Senate Rural and Regional Affairs and Transport Reference Committee inquiry into industry structures and systems governing the imposition of and disbursement of marketing and research and development levies in the Agricultural sector.

SUBMISSION

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The WA Grains Group (Inc) (WAGG) is a grower financed, and grower driven group, focused on delivering economic gain to growers.

As our Group represents grain farmers of Western Australia, our focus for this document is on the Grains Research and Development Corporation levies.

Current problems;

1. GRDC does not know who the levy payers are.

2. Growers are paying more in GRDC levies than the Medicare levy and the flood levy.

3. GRDC has amassed large reserves of capital while growers have to borrow the money to pay the levy.

4. GRDC is seen by some (many) in Western Australia (WA) to be East Coast Centric as can be seen in this advertisement in the Farm Weekly, a solely WA paper, for GRDC workshops, none of which were in WA.
5. Chairman and board are not elected by levy payers.

6. The grains industry both physically and technologically has changed massively, the current governance structure has not changed since inception in 1991, i.e. in WA in 1994 there was 15,000 farmers in 2014 there is less than 4000 farmers. This reduction is not in WA alone, the graph below shows nationally that there are more Grain Farmers leaving the industry than Dairy Farmers that have received the most attention.
7. The levy is not transparent at payment i.e.
   1. Some companies simply say levies and not stipulate state or federal levies.
   2. Farmers do not get statement of levies paid to reconcile versus levies recorded.

8. The GRDC states they are getting 95% of the levies. GRDC does not know who the levy
   payers are, so can not know what percentage they are getting.

9. GRDC needs to be lithe and flexible to take on partnership opportunities and to generate
   profit for activities. Hard to do in a system that is tied up with Federal Government
   requirements.

10. The profitability of farmers has decreased since 1991.

11. GRDC gets paid regardless of farming profitability.

12. The levy is not being calculated correctly. The WAGG analysis of a sample set of 7844
    tonne of grain, using large and small tonnage contracts, over 8 companies, demonstrated
    that there is on average a 4.44% overcharge of the GRDC levy which equates to around 13
    cents per tonne of grain. Over a 10 year time span this inequity amounts to a projected
    $50,000,000 in overcharge.
13. Research bodies who receive funds have input into where funds are allocated. They may be biased towards no change as their personal financial wellbeing depends on these funds flowing. Farmers appear to be under represented in allocating funds to research.

### GRDC Industry Consultation Forum
8/9 March 2010
Perth, Western Australia

Forum Attendance by Stakeholder Group
(Attendance = 50)

- **GRDC**: 24%
- **State/Federal Government**: 32%
- **Grower Group**: 18%
- **Growers**: 6%
- **State Farming Organisations**: 8%
- **Farm Consultants**: 6%
- **Industry**: 6%
14. Profitability not productivity. GRDC have changed the language but not the intent. As can be seen in the graph below from the Agricultural Competitiveness Green Paper, the farmers proportion of the retail price continues to declined.

15. The GRDC/GPA consultations need to be more robust, a half day twice a year is completely inadequate to oversee a corporation that is custodian of millions of grower’s dollars.

16. Levies and End Point Royalties had resulted in a ‘doubling up’ of cost to the farmers.

The point here is that growers and taxpayers are funding every step of the development of a new variety and growers continue to pay through the purchase of PBR seed (initially – and then sometime free to trade) and then through EPR.

Additionally EPR’s change without any consultation or negotiation with growers and in fact the EPR for Wyalkatchem increased from $1.12 to $1.92 and the growers had no choice but to accept the increase.
17. The growers have had to significantly change the way they do business to stay viable. But the research industry still relies on publish or perish, and a silo mentality between research bodies while still being project based and not outcomes based. The distance between researchers and growers is now too large.

18. What growers know is that capital is being invested with little corresponding return.

19. WAGG believes that growers should not have to borrow against equity to pay for research, development and extension. Potentially growers have to borrow money at 8 – 10% to get a return on investment which is -0.9%.

20. The cost of research to farmers, levies and EPR get paid regardless of the farmer making a profit or not.
Possible solutions:

1. GRDC has to have a data base of individual growers that pay the GRDC levy.

2. The grain growers of Australia must be able to vote on the levy (women received the vote in 1902, the grain growers are still waiting).

3. The grower levy contribution must be intrinsically linked to the performance of the organisation/company and should be given recognition as such by democratic process. Put simply, those who pay the most should say the most.

4. To overcome the discrepancies of calculating the ‘Farm Gate Price’ growers should submit their own levy. These could be quarterly submissions due at the same time Business Activity Statements (BAS) is due, similar to the fuel excise rebate. This would make the levy transparent, producers would be more aware of the levies they are paying, how the
levy is calculated and they would be aware of the rate changing. There would be no need for the levy collection service. In return for levy payers undertaking this compliance responsibility they should be compensated through a lower levy rate.

5. Growers to set the levy percentage rate by vote on an annual or bi annual timeframe, as in Australian Wool Innovation (AWI). The levy has to have less impact on grower’s profits.

6. Growers need to receive annual levy statements.

7. The GRDC Board are to be elected by producers, a voting system weighted by production (value or volume). Simple voting procedure with no proxy votes. Results of voting are not to be aggregated, to be published individually, state by state.

8. Grower elected board. WA and NSW should have 3 Board members, SA, Victoria and Queensland 2 each. Twelve board members with the Chairman elected by the board. Board member tenure 2 years with a right to re-nominate. Chairman tenure 2 years with a right to re-nominate. Maximum 2 terms only. Keep it fresh. Pre-requisite that the Chairman must have served a minimum of 2 years on the board before being eligible for the Chairmanship. Chairman may then be available for 2 x 2 years terms as chairman (6 years on the board).

9. WAGG would like to see a board that has selection criteria that is more focused on specific industry based skills and a much stronger link to levy payers.

10. Higher transparency in accountability of levies raised in each state, to stay within the state for state based research. This would help maintain the capacity of the States to do research. For nationally focused research a clear identification as to which states are contributing how much to that project or project area.
11. A governance structure that requires the GRDC Board to conduct stakeholder reviews in open forum in each State annually. Currently there is little or no opportunity for the rank and file stakeholders (the growers) to question the GRDC Board. The suggestion is for AGM style meetings in each state. West Australian growers contribute $35-$45 million annually we would like the opportunity to question and have a say in the organisational performance. Not all growers belong to grower groups.

12. A governance structure that requires an external review of GRDC Operations every 2 years and a 5 year review of GRDC organisational structure and governance. Under the current process the PIRD Act requires a "consultative discussion" WAGG would like to see a more robust 360 degree review of performance in line with commercial reality. WAGG acknowledges that the Federal Senate can question the GRDC but this tends only to happen if there is a perceived problem not as a process of good governance.

13. A governance structure that pushes the GRDC as far as possible towards commerciality and exposes the GRDC to market forces at every opportunity. All activities need to have their funded partners to have "skin in the game".

As this document has been collated from our other four submissions the referencing has not been transferred to this document, it remains with the original documents.