Grains Industry Leaders Forum

Thursday, 06 August 2015
Enterprise Room, Technology Park, Bentley

OUTCOMES REPORT

Commercial in Confidence

Introduction

Leaders of the Western Australian grains industry gathered for a workshop on Thursday, 06 August 2015 at Technology Park to provide feedback on the preferred model for production research and development (R&D) for the industry into the future.

By the end of the workshop, the participants had:

➢ Raised their burning issues for production R&D for the WA grains industry;
➢ Heard from DAFWA and GRDC on the changing R&D environment in WA and discussed the need for change as an industry;
➢ Agreed on what R&D outcomes and services must be achieved for the industry and the likely elements of a future model to deliver them;
➢ Considered the GrainsWest model and provided feedback to DAFWA;
➢ Agreed on a united industry position and approach moving forward.

This report complements the Communication Report that was sent to all participants on 07 August 2015 (available at: https://prezi.com/alql1cuhtmca/).

Workshop facilitated and reported by Bevan and Will Bessen of Tuna Blue Facilitation.
The **participants** included:

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<td>AAAC</td>
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<td>Ray Marshall</td>
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<td>Alastair Falconer</td>
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**Apologies**

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**Context**

**David Falconer** of Business Ag complemented DAFWA and GRDC for listening to the industry request for engagement and stressed the importance of arriving at a joint outcome for industry.
Executive Summary

The message is very clear that DAFWA must shift from provision of production R&D in the grains industry to becoming one of the funders. At the same time, GRDC has constraints it must act to, in regards to not being a majority funder for any project and not releasing funding until partners commit to a longer term focus.

The critical outcomes and services to be achieved for WA grains industry production R&D are:

- Validation of research in local environments;
- Integration with the bigger agronomic jigsaw for WA grains production;
- Delivery of impact and profitability on the ground.

The elements of a model for a grains R&D entity are:

- United, industry owned approach with a clear, long term vision for the WA grains industry;
- Needs to be nimble, flexible and accessible to the industry, with the ability to bring in and out new participants;
- Undertaken in a corporate structure (ie: commercially driven) with the capacity to trade and charge fee for service;
- Long term investment focus to ride the peaks and troughs of funding and research priorities.

The agreed industry position is:

The group supports the GrainsWest model and agrees on the following interactive process to approach the State Government:

First stage

- The grains industry is important and needs a long term, year-on-year operational funding commitment for production R&D;
- The industry needs a commitment to transfer assets to an industry entity for long term sustainability of the entity.
In this sense, GrainsWest is supported and could work as the grains industry R&D entity, if there is greater industry involvement in developing the foundational structure.

**Second stage**

- If there is no State Government commitment, then the industry may need to look at a different model in the longer term.

The **next steps** are:

- The Prezi from this meeting distributed to all participants as a 'commercial in confidence' summary;
- Full Outcomes Report provided within a week;
- Form a Working Group to consider the Report, refine the position to take to the State Government and canvas support as a united industry:
  - Chairs or 2IC of WA Farmers, WAGG, PGA, GIWA, AAAC, CSIRO (VC National), Tertiary sector (DVCR) and private research company (CEO),
  - Identify other stakeholders not present today and brief them to gain their support for a united approach:
    - PGA - Dale Park to approach,
    - CSIRO - Peter Roberts to approach,
    - Tertiary sector - Mark Gibberd / John Howieson to approach;
- Take the united grains industry message to Ministers, Shadow Ministers and the Chief Scientist;
- WA Farmers can coordinate feedback and communications of outcomes to stakeholders;
- Keep GRDC and DAFWA aware of the progress.
Outcome One: Burning Issues

Participants were invited to discuss and contribute ‘burning issues’ in regards to production R&D for the gains industry in Western Australia.

The collated responses are:

- **Reduction in on-going investment from the State Government and the effective allocation of those diminishing resources:**
  - wary of the retreat from Stalingrad approach,
  - on-going investment from State Government,
  - effective allocation of resources,
  - continued Government funding of baseline capacity;
  - as DAFWA withdraws funding from R&D, what does DAFWA look like?,
  - will competition be more efficient or less efficient?,
  - financial hurdles may not drive the best R&D,
  - we’ve been adapting institutional R&D to fit the agricultural needs, how can we design an R&D model specifically to meet the current and future needs;

- **Striking the balance of what is done by Government vs. private providers and clarity on the roles of stakeholders (DAFWA, CSIRO, Universities, growers, etc):**
  - the public vs. private tug,
  - striking the balance of what research is done by Government vs. private providers,
  - role of the State Government in R&D,
  - role of CSIRO is confusing, can compete rather than work with,
  - role of grower engagement,
  - engagement with the private sector;

- **How will the industry attract good scientists without stable employment?:**
  - stability of employment for R&D practitioners may be lost,
  - risk that we lose people who can link the R to the D & E (ie: industry capable researchers which are currently lacking),
  - how will industry attract good scientists without a dependable destination,
  - enabling innovators to focus on innovating rather than worrying about where the funding will come from;

- **Loss of IP as the Department downsizes:**
  - the people in the Department are the IP that is lost,
  - loss of IP in the Department,
keeping ownership of IP,
- ensuring existing knowledge is passed onto future generations;

How do we keep a resource of R&D expertise through the ebbs and flows of funding, drought and grower needs:
- how do we keep a resource of expertise through the ebbs and flows of needs of particular fields of expertise (eg: drought farming expertise) needed for a particular time then not needed again,
- decision making modelling to allow for tactical, in-season decisions,
- dealing with climate variability;

Research to help the industry remain competitive in the international agricultural arena (Black Sea and South America):
- being competitive in the international agricultural industry,
- Black Sea and South America will skin WA through yields,
- research that helps the WA grains industry to meet global needs,
- research that keeps our grains industry meeting global competiveness with quality;

Better access to technology (telecommunications, robotics, breeding screening tools, biotech):
- access to technology (telecommunications, robotics, breeding screening tools, biotech),
- better mobile telematics to run the devices,
- continued access to technology like GM but also other new technologies (nano, additives, new plants, etc),
- tackling big data into a WA grains industry benefit,
- translation and rapid adoption in a fast changing technological environment;

We have to generate our own science ourselves (WA farms the worst soils in the world):
- WA cannot rely on the Ag science of the world as WA farms the worst soils in the world,
- we have to generate our own science ourselves,
- R&D capacity based in WA,
- mine the best R&D in the world for the WA grains industry, look at WA angles, and develop credible partnerships to extract information and knowledge;

Research isn’t coordinated well, we need to pull it all together to avoid duplication and align with national priorities:
- coordination of the research isn’t consolidated well, we need to pull it all together, avoid duplication, plus research bodies need to talk to each other, share knowledge and progress,
– fragmentation of research is a problem,
– lack of a single, centralised database to hold research results for future access,
– are the R&D national priorities aligned at a State level?,
– reducing duplication and fragmentation of resources,
– long term vision and commitment;

Other comments:
– image of agriculture in the wider community and the greater public profile,
– lack of skills capacity,
– longer term rotations to include negatives (ie: weed seed banks, and nematodes) as well as crops,
– prohibitive compliance costs,
– too much of a lag time between research and adoption by the farmers,
– weeds are the number one competitor for crops, we need new herbicides and technologies,
– holistic long term farming systems including farm scale economic analysis.

Outcome Two: Change as an Industry

The participants heard from:

Mark Sweetingham, Executive Director, Grains at DAFWA; and
Peter Roberts, Western Panel Chair at GRDC
on the changing grains R&D environment in WA.

They considered the need for a response to the changes as an industry:

Why Do We Need to Change?

The State Government is withdrawing funding and the status quo is not an option to fill the void left:
– we can’t afford to wait – WA needs to change now,
– if we don’t change, we won’t have a sustainable future,
– the grains industry is changing and R&D needs to change with the industry’s needs,
– the State Government is following the votes, funding will not be allocated to the likes of agriculture and users will pay; the status quo is not an option,
– co-investment is crucial but how do we fill the void of State Government funding;

➤ Government is not committing to long term investment in grains R&D:
– Government needs to work out their position so that industry can know where they sit for the future,
– Government needs to commit to long term agricultural investment, no other organisation, including universities, can pick it up,
– Government needs to decide if industry is important to fund,
– no accepting more budget cuts going forward,
– identify the long term drivers over the next 25 years (grains growers, levies, GRDC, universities) but does Government want to be there?,
– retain investment capacity in WA, not let it go the East Coast;

➤ To increase efficiency and reduce fragmentation:
– to reduce fragmentation,
– we can treat this as an opportunity to chop out the dead wood,
– doing the same thing twice and expecting a different outcome equals insanity,
– why do we keep making more groups to do the same work from the same funding pool… farmers?,
– what is the governance model for private business involvement? (eg: the Australian Wine Research Institute);

➤ We have an urgent two month window to give DAFWA the underwriting to enable it to bid in the 2015 GRDC tender;
– urgent two month window to give DAFWA the underwriting to enable it to bid in the 2015 GRDC tender, failure to do this will have both an immediate and a long term effect,
– today’s funding decisions are impacting and having dire long term consequences (ie current GRDC tender round);

➤ Other comments:
– hard to demonstrate the public good of agricultural outcomes compared to the education and health sectors,
– only change the things that are not working and enhance those that are.
Outcome Three: Outcomes and Services to Achieve

The participants agreed on the outcomes and services that must be achieved for WA grains industry production R&D.

➢ Validation of research needs to happen in our unique WA soils and environments to be transferrable to our own backyards:
  - validation of research in local environments,
  - unique nature of the WA soils and environment means we can import directly to the WA paddock,
  - local research must be transferable to our own backyard,
  - nobody can do anything with our poor soils except us,
  - need a localised production understanding,
  - closer interaction between the scientist, farmer and funder, standing in a WA paddock working up solutions;

➢ Needs to be part of the bigger agronomic jigsaw (systems, economics, people and infrastructure):
  - need the support of the agronomic jigsaw (systems, economics, people, infrastructure that are part of the WA RD&E DNA) of which DAFWA is a key component,
  - needs to be adoptable on a WA grain farm,
  - a library of capability that farmers can draw on when needed,
  - need a base capacity of people and infrastructure,
  - it comes downs to whether Government will invest and if not, this whole conversation will not progress any further;

➢ Must deliver impact and revenue increases on the ground for all growers and include a constant conversation between the researcher, farmer and private industry worker:
  - must deliver impact on the ground,
  - improvements that result in revenue increases for WA growers (yield, and/or quality),
  - farmers with profitable businesses,
  - extension of results must be available to all growers,
  - constant conversation between the researcher, farmer and private industry worker,
  - we need to value the non-levy investment of farmers into the progress of R&D;
Other comments:

- our burning issues are the drivers of what outcomes should be delivered,
- fill the void of what private enterprise will not be willing or able to do,
- requirement for speed in the development,
- we need continuous commitment to the grains industry (eg: reflect on the commitment to the shipping industry),
- we need someone to partner with GRDC.

Elements of the Model

Participants generated elements of a model to achieve these outcomes:

- United, industry owned approach with a clear, long term vision for the WA grains industry:
  - united approach and pragmatic,
  - industry vision and strategy,
  - leadership, where is this for the grains industry?
  - industry ownership,
  - coordinated approach that encourages strong private and public partnerships, that also attracts national and international investment,
  - clear strategic vision represented by all in the industry,
  - a united industry owning the model,
  - industry ownership,
  - farmers will be key funders but need to be involved,
  - co-ownership of the direction across the sector, separate to funding,
  - accountability to funders (growers),
  - being prepared to fight for this with the Government,
  - better alignment with academia,
  - focus on issue not the politics,
  - resilience and focus;

- Needs to be nimble, flexible and accessible to the industry, with the ability to bring in and out new participants:
  - be nimble, flexible, accessible,
  - accessible to industry, ability to respond rapidly,
  - clear WA grain industry vision, need to have a long term view, flexible to bring in and out new participants, but there is sustainability,
  - an environment that fosters specialised skills;
Undertaken in a corporate structure (ie: commercially driven) with the capacity to trade and charge fee for service:
- needs to be undertaken in a corporate structure (ie: commercially driven)
- capacity to trade including an element of fee for service,
- greater efficiency (don't get bogged down in bureaucracy);

Long term investment focus to ride the peaks and troughs of funding and research priorities:
- long term Government investment,
- co-investment of strong support for infrastructure; ongoing investment (eg: Merredin Research Station),
- an idea about the long term funding partners (min 15 years),
- $$$$,
- how do we ride the peaks and troughs of funding income and research priorities?;

Other comments:
- GRDC becomes an IOC,
- are there existing models out there to copy (eg: NZ)?
- everyone needs to be slightly and equally disappointed,
- has to be right first time.

Outcome Four: The GrainsWest Model

Kerrine Blenkinsop, A/Director Grains Production System, DAFWA, presented an outline of the proposed grains industry R&D entity, called GrainsWest, that DAFWA has been investigating:

GrainsWest

- A not-for-profit company, limited by guarantee;
- Utilising the best of the existing DAFWA grains R&D expertise;
- Governance through an industry Board;
- A hub at Northam (DAFWA Precinct), with access to other regional facilities;
- Approximately 150 FTEs;
• Backed by *Boosting Grains R&D* funding from R4R of $18.3m from 2015/16 to 2017/18;
• Committed to delivering current GRDC projects.

**Plenary Discussion**

Key points made from the floor included:

• Need to pushback towards Government as an industry losing long term funding:
  – need a sustainable transition period,
  – need to get the point across that agriculture is important and must have commitment long term;
• Need to talk to Government as an industry for the best transition model for WA that takes us beyond 3 years. Where is best suited to send the $50m of levies per year that leaves WA? Our timeframe is shorter and working against us but we need a long term vehicle;
• If thinking about the Industry Owned Corporation model, is this the right vehicle for the long term?
• 'Transition' conveys that Government is exiting when we want staff to stick around and Government to have some long term stake in this, so ‘evolution’ and ‘base funding’ is needed from the State
• We need to be emphasising “modernisation” or “evolution”;
• Where does GRDC sit if there is no long term commitment from the State?:
  – GRDC can match funds 50/50 but cannot pick up the whole State withdrawal,
  – GRDC will not commit to projects where partners will not commit long term;
• Where will the long-term funding come from to support GrainsWest (150 FTE, etc), especially as GRDC’s matched commitment drops in line with DAFWA’s:
  – the new model is that DAFWA shifts from a provider to a funder but it certainly can’t be the sole funder;
• Separate the discussions on the operational entity of GrainsWest from the opportunity around asset ownership / investment:
  – the operating aspect of GrainsWest is around the year-on-year funds to run the business,
asset ownership is about the longer term sustainability of whatever entity is chosen and involves a discussion around the transition of R&D assets such as Research Station sites and facilities to the entity, as a type of Future Fund; the suggestion is that the State Government consider giving the asset base to the growers as part of their contribution to the changed model;

- Whether industry invests as members from Day One or further down the track, depends on the value of GrainsWest on Day One;
- The first step is to get clear on what the industry is putting to the State Government;
- Long term transitional issues around assets and operational funding but we need a short term fix to access the GRDC money that isn’t able to be committed until a partner is there;
- The Wheat Industry Associates model in the US has been developed over a number of years and works with universities;
- Want a long term commitment and if the State can’t provide that, the industry needs to take control of the relevant DAFWA assets and use that as a start to manage its own future;
- The long term viability is not just about assets, it’s about cash commitments;
- Assets within the grain belt are clearer than those like South Perth;
- In the discussions with the Government on GrainsWest, Cabinet agreed to the R&D entity in principle, the Minister has been briefed but has not signed off on the company or model as DAFWA needs industry feedback and direction; the Government and the Minister support it in principle.

**Evaluation of the Proposed Entity**

Participants organised their input as follows:

➤ **Like about it**

- It’s an option to consider;
- A lot easier for a university to work with GrainsWest than to work with a State Department;
- The other solutions would probably look like GrainsWest – brings the industry together under one roof as a starting point;
- Clear vision and less risky, with the key people / proven model we already have;
- Can pick up lessons from the InterGrain and AEGIC models;
- Attempt at modernisation and improvement which we need;
- The InterGrain process to transfer staff with a strong vision, was easier than thought and produced great outcomes;
- If done properly, we will get major efficiency gains.

➢ Can live with:
- Will take time to build a new model, this one works as a starting point.

➢ Must address:
- Transition from Department to GrainsWest – still looks a lot like DAFWA in this transition phase;
- Moving away from responsibility but maintaining control – needs more industry involvement in building the foundational structure of GrainsWest (eg: look at the constitution);
- Would like industry shareholding from Day One as opposed to involvement;
- Need to move quick enough to retain the people you want at GrainsWest;
- Don’t want to create a for-profit behemoth / monopoly that will crush smaller players in the industry and focus on producing dividends for shareholders; has to focus on providing value to industry;
- Need to ensure a corporation or company shifts towards corporate governance on the Board and a level of experienced management that understands business and making money.
Agreed Industry Position

The group supports the GrainsWest model and agrees on the following iterative process to approach the State Government:

First stage

- The grains industry is important and needs a long term, year-on-year operational funding commitment for production R&D;
- The industry needs a commitment to transfer assets to an industry entity for long term sustainability of the entity.

In this sense, GrainsWest is supported and could work as the grains industry R&D entity, if there is greater industry involvement in developing the foundational structure.

Second stage

- If there is no State Government commitment, then we may need to look at a different model in the longer term

Moving Forward

The participants agreed on the steps to move forward:

- The Prezi from this meeting distributed to all participants as a 'commercial in confidence' summary;
- Full Outcomes Report provided within a week;
- Form a Working Group to consider the Report, refine the position to take to the State Government and canvas support as a united industry:
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  - Identify other stakeholders not present today and brief them to gain their support for a united approach:
    - PGA - Dale Park to approach,
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Take the united grains industry message to Ministers, Shadow Ministers and the Chief Scientist;

WA Farmers can coordinate feedback and communications of outcomes to stakeholders;

Keep GRDC and DAFWA aware of the progress.

Reflection

Participants provided the following words of reflection:

- Change;
- Constructive change;
- Transition;
- Enlightening;
- Positive;
- Powerful;
- Opportunities;
- Start of ownership;
- Modernise;
- Supportive;
- Intuitive;
- Positive;
- Key milestone;
- Autonomy;
- Progress;
- Unity;
- Partnerships;
- Game changer;
- Steps forward;
- Future;
- Cohesion;
- Ownership;
- Positive;
- Unity;
- Very happy;
- Necessary.

After Forum Input

1. There were some questions around what DAFWA currently spends on grains R&D.

2. The table below outlines the current DAFWA/GRDC contractual commitments, plus R4R.

3. The current DAFWA Direct CF (in Red) applies to direct staff provided as in-kind contribution (researchers, development officers, technical, Lab, economists, modellers, biometricians etc required to fulfil the contract).
4. The current DAFWA overhead CF (in Blue) is calculated based on a DAFWA average of total agency cost of service (ie biosecurity, livestock, irrigated ag, business services) and is an estimation of what it costs to provide the admin, management, infrastructure, research stations, IT, finance, equipment etc, but not just of grains (please keep in mind this is not based on actuals, but a calculation).