

20 December 2019

Department of Agriculture, Water and the Environment
GPO Box 858
Canberra ACT 2601
Email: Via Web

RE: Modernising the RDC System

Dear Sir/Madam,

I am writing regarding the call for submissions seeking ways to modernise and improve the Research and Development Corporation (RDC) system.

Grain Trade Australia (GTA) is a member of a Department of Agriculture Grain and Plant Products Export Industry Consultative Committee (GPPEICC). GTA is the focal point for the commercial grain industry within Australia. It facilitates trade and works to provide an efficient, equitable and open trading environment by providing leadership, advocacy and commercial services to the Australian grain value chain. GTA is non-political, industry driven with a primary focus to ensure the efficient facilitation of commercial activities across the grain supply chain including a strong focus on the logistics of grain through transport storage and ports.

GTA's has over 280 organisations as members ranging from regional family businesses to large national and international trading, storage and handling companies, grain marketers, consumers and processors. The vast majority of grain contracts executed in Australia refer to GTA grain trading standards, standard-form grain contracts and GTA Trade Rules. Most of Australia's grain storage and freight movements are made by GTA members. Key national and state producer representative groups are also GTA Members.

A list of GTA Members is attached.

1. Value of Australian Export Regulations

The Australian grain industry has a reputation as a reliable supplier of quality grain on the international market. This reputation is supported and enhanced by the export regulations as managed by the Department of Agriculture, Water and the Environment (DAWE) to ensure grain meets importing country quarantine requirements.

2. Innovation is the Key

GTA agrees with DAWE that innovation is a key to the future prosperity of the agricultural sector and support the current structure of government and industry investing jointly in research and development (R&D) through RDCs as a means of investing collectively in innovation.

The government and industry target of achieving \$100 billion in annual gross value of production for the sector by 2030 arguably cannot be achieved without strategic investment in R&D.

3. Ernst and Young Innovation Report

DAWE recently commissioned Ernst & Young (E&Y) to develop a shared vision to best position the Australian agricultural innovation system for the future. GTA is of the opinion this report is instructive and provides a solid base for DAWE to consider modernising the RCDS.

In particular, GTA considers the 'key insights from international research' to be relevant, provide direction and guidance in relation to innovation. Within this section of the report is a discussion on the relevance of having a balanced focus across a number of specific key innovation focus area including Commercialisation.

Figure 1. Relative Positioning across key innovation focus areas

Research	Testing	Development	Commercialisation	Extension
Research evaluates scientific capabilities to generate new ideas	Testing considers the ability to trial proof of concepts	Development involves the translation of research and testing into practical solutions	Commercialisation considers whether innovation becomes a marketable product	Extension evaluates how well innovation reaches end users

It also discusses the need to continue this balanced approach when considering the relative positioning across key influences on R&D investment.

Figure 2. Relative Positioning across key influencers on investment

Science-based R&D	Practical R&D	Priority stakeholder influence	National interests
Considers the impact of evidence-based research on decisions	Considers the availability of applicable solutions impacts decisions and delivering key outcomes	Innovation is influenced by key parties in powerful positions	Innovation is guided by national interests

The grain industry operates under a self-managed model that requires a balanced industry approach to issues that consider the production sector, commercial grain traders, supply chain service providers, end users (international & domestic) and government departments and agencies. The report considers a balanced approach to R&D is also applicable.

GTA recommends DAWE review and where appropriate consider implementing the Report recommendations whilst ensuring the RDCs scope includes a whole of supply chain view.

4. R&D – Whole of Supply Chain

As part of this review to modernise RDCs and to drive innovation there must be a ‘whole of supply chain’ view. This is critical in the grain industry as value is both generated and lost from initial soil preparation through to delivery to the final customer. Around 30-35% of producer’s overall costs are incurred in the supply chain from farm to end-use consumer.

Grain producers more than ever can extract and capture value from the post farm gate supply chain. The emergent post ‘single desk’ Australian grain supply chain in most states is running counter to the global trend of supply chain consolidation. The grain supply chain is increasing its warehouse capacity and the number of operators through multiple container packers, new ports, country storage operators and farm-based storage and logistical enterprises.

The historical consolidated supply chain maintained by large Bulk Handling Companies is evolving into a competitive mix of on-farm storage and commercial storage operators operating in an increasingly dynamic and entrepreneurial market. This increasingly competitive and spatially distributed storage model provides opportunity and rewards for participants. However, whilst delivering benefit a broad and competitive multi-business storage model, (where the maintenance and logistics of grain is controlled by many parties) does require guidance and support if Australia is to maintain the well-deserved reputation in the world market that has been developed over many years.

R&D along the whole supply chain driving increased innovation, investment and assurance management processes and systems will assist the grain industry to contribute to the government and industry target of achieving \$100 billion in annual gross value of production for the sector by 2030.

Investment in R&D within the whole of supply chain will also address a future gap emerging in industry processes and innovation. Previously the BHCs, due to scale had provided guidance and numerous industry management processes to industry participants. The industry must re-assess and re-design to create a whole of value chain assurance system based on the emerging storage model.

Exciting technology and data management opportunities are fast becoming available that may potentially facilitate seamless transfer of data through the emerging supply chain. However, to generate the most benefit a systemic and managed approach to analysing and determining a unified approach to innovation and opportunities is required. This may be best managed through Public and Public/Private partnerships that:

1. Design appropriate supporting technology and/or management process;
2. Consult and determine the framework; and
3. potentially collectively invest in pre-competitive technology.

There are numerous precedents for public investment in development of pre-competitive activities including the Internet Wi-Fi, and transport and infrastructure.

GTA currently has several opportunities it considers of value and worth review and no doubt other industry participants also have great and innovative ideas that would benefit from some government stewardship and leadership and collective investment.

The modernising of RCDS may be the circuit breaker that industry requires to enable and proactively drive innovation and generate the ideas that promote growth and achievement of the 2030 target of \$100 billion dollars of annual gross value production.

For your information, GTA has reviewed the question of 'modernising RCDS' through its Technical Committee structures.

Thank you for this opportunity to comment. Please do not hesitate to contact GTA at any stage to discuss further.

Yours faithfully,



**Pat O'Shannassy
CEO, Grain Trade Australia**