AUSTRALIAN AGRICULTURAL INNOVATION SYSTEMS AT THE CROSSROADS

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Australian Farm Institute Conference, Canberra
30 May 2013
Why Invest in Agricultural Research & Development?

- Agricultural productivity has been the key driver of prosperity

- But, rate of productivity growth is declining
Why should government invest in Agricultural R&D?

1. “The Australian Government encourages public investment in rural RD&E because it brings community benefits from having profitable, sustainable and competitive rural industries. Given that farmers manage around half of Australia’s land mass, a strong and efficient rural R&D system is important to help primary producers meet a range of future challenges including climate change, growing world food demand and rising input costs”

Why should government invest in Agricultural R&D?

2. Recognition of Spillover Benefits

“The Australian rural sector includes a diverse range of industries, which largely comprise small family businesses. The incentive and capacity for individual small businesses to invest in RD&E is low, resulting in potential under-investment in RD&E in the rural sector. The government helps rural industries overcome this by providing rural producers with a means of investing collectively in RD&E to benefit their industry and wider community”
Are Government priorities changing?

1. Increased emphasis on co-ordination

“The complexity of the rural RD&E system means that coordination and collaboration are important. The primary mechanism for collaboration and coordination in the system is the National Primary Industries Research, Development and Extension Framework (RD&E Framework), a partnership approach between the Australian, state and Northern Territory governments, the RDCs, the CSIRO, the university sector and industry”

Are Government priorities changing?

2. And imposition of priorities that are not primarily productivity focused eg:
   - animal welfare
   - increased emphasis on natural resource management especially since abolition of Land and Water Australia in 2009
   - increased emphasis on cross sectoral outcomes by RDC’s
   - climate change
   - CRC program objectives changed to include social science

3. These are not inappropriate priorities but they detract from overall productivity investment
How much is spent on Rural Research & Development?

### Rural R&D funding, 2008-09

<table>
<thead>
<tr>
<th>Organisation type</th>
<th>Funding</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Million</td>
<td>%</td>
</tr>
<tr>
<td><strong>Australian Government</strong></td>
<td></td>
<td></td>
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<tr>
<td>Cooperative Research Centres</td>
<td>63</td>
<td></td>
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<tr>
<td>Core funding for the CSIRO</td>
<td>193</td>
<td></td>
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<tr>
<td>Core funding for the universities</td>
<td>118</td>
<td></td>
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<tr>
<td>Research and Development Corporations (RDCs)</td>
<td>218</td>
<td></td>
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<tr>
<td>Other departmental programs</td>
<td>114</td>
<td></td>
</tr>
<tr>
<td>Foregone tax receipts arising from R&amp;D tax concessions</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td><strong>Total Australian Government</strong></td>
<td>715</td>
<td>48</td>
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<tr>
<td><strong>State and Territory Governments</strong></td>
<td></td>
<td></td>
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<tr>
<td>Project-related budget allocations</td>
<td>348</td>
<td></td>
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<tr>
<td>Capital investment in R&amp;D facilities</td>
<td>47</td>
<td></td>
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<tr>
<td>Payments to other funders and suppliers</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td><strong>Total State and Territory Governments</strong></td>
<td>416</td>
<td>28</td>
</tr>
<tr>
<td><strong>Private/Industry</strong></td>
<td></td>
<td></td>
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<tr>
<td>Levy payments provided to RDCs</td>
<td>248</td>
<td></td>
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<tr>
<td>Other (for which a tax concession is claimed)</td>
<td>116</td>
<td></td>
</tr>
<tr>
<td><strong>Total Private/Industry</strong></td>
<td>364</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1495</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Productivity Commission “Rural R&D Corporations” Feb 2011*
How much is spent on Agricultural Research

- The funding of productivity focused research is declining
- Declining productivity and deteriorating competitiveness is an industry problem first and a government problem second.
Where to from here?

- State and Commonwealth budget forecasts offer little hope for significant increases in funding
- Industry must focus on increasing the efficiency with which available public funds are invested
- On gaining maximum leverage from both public and private funds
Let's look at Commonwealth Funding

- Approximately 50% of Rural R&D funding

- **Commonwealth Inputs**
  - RDC’s: $218
  - CSIRO: $193
  - Universities (core): $118
  - Other Departmental: $114
  - CRC’s: $63

- Change balance of Commonwealth funding towards CRC’s and RDC’s

- This should encourage increased collaboration from Universities and CSIRO, and increased focus on industry outcomes
And to industry

- We need to join debate about public funding to improve leverage
- We might have to put more in, via RDC’s
And what about the States?

- Traditional role has been for research, development and extension, as both funder and provider.

- Ongoing budget pressures have reduced effort across the board, increased focus as a research provider (funding recipient), and de-emphasised extension in favour of private sector.

- Focus should be on providing research facilities research provision on competitive basis, filling the skills gaps and packaging research outcomes for dissemination by private sector.

- Maintenance of base funding facilities in key support industries.