



Submission: Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into 'The role of development partnerships in agriculture and agribusiness in promoting prosperity, reducing poverty and enhancing stability in the Indo-Pacific region'

January 2016



12 January 2016

Committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House
Canberra ACT 2600

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Dear Committee Secretary

GrainGrowers welcome the opportunity to provide a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into 'The role of development partnerships in agriculture and agribusiness in promoting prosperity, reducing poverty and enhancing stability in the Indo-Pacific region'.

GrainGrowers is an independent, national grain farmer organisation that represents the views of 17,500 members across Australia. As a designated Representative Organisation for the Australian grains industry under the *Primary Industries Research and Development Act 1989*, GrainGrowers plays an important role in representing the views and concerns of grain farmers to the Grains Research and Development Corporation to ensure accountability to levy payers and guide direction setting for research and development initiatives and strategy.

GrainGrowers' aim is to build a more efficient, sustainable and profitable grain production sector that benefits Australian grain farmers and the wider grains industry through:

- Having a strong policies and submissions process which is underpinned by our National Policy Group;
- Running education courses and events which help build human capacity and industry leadership skills; and
- Developing and distributing a range of products and services which directly benefit the industry.

This submission focusses on the following aspect of the Terms of Reference for the Committee's inquiry:

- Australia's contribution and achievements to date in catalysing sustainable economic growth, improving livelihoods and strengthening food and nutrition security through partnerships in the agriculture and food sector in developing countries in the region, including the extent to which these efforts support our national interest.

I trust the information in this submission may be of assistance to the inquiry. If you would like to discuss any aspect of this submission, feel free to make contact by telephone on 02 6173 6400 or email via david.mckeon@graingrowers.com.au.

Yours faithfully



David McKeon
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Significance of Australian agriculture and the grains industry

Agriculture is a key foundation of the Australian economy. In 2013-14, Australian farm production was worth \$51 billion¹ and accounted for 15 percent of total Australian merchandise exports². While farm-based agriculture directly contributes two percent to Australia's gross domestic product (GDP),² the sector also underpins Australia's largest manufacturing industries - food, beverage and tobacco processing - which added \$25 billion to the economy in 2013-14 (25 per cent of manufacturing GDP)¹. As noted in the recent Australian Government Agriculture Competitiveness White Paper, fostering growth in export sectors such as agriculture is an important national economic strategy in the face of a slowing mining construction sector.

Agriculture is also an important source of employment in Australia. More than 307,000 Australians are directly employed in agriculture, most of who live in, and maintain the viability of, rural communities. When agriculture-dependent sectors, such as food processing and distribution, are considered, Australian agriculture can be seen to provide the basis for the employment of more than 1.6 million Australians.

Despite challenging environmental constraints, Australian farmers are world leaders in efficient production. After providing for more than 90 percent of domestic food needs, Australian agriculture delivers more than \$41 billion dollars of exports annually.

The grains industry is Australia's foremost agricultural commodity sector. In 2013-14, grain exports were valued at more than \$12 billion and accounted for 30 per cent of the value of total farm exports.¹ About 65 per cent of production is exported annually, making grains Australia's largest agricultural export. Prospects for the grains industry are promising as global demand for grain will continue to increase, especially in key Asian markets such as Indonesia, where rising middle classes are embracing western diets. The grains sector directly employs more than 179,000 Australians and provides the basis for Australia's domestic grain processing and livestock sectors.

International competitiveness of Australian grains

Policy settings that allow innovative and productive farm businesses to flourish are essential to the success of the grains industry and Australian agriculture more broadly. GrainGrowers is pleased to note the Australian Government's 2013 election commitment to build a five-pillar economy, including agricultural exports as one of these pillars. In addition, the Australian Government recently released the Agricultural Competitiveness White Paper, which provides a variety of policy initiatives designed to benefit Australian grain farming businesses.

As a key deliverable of government, investment in research, development and extension (RD&E) is especially important for the long-term success of Australia's export-focused agriculture sector. For example, while grain is Australia's most valuable agricultural export (worth an average \$11.3 billion per annum over the past five years), Australian grain accounts for only 2-3 percent of international production. In addition, while our international competitors are highly subsidised (many farmers across the world receive more than half their income from government support), Australian agriculture has the lowest level of government support in the world,

¹ ABARES 2015, Agricultural commodities: June quarter, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra

² ABARES 2014, Agricultural commodity statistics 2014, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra, December

accounting for only 0.2 percent of National GDP³. Thus, with our variable climate and exposure to market forces, the competitiveness of Australian grain in the global marketplace relies on RD&E to increase productivity, reduce input costs and improve capacity to deliver a quality product.

A significant amount of grains RD&E in Australia is funded through a cooperative model, where producers pay a levy based on production to a statutory research and development corporation, with complimentary funding from the Australian Government, which recognises that the benefits of grains research spill over to the broader economy. In 2014-15, the Grains Research & Development Corporation (GRDC) received \$117.5 million in levies from grain farming businesses and \$68 million in complimentary funding from the Australian Government. Investment in RD&E provides a positive return for both the Australian public and directly to grain farmers. In an economic analysis of 38 groups of projects supported by GRDC between 2007-08 and 2012-13, it was found that R&D investments returned a benefit-cost ratio of 5 to 1.

Investment in agriculture-based development and impacts on Australian grain industry

As a world leader in Agricultural production and RD&E, Australia is well placed to provide agriculture-based aid to our Indo-Pacific neighbours. The Australian Government does this through a range of initiatives and programs under the portfolio of the Department the Foreign Affairs and Trade and the Australian Centre for International Agricultural Research (ACIAR). This submission largely focuses on ACIAR initiatives, which include agriculture-based development partnerships.

Impact assessments

GrainGrowers understands that ACIAR undertakes environmental and social impact assessments for all projects prior to commencement. ACIAR also evaluates the impact of projects following completion. These assessments focus on the environmental, social and economic impacts of projects in developing countries following adoption of R&D outputs. The assessments also consider impact on market prices of changes in volumes and quantities of commodities and the flow-on effects.

However, GrainGrowers believes that the scope of pre- and post-project assessments should be expanded to allow for more detailed consideration of direct and spill over impacts on Australian agriculture to ensure that projects do not disadvantage Australian farmers. For example, there needs to be careful consideration of the impacts of ACIAR's work on the markets for Australia's agricultural exports, especially when projects pave the way to a country becoming a competitor to Australian farmers or otherwise change the market for Australian agricultural commodities.

It would be preferable that before ACIAR provides investment that draws upon the outputs/outcomes of Australian agricultural RD&E (for example, work funded by the GRDC), ACIAR should demonstrate that the provision will also benefit the relevant farmers who paid the levies from which the RD&E outputs/outcomes were derived. GrainGrowers notes that this would align with ACIAR's mission statement, which includes an aim to achieve more productive and sustainable agricultural systems for the benefit of Australia, as well as developing countries.

³ OECD 2015, Agricultural Policy Monitoring and Evaluation, <http://www.oecd.org/tad/agricultural-policies/monitoring-and-evaluation.htm>

Moreover, project assessment, which includes consideration of benefits to Australian agriculture, provides an incentive for greater collaboration and knowledge transfer to researchers within Australia (if considered pre- during and post-project implementation).

An independent report released in late 2013 by the Crawford Fund's Doing Well by Doing Good Task Force recommended 'that ACIAR supplement its current impact assessment efforts by including measurements of the strengthening effect that participation in international agricultural research has on Australian institutions'. GrainGrowers supports this recommendation, noting that it closely complements GrainGrowers' position on ACIAR's impact assessments.

Recommendation 1

The scope of ACIAR's pre- and post-project assessments should be expanded to allow for more detailed consideration of direct and spill over impacts (positive and negative) on Australian agriculture to ensure that projects do not disadvantage Australian farmers.

Recommendation 2

Before ACIAR draws upon the outputs/outcomes of Australian agricultural RD&E to assist developing countries, ACIAR should demonstrate that the provision will also benefit the relevant farmers who paid the levies from which the RD&E outputs/outcomes were derived.

Quantifying the value of investments

GrainGrowers notes that ACIAR has made efforts to demonstrate the value of its projects to the Australian agricultural sector. For example, a 2006 ACIAR report into the 'benefits to Australia from ACIAR-funded research', found that ACIAR's work had generated significant spill over benefits for Australian agriculture. Quantified benefits to Australian agriculture were categorised as follows:

- Direct production benefits arising through research findings that directly improve the productivity of Australian agriculture.
- Indirect protection from disease or pest incursion that arises from applications of research findings that lower the chance of a disease or pest entering Australia.
- Direct protection from disease or pest incursion arising from research findings that allow more effective quarantine or more effective control of disease or pests incursions.
- Increased trade benefits arising through research that increases the value of Australian exports.

ACIAR's 2006 report noted that the extent of benefits to Australian agriculture depend on the degree of overlap between researchable issues in Australia and those of developing countries. The report identified quantifiable benefits to Australian agriculture from 62 percent of projects. The report also acknowledged that there could be trade-offs between delivering benefits to Australian agriculture and delivering benefits to developing country partners. While ACIAR concluded that there was no strong case to believe that ACIAR's work has a substantial negative trade-off for Australian agriculture, this does not seem to align with the fact that no quantifiable benefits to Australian agriculture could be found in a large percentage of projects in this study.

As ACIAR's most recent quantification of spill over benefits to Australia is nearly ten years old, GrainGrowers would appreciate more up-to-date and regular information on the qualitative/quantitative benefits of ACIAR's work for Australian agriculture, including the grains industry. GrainGrowers notes that a 2004 study conducted by ACIAR, demonstrated significant quantifiable spill over benefits (related to yield gains) for the Australian grains industry from ACIAR investment in wheat genetics research at the International Maize and Wheat Improvement Centre in Mexico and such studies are of great benefit in demonstrating the value to our farmers.

Recommendation 3

ACIAR should provide more up-to-date and regular information on the qualitative/quantitative benefits and costs of ACIAR's work for Australian agriculture, including the grains industry.

Alignment with Australian agricultural RD&E priorities

Currently, ACIAR's direction setting does not consider Australia's agricultural priorities. Instead, ACIAR funds research projects that are developed within a framework reflecting the priorities of Australia's aid program and national research strengths, together with the agricultural research and development priorities of partner countries.

GrainGrowers believes that with closer and more cooperative links to the Australian agricultural sector, ACIAR's work could provide an increased range of benefits to Australian farmers. As much as possible, projects should be designed to align with domestic agricultural RD&E priorities and the agriculture policy principles and priorities identified by industry and Government, such as those in the recent Australian Government Agricultural Competitiveness White Paper. In addition, projects that have positive synergies with Australia's researchable issues and are unlikely to have negative trade-offs, should be prioritised.

The independent report released in late 2013 by the Crawford Fund's Doing Well by Doing Good Task Force also recommended that ACIAR 'align its portfolio more closely with Australia's national primary industries RD&E frameworks in order to draw on a wider range of Australian expertise and interests, to enhance the benefits to both developing countries and Australia'. Once again, GrainGrowers supports the task force's recommendation, noting that it echoes GrainGrowers position.

Recommendation 4

As much as possible, ACIAR's projects should be designed to align with domestic agricultural RD&E priorities and the agriculture policy principles and priorities identified by industry and Government. Projects that have positive synergies with Australia's researchable issues and are unlikely to have negative trade-offs, should be prioritized.

Opportunities to recapture benefits through intellectual property rights

Domestically in Australia, a user-pays system of End Point Royalty (EPR) collection sustains the development of new wheat varieties by returning a productivity-related proportion of grower profits to breeders. Indexation of the EPR payment against the productivity of varieties works to incentivise the development of highly productive varieties. In addition, the use of an indexed payment rather than a set fee helps to share risk between growers and breeders.

It is worth investigating whether opportunities exist to establish an international EPR-style system, such that Australian development of new crop varieties for other countries could be sustainably funded with a long-term focus. In this way, Australia could move to become an international service provider of agricultural RD&E.

Recommendation 5

Opportunities to recapture some of the benefits of Australian research and development through an intellectual property rights system should be investigated.

Conclusion

GrainGrowers supports the Australian Government's current policy direction of more closely aligning aid interests with national economic interests. However, as this submission has outlined, there is scope for this policy direction to be further applied to the work of ACIAR, and quite likely other parts of the Australian Government's development agenda.

GrainGrowers recognises the value of ACIAR's work for facilitating development in the Indo-Pacific region. However, there is room to add further value by ensuring that Australia's investment in agriculture-based partnerships provides direct beneficial outcomes for the Australian agricultural sector. In this submission, GrainGrowers has made five recommendations. If these recommendations are accepted and acted upon by the Australian Government and ACIAR, GrainGrowers is confident that improved outcomes will be achieved for the Australian agriculture sector, including grain farmers.

Recommendation 1

The scope of ACIAR's pre- and post-project assessments should be expanded to allow for more detailed consideration of direct and spill over impacts (positive and negative) on Australian agriculture to ensure that projects do not disadvantage Australian farmers.

Recommendation 2

Before ACIAR draws upon the outputs/outcomes of Australian agricultural RD&E to assist developing countries, ACIAR should demonstrate that the provision will also benefit the relevant farmers who paid the levies from which the RD&E outputs/outcomes were derived.

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Opportunities to recapture some of the benefits of Australian research and development through an intellectual property rights system should be investigated.