannot be automatically assumed that fewer RDCs will automatically result in more streamlined processes.

4. What are some of the cross-sectoral issues being faced by the wider agricultural sector?

These include, but are not limited to:

Sustainability: how does agriculture enhance rather than degrade the environment, and how does it develop best management practices for all sectors, that ensure agriculture retains its social licence.

Climate change: how agriculture addresses emissions targets and responds to less predictable and volatile weather.

Technology, for example precision agriculture and water use efficiency

Biosecurity: multi crop pest and disease management, processes to manage incursions, engaging with growers to build resilience and frontline management capability.

Extension: consistent methodologies to increase uptake of R&D on farm.

5. How can RDCs increase collaboration to ensure better investment in, and returns from, cross sectoral, transformative and public good research?

Much of the work of the RDC's is transformative and in the public good although too little is cross sectoral. The Agriculture industry needs a formal process that scans activities of all RDC's to look for areas of commonality and duplicate spend. Where these are identified, RDC's should be required to consolidate activities wherever possible. These are most likely to be in the areas identified in the previous question.

6. What are the cultural changes necessary in RDCs to achieve a modern fit-for-purpose RDC system?

RDCs need to work more collaboratively with service providers that are connected to and trusted by growers. The adoption of competitive procurement processes has been an important development in ensuring projects are properly tendered and lean. However, there are examples of RDCs procuring purely on price and with no real assessment of the service providers' ability to deliver valuable outcomes that resonate with growers. In the case of Horticulture, the move from Horticulture Australia to Hort Innovation was in large part to invoke a more competitive and open selection process for service providers. An unintended consequence, however, was a disengagement from responsible Industry representative bodies ("IRB's"), whose purpose it is to advance the cause of growers. There have been recent attempts to repair these relationships though significant change in RDC performance is happening slowly.

A stronger relationship based on mutual trust and recognition of the value to the RDC of the support of the IRBs is necessary. IRB's, where they can demonstrate the competency, should lead R&D extension and other growing facing activities.

7. What other ways are there for increasing investment in cross-sectoral, transformative and public good research?

AUSVEG notes that it is the Governments intention to consider the public-private co-investment model that has integral to the success of agricultural R&D investment for many years. We note, though, that the RDCs currently have some discretion in how these funds are matched. To encourage more collaboration within and across RDCs, one model may be that those projects that are cross sectoral are matched at a rate greater than 100%, whilst projects that are industry specific are matched at a lower rate. This would encourage researchers and the RDCs to actively look to see who else might have a similar need, and to eliminate duplication.

8. What is the best way for RDCs to engage with levy payers to inform investment decisions?

When properly executed, Hort Innovations' method of establishing Strategic Investment Advisory Panels, to provide grower input into the setting of priorities (within the framework of a 3 year Strategic Investment Plan), and then overseeing key vendor selection and project performance is a good mechanism. Recent moves within Hort Innovation to consolidate communications and extension projects will significantly improve the quality and effectiveness of communication of R&D activity.

Strong, properly resourced communication and extension programs done by, or at least in constructive collaboration with, the industry IRB will ensure growers see the benefit of their investment and are encouraged and empowered to adopt change on farm.

Further growth in R&D investment can come from the private sector, domestically and internationally.

9. How can we encourage increased investment in the RDC system from the private sector and international partners?

AUSVEG believes that the principle that public and grower money should be focussed on areas of market failure (ie where there is insufficient incentive for the private sector to invest) is an important one. That said, RDC's play an extremely important role in providing seed funding, or in other ways being a catalyst for change, and so partnerships with the private sector are immensely valuable. The private sector will respond when the message is clear, the business case is properly constructed, project execution is effective and approaches are consistent and logical.

10. How can we form stronger linkages between the RDC system and the food value chain?

RDC's could take a leadership position in endeavouring to consolidate activities where disaggregation is destroying value. Many agricultural industries lack a coherent industry strategy, that maps out the industries broader (beyond R&D)

opportunities and challenges, and defines key steps that should be taken to maximise sustainable industry value. This work would best be done in conjunction with the industry IRB, and should include downstream channel partners (customers) to ensure the industry understands how the needs of its customers are changing over time.

11. What changes might encourage improved RDC collaboration with the private sector, including those outside the agricultural sector?

Industry needs access to R&D that meets its needs and delivers on investment. This will reduce the time it takes to adopt new technologies.

12. Where should the balance of investment between R&D and extension lie?

Adoption of R&D by growers is critical if the industry is to change, stay ahead of the challenges and capitalise on the opportunities. Without adoption, R&D is entirely academic. Good extension practice does not change significantly across different sectors and so AUSVEG believes the RDC's should have a clear extension strategy already developed. This would ensure a consistent, lean and effective extension effort that adopts best practice. AUSVEG believes that IRB's are extremely well placed to oversee such extension, given that they are run by growers for growers.

13. How could RDCs play a stronger role in extension service delivery, in light of existing private and state government extension efforts?

The retraction of government funded extension activities places the onus on the industry itself to ensure that its growers are informed. The best extension activities are those that are run by IRB's, and where the outcomes of levy funded research is moulded with other activities and insights of the IRB to deliver real solutions to production challenges. In the case of horticulture, Hort Innovation requires a coherent and consistent extension strategy, that supports and complements existing resources.

14. How could RDCs help researchers, entrepreneurs and others better engage with producers to accelerate uptake?

See question 13

15. How could industry and levy payers drive increased uptake of R&D?

A key element of an extension project is providing growers with the information they need to consider the impact of change on their business. R&D projects need to have a capacity for this to occur, including by contributing to a broader extension project and in their own right.

Currently most RDCs are not permitted to undertake advocacy activities.

16. How might RDCs be able to increase their role in policy R&D and participate in policy debate alongside industry representative bodies?

AUSVEG does not believe that the current construct, whereby levy funds may not be used for advocacy, prevents the RDC's from informing and influencing good policy outcomes. If they are not doing so now, it should be relatively simple to amend their brief to ensure the Minister and the Department receives the data-driven insights the RDC's can no doubt provide.

17. If RDCs were to play a greater role in this area, how could this activity be clearly distinguished from partisan and political activity, which must remain a role for industry representative bodies?

See question 16

Next steps

AUSVEG notes that the Minister intends to establish an Advisory Panel. AUSVEG formally expresses its desire to be a part of this panel and is confident that, utilising the Horticulture Council as a source; it would be able to effectively represent the interests of horticulture producers in this critically important review.

Addendum

AUSVEG's experience with Hort Innovation

AUSVEG's relationship with Hort Innovation is on two levels:

1. AUSVEG is a regular vendor, competing for project funding. AUSVEG currently holds 11 contracts, with annual revenue of approximately \$4m.
2. As the industry body representing growers, AUSVEG works with Hort Innovation to demonstrate the importance of levy projects to growers. It also endeavours to hold Hort Innovation accountable for its performance with respect to financial management of the vegetable and potato levy funds, the process to select and tender projects, as well as the project performance and the delivery of outcomes.

Overall the work funded by Hort Innovation is critical to the performance of the industry, with a wide range of projects focussed on biosecurity, technology application, risk management, export development and capability building. There is a substantial amount of published data to demonstrate the value to both growers and taxpayers from this shared investment.

However, there are several significant opportunities for improvement that AUSVEG is in regular dialogue with Hort Innovation to address. These include:

- The administrative processes associated with ideation, tendering, procurement, project management and monitoring and evaluation are complex and bureaucratic. This adds cost and deters many growers and service providers from engaging.
- With 35 different commodity funds managed by Hort Innovation there is significant overlap and duplication of effort. Hort Innovation have done too little to consolidate like activities, particularly for those projects supported by the smaller funds.
- There is insufficient focus on communication and extension and no coherent extension strategy. Each fund has a separate, often underfunded approach.
- Hort Innovation has allowed their relationship and engagement with Industry Representative Bodies to stagnate. There seems to be an acknowledgment in recent times that those IRB's with scale and proper governance and leadership are best able to deliver many of the critical elements, including extension.
- Growers and their IRB's are broadly supportive of the purpose and intent of Hort Innovation but have been frustrated by its performance.

Many of the objectives of the review are likely to be achievable without wholesale changes to RDC structure.