Australian Farm Institute

MEDIA RELEASE

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Maintaining R&D investment the key to strong productivity growth in agriculture

Over the past decade, Australia's farmers have achieved productivity growth rates that are higher than most sectors of the Australian economy, and that are among the highest rates achieved by farmers internationally, according to a report released today by the Australian Farm Institute – *Productivity Growth in Australian Agriculture: Trends, Sources, Performance*.

The report – commissioned by the Australian Farm Institute and jointly funded by the Rural Industries Research and Development Corporation (RIRDC), the Grains Research and Development Corporation (GRDC) and Meat and Livestock Australia (MLA) – examines trends in productivity growth in Australian agriculture, as well as the contribution of research and development (R&D) to productivity gains.

Lead author of the report, Dr John Mullen, Principal Research Scientist with the NSW Department of Primary Industries, explained: 'High rates of productivity growth are an important element in maintaining the competitiveness of the agricultural sector, and the profitability of farming. If farmers are able to produce more outputs from the same or less inputs, then they are more likely to remain profitable despite static or declining real prices for agricultural commodities'.

Australian agriculture productivity growth was found to be very impressive in comparison with productivity growth in other international agricultural sectors. From 1980 to 2000, for example, average annual Australian farm productivity growth was third only to Canada and the United Kingdom, and well in excess of the average achieved by farmers in other OECD countries.

At a time when there has been only a small decline in the terms of trade facing farmers, the competitiveness of Australia's agricultural sector has probably been enhanced by strong productivity growth relative to other sectors of the Australian economy and to other countries.

While noting other sources of productivity growth, the report focuses on contributions from Australian agricultural R&D. Although the report found that real public investment in R&D has been stagnant, institutional mechanisms to manage and fund research have continued to evolve. The report estimates that the returns from investment in agricultural research remain in the 15–40% per annum range, with no evidence of a decline.

A key implication of this finding is that every effort should be made to retain current levels of investment in agricultural R&D.

Peter Reading, Managing Director of the GRDC said: 'Sustained productivity improvements are the engine of growth driving Australia's agricultural sector and are critical for international competitiveness. Without the necessary R&D investment, productivity growth in agriculture will fall, putting at risk Australia's competitiveness in the international arena'.

According to Dr Peter O'Brien, Managing Director of the RIRDC: 'The report drives home the role of R&D as a driver of productivity and sustainability for our rural industries and communities'.

David Palmer, Managing Director of MLA, also endorsed the report and commented: 'Continued investment in R&D is vital if Australia's red meat industry and agriculture generally, is to bolster its productivity and hence its competitiveness in world markets'.

Further information: **Dr John Mullen 02 6391 3608 / 0411 280 106**
Mick Keogh 0418 256066

www.farminstitute.org.au info@farminstitute.org.au