



June 2016

## **GrainGrowers' policy position on potential GRDC Governance Reform – industry owned corporation**

**For some time, the grains industry has been considering the option to reform Grains Research and Development Corporation (GRDC) governance from the current statutory RDC model to an Industry Owned Company (IOC) model, as a possible way to improve return on levy payer investment and the overall sustainability of the grains Research, Development and Extension (RD&E) system.**

This governance reform would be a comprehensive process that would require a significant commitment of funding and up to three years for complete transition. It is therefore vital that any decision to shift to an IOC is informed by sound analysis that demonstrates solid economic and strategic benefits to levy payers.

### **Marketing levy consideration**

In assessing the case for governance reform, it is also pertinent to consider whether industry would benefit from the introduction of a marketing levy. Marketing levies fund activities that serve to maintain and improve market access. These levies are in place for most other major agricultural commodities.

### **Reviews to date**

To date, Grain Producers Australia (GPA) and the GRDC have led a number of research reports to inform the IOC transition debate. While these reports have provided some valuable information, there remains significant knowledge gaps that prevent the grains industry from being able to make an informed decision on whether or not GRDC should transition to an IOC.

### **The role of the Representative Organisation**

Importantly, the ability of an IOC model to deliver enhanced outcomes for levy payers depends on the IOC's Constitution and enabling legislation. While statutory RDCs must consult with designated Representative Organisations, this is not necessarily a requirement for IOCs. To mitigate the risk that GRDC could be less responsive and/or considerate of grower concerns as an IOC, the Constitution and enabling legislation of a grains IOC would need to require meaningful accountability to industry and provide for levy payers to influence the direction of RD&E investment.

### **Serving the best interests of levy payers**

Through our National Policy Group (NPG), GrainGrowers has developed a considered position on the IOC issue that balances the current debate and ensures any future outcome will reflect the best interests of all grain levy payers. GrainGrowers and GPA are working together, as joint Representative Organisations, to progress the assessment of whether an IOC is the best future model for grains RD&E.



Within this process, it is imperative that:

- A more comprehensive economic analysis is undertaken.
- An option of a marketing levy and function is part of the discussion
- The structure remains in the best interest of grain levy payers.
- The role of industry representative bodies is maintained to ensure industry accountability.
- Any decision to transition must be determined by a levy payer vote.

### **Next steps**

GrainGrowers recognises that, as a next step, the remaining information gaps that prevent informed decision making must be filled. As part of this, a review of the previous transition experiences from other rural RDCs needs to be undertaken to identify approaches that may mitigate revealed risks and place any future grains RD&E model in the best position for future success. This review will provide a foundation for determining the key principles upon which the grains IOC Constitution and establishing legislation would need to be drafted to effectively represent the needs of grain levy payers.

Once a clearer picture of what the potential grains IOC constitution and establishing legislation would need to look like is available, it will be possible to consider how these might influence an operational plan for the grains IOC. In turn, this will open the door for more reliable, detailed economic analysis (including costings) to be undertaken.

To progress the work required on the potential for a grains IOC and an apportionment of levy towards marketing functions, GrainGrowers NPG has established two working groups:

### **IOC working group**

Peter Thompson, Keith Harris, Bob McCormack, Emma Thomas, Julia Hausler and Kallum Blake

### **Grains marketing levy working group**

Colin Nichol, Chris Kelly, Richard Rice and Terry Fishpool

Find out more about GrainGrowers National Policy Group [here](#)

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