

# FINAL REPORT

ICN00017

## Industry partnership initiative

### PROJECT DETAILS

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**PROJECT TITLE:** INDUSTRY PARTNERSHIP INITIATIVE

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### Summary

Over the past 30 years, the delivery of research, development and extension (RD&E) has continued to move from predominantly public funding to a point where the majority is now privately funded. It is predicted that this trend is likely to continue as governments continue to remove public funding. For GRDC this implies an increasing percentage of funding needs to be directed towards 'industry', particularly in the areas of development, extension and adoption.

In order to facilitate enhanced engagement with agribusiness, this market research report was commissioned to evaluate the current level of agribusiness engagement with the GRDC, the barriers preventing further engagement, and recommendations to further enhance engagement.

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## Conclusions

A wide range of potential benefits to the Australian grains industry result from increased engagement, collaboration and/or co-investment with private agribusiness. Some of these include:

### 1. Greater leverage of GRDC investment funds

If GRDC were to co-invest with a partner and this reduced the GRDC financial obligation to fund the project, it would open up funding to support additional projects. From an agribusiness perspective, there are usually many potential technology developments that cannot be funded in any given cycle, and therefore prioritisation is required. Co-investment from GRDC may allow more projects to proceed as a result of lower costs, greater available research capacity, improved return on investment or reduced risk. The benefit to growers is that more research in total can be achieved.

### 2. Improved agribusiness access to identified and prioritised grower needs

In 2013 the Western Region, via RCSN, published a compilation of primary research targets that resulted in the better focus of extension activities and a higher chance of commercial success for development opportunities arising from true identification of the real issues and identified market needs. It also led to a higher probability that global technologies developed by private agribusiness may be favourably prioritised for Australian introduction if they can be aligned with identified grower needs.

More efficient utilisation of specialist skill sets and resources i.e. a well-coordinated co-investment between private agribusiness and GRDC research partners should see improved utilisation of researchers, universities and facilities (e.g. specialist technical staff, or facilities such as glasshouses) that may not otherwise be available to commercial companies.

Co-investment between private agribusiness and GRDC is likely to improve leverage of RD&E via the introduction of new skill sets in R&D; the potential access to more resources than may be available internally within the agribusiness, therefore speeding up timelines; the cross-industry training of scientists; and provision of different approaches to problem solving. It is also likely that co-investment projects should be able to better address geographic coverage that may be required in the D&E phase.

An increased level of buy-in and understanding of 'new' technology should be achieved by the public research community if they have been engaged during the development phase. Potentially this should result in faster adoption and practice change where public researchers advocate use of the technology.

Smaller and localised agribusiness may lack the resources and/or systems to deliver research outcomes that comply with desired standards of scientific and statistical rigour. Research partnerships at this level should lead to a higher quality of research output.

## Recommendations

1: Research program specifications that desire practice change at a farm level and have an extension component, should clearly articulate how advisers will be engaged, recognising their role as the primary disseminators of information.

2: Fee for service grains advisers are generally among the most experienced advisers, and command the attention of many of

the larger and more progressive growers. Fostering this interaction of elite level advisers between and within regions, and internationally, assists to speed up awareness of innovation and the adoption of new practice changes. Linkage of these key influential individuals with regional and national GRDC strategic planning processes will assist the regional capture of priority research and adoption issues.

3: The Agricultural Research Manager (ARM) software program should be adopted as the trial recording and reporting format used by all grower solutions groups for crop protection trials.

4: GRDC should continue to seek representation from agribusiness on the Regional Cropping Solutions Network (RCSN) and panels.

5: For research projects engaging agribusiness, a simple 'contract' between the various parties should exist.

6: A priority should be placed on having all GRDC regions develop and regularly update their grower needs into a format similar to the 2013 Western Region RCSN document.

7: GRDC should update its position on the use and potential of biotechnology derived from the genetic modification of grains crops.

8: As part of corporate risk management, a project should be established to develop an action plan to address high risk, off-label crop protection issues.

9: A fact sheet should be prepared that outlines the different models available for GRDC co-investment in research and commercialisation.

10: A milestone should exist in future projects that generate crop protection product outcomes, to address plans to 'legalise' the application of the work in the form of an approved registration.

11: GRDC could potentially fill a role whereby it facilitates an extension delivery program targeting emerging cadet agronomists.

12: A separate line of investment should exist to partner with agribusiness, to explore regional research proposals that benefit the wider grains industry. A proposed model is included in the report.

13: A communication strategy should be devised to raise the profile of the final report database. Where trial data is made publically available, include links in the final reports to where the trial data is located.

14: A dedicated project officer should be appointed as to be the focal point for initial contact between agribusiness and GRDC, and this role should be made externally visible to industry.

15: If GRDC is interested in continuing to sell advertising as a source of revenue then an area of focus will be to develop an advertising strategy for on-line delivery.

16: GRDC should produce a simple policy document for providers of GRDC extension events and update planning committees, outlining what can and cannot be offered to potential sponsors.

## Outcomes

A wide range of potential benefits to the Australian grains industry result from increased engagement, collaboration and/or co-investment with private agribusiness. Some of these include:

Greater leverage of GRDC investment funds. For example, if GRDC were to co-invest with a partner and this reduced the GRDC financial obligation to fund the project, then this would open up funding to support additional projects. From an agribusiness perspective, there are usually many potential technology developments which are not able to be funded in any given cycle and hence prioritisation is required. Co-investment from GRDC may allow more projects to proceed as a result of a lower cost, greater available research capacity, improved return on investment or reduced risk. The benefit to growers is that more research in total can be achieved.

Improved agribusiness access to identified and prioritised grower needs. For example, in 2013 the Western Region, via the Regional Cropping Solutions Network (RCSN) published a compilation of primary research targets which results in better

focus of extension activities and a higher chance of commercial success for development opportunities arising from true identification of the real issues and identified market need. It also leads to a higher probability that global technologies developed by private agribusiness may be favourably prioritised for Australian introduction if they can be aligned with identified grower needs.

More efficient utilisation of specialist skills sets and resources i.e. a well-coordinated co-investment between private agribusiness and GRDC research partners should see improved utilisation of researchers, universities and facilities (e.g. specialist technical staff, or facilities such as glasshouses) that may not otherwise be available to commercial companies.

Co-investment between private agribusiness and GRDC is likely to improve leverage of R,D&E via introduction of new skill sets in R&D; potential access to more resources than may be available internally within the agribusiness thus speeding up timelines; cross industry training of scientists; and provision of different approaches to problem solving. It is also likely that co-investment projects should be able to better address geographic coverage that may be required in the D&E phase.

Increased level of buy-in and understanding of 'new' technology should be achieved by the public research community if they have been engaged during the development phase. Potentially this should result in faster adoption and practice change where public researchers advocate for use of the technology.

Smaller and localised agribusiness may lack the resources and/or systems to deliver research outcomes that comply with desired standards of scientific and statistical rigour. Research partnerships at this level should lead to a higher quality of research output.

## Achievements/Benefits

GRDC manages research funding obtained from statutory grower levies and Australian Government contributions to enhance productivity and sustainability in the Australian grains industry. Recent investment has been in the order of approx. \$150 million annually. Private RD&E investment in the Australian grains industry is estimated in the range of \$120–\$200 million annually, which is a broadly similar level of investment to that managed by GRDC.

Over the past 30 years, delivery of RD&E has continued to move away from predominantly public funded operations to the point where the majority is now funded through private investment. It is predicted that this trend is likely to continue as state and federal governments continue to remove public funding and encourage the market to adopt a 'user pays' system. For GRDC this means that an increasing percentage of project funding needs to be directed towards investments with 'industry', particularly in the areas of development, extension and adoption.

GRDC has recognised the potential to increase RD&E efficiency and leverage by closer alignment with agribusinesses that conduct research and/or extension in Australia.

Primary models of private agribusiness can be broadly classified as:

- o National or international farm input manufacturers and biotechnology/life sciences companies
- o Farm supply businesses also delivering agronomic advice
- o Specialist businesses concentrating on one or more areas (e.g. fee-for-service agronomic advice, farm business management, accounting and finance)
- o Specialist contract research or extension providers.

The intent of this research project was to scope the current state of alignment between GRDC and agribusiness; identify what level of engagement is desired by GRDC and agribusiness; define areas where engagement can be improved; identify processes needed for successful co-development of opportunities; and identify processes that have been working or not working.

The methodology used involved a series of interviews with agribusiness leaders across a range of geographies and industries. A quantitative questionnaire and/or in-depth interviews were conducted with agribusiness leaders. A total of 24 interviews were conducted specifically for this report, with a further seven conducted under other projects and also included in this report. In addition, a further eight interviews of GRDC staff and panel members were also conducted to elicit views from the GRDC perspective.

The major findings were:

All agribusinesses interviewed made it clear that there must be a commercial outcome of research. For agribusiness this frequently involved having a viable 'product' or 'service' or 'idea' to promote as a result of the research, however there was also



industry-wide recognition that the commercial outcome of the research may be a more viable grower (i.e. client) even if there is no direct opportunity for a return on investment for the agribusiness. As would be expected, the larger the potential direct financial reward to the business, the more interested they will likely be in progressing the opportunity.

There are a range of situations where agribusinesses may be interested in working with GRDC to co-develop RD&E outcomes.

- o Extension of GRDC research
- o Introduction of new proprietary technology from the agribusiness
- o Commercialisation vehicle for new Intellectual Property (IP) developed by the GRDC
- o Industry stewardship initiatives
- o Research into development of low profit e.g. generic, commodity products
- o Training of the future 'extension specialists'.

There are many different models of businesses that collectively are called 'agribusiness' or 'industry'. These have different needs and typically would be looking for different levels of engagement with the GRDC. Some of these are highly dependent on research and development, while at the other extreme, some may elect to undertake no or very little research themselves, and operate on publically available outcomes. Understanding the different agribusiness approaches to research is the first step for GRDC in identifying potential partners for any collaboration. However, even companies that do not undertake any of their own research may still be critical partners for GRDC to extend the findings of public research programs.

For those companies committed to internally-funded research programs, the key underlying themes were:

1. They are in the business of making profit and therefore all research needs to assist in generating a commercial outcome for their business.
2. Research programs are typically seen as a source of competitive advantage over competitors. For this reason, some commercial organisations do not wish to enter partnerships, so as to keep their findings purely for their stakeholders or clients. Many other research-focused operations actively seek partnerships with customers, other research providers, and even, in some situations, direct competitors.
3. Most well run agribusinesses will have a strategic direction that will encompass their goals and objectives and some form of SMART (specific, measurable, attainable, relevant, time based) measurements to track progress against these long-term goals -largely similar to that used in the GRDC theme structure. Where this becomes important is that agribusinesses will only be interested in participating in partnerships or co-investment research that is aligned with their identified strategic direction. As a generalisation, they will not be interested in shifting the focus of their research programs just because the GRDC (or any other partner) has identified a research need in this new area. The exception to this may be those agribusinesses that identify the provision of contract research to be part of their strategic direction.
4. The vast majority of agribusinesses are not prepared to change their strategic direction to chase public funding. They will look to partner only where the investment is in the best interests of the parties concerned. Even those organisations that offer private contract research will generally be selective in the projects and clients that they will take on, so as to align with the image and outcomes that they want to project for their business in the broader agricultural community.
5. Importantly, there is also an engrained expectation within these agribusinesses that when approaching a potential partner organisation, assuming common ground can be struck in discussions, then a partnership or co-investment proposal would eventuate as the next step i.e. similar to a 'direct tendering' approach within GRDC. Many organisations are generally not comfortable with, and not used to, the process of 'open tendering' i.e. searching for a publically released tender document. Other barriers to public tender engagement include not understanding if they are the preferred candidate or if the tenderer has another organisation already in mind, or responding to the tender call without being able to pick up the phone and talk to someone in person to gain further clarity of the requirements of the tender.
6. Many agribusinesses also reported that initiating discussions for partnerships and/or co-funded development projects and the development of tender proposals is a significant time constraint on their business. The implication of this is that agribusinesses will only invest these resources where they believe there is a 'reasonable' chance of it leading to a successful outcome. Especially with 'open tenders', it is likely that a typical agribusiness will quickly lose interest after two or three unsuccessful tender submissions.

Typically, agribusinesses are looking for a more structured networking arrangement with the GRDC. This comes in the form of:

- o Having a clear understanding of how to approach GRDC to initiate discussions of research and extension collaboration.
- o Regular and planned meetings with the 'right' level of GRDC personnel, including staff within these meetings that have the authority to divulge appropriate project information and have appropriate decision making authority.
- o Having a clear and transparent understanding of the process for investment decision-making. It should not be considered that they wish to influence investment decisions, but rather, that they need to understand the investment drivers that are considered important by the GRDC so that agribusiness can pitch their proposal in a format that is more likely to result in a positive outcome for both parties; and that agribusiness has confidence that completing projects will be selected against

these predetermined metrics.

In the report a 'map' of the information collecting and investment decision-making processes of different agribusiness models was developed and compared to the GRDC model. This process map highlights the importance of having the right GRDC positions engaged with equivalent decision-making authority within agribusiness. For example, it can be an unrealistic expectation to have a senior GRDC program manager or panel chair initiative discussions with a local agronomist and to expect that these discussions will directly influence the direction of a research program by that organisation, as there are a number of additional management filters required before an actual investment decision is implemented.

GRDC activities are predominately targeted at growers and advisers. As a result, GRDC often have senior people in regions speaking with management of regionally significant, but often small businesses (e.g. consultancy businesses). Much of the relationship is casual and can be focused around a number of GRDC organised activities, such as updates, panel tours, regional workshops, RSCN activities and others. By comparison, key decision makers within larger corporations and large retail input suppliers tend to be head office based, and unless there is an existing issue for direct discussion with the GRDC, they are less likely to have casual interaction and less likely to have a relationship with GRDC program managers or panel members.

Throughout this report a number of specific recommendations and suggestions have been made for consideration by the GRDC that could potentially enhance areas of collaboration with industry and agribusiness.

Individual research questionnaires are held by the Independent Consultants Australia Network (ICAN).