

Senate Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2006

Agriculture, Fisheries and Forestry

**Question No:** GRDC01

**Division/Agency:** Grains Research Development Corporation

**Topic:** Plant Breeders Rights Scheme

**Hansard Page:** 37-38 (31/10/06)

**Senator Nash asked:**

**Senator Nash**—I have some concerns, obviously as many people do, surrounding the drought and sowing again next year. Hopefully it will rain between now and then. I would like you, if you could, to put on record how the Plant Breeders Rights Scheme operates, which grains come under the umbrella of PBR, the costs involved to growers, which grains do not come under the banner of PBR and roughly, if you have the numbers—I am happy for you to take this on notice—how many of the crops going in at the moment have gone in on PBR seed and how many have not.

**Answer:**

Due to the level of detail required for the provision of this response, a summary has been provided for the consideration of the Rural Regional Affairs and Transport Legislation Committee. It should be clearly noted that the administration of the PBR Act is the responsibility of DITR (IP Australia).

Plant Breeders Rights (PBR) protect new plant varieties and are administered under the *Plant Breeders Rights Act 1994 (Cth)*. PBR are dependent upon registration and a plant variety may be registered under the PBR Act if it is distinct, uniform and stable. In addition, the variety cannot have been previously exploited. The registered owner of PBR has the exclusive right, in relation to propagating material of the registered variety, to produce or reproduce the material, offer for sale, sell the material, and import/export the material. There are a number of exceptions built into the legislation which include farm saved seed. PBR lasts for 25 years in the case of trees and vines and 20 years in the case of all other varieties.

Application for PBR is made through IP Australia.

All 25 of GRDC's leviable crops come under the umbrella of the PBR Act.

PBR was introduced into Australia in 1987 to help promote the breeding of new varieties for Australian growers and also to give Australian growers better access to varieties and technologies from other countries.

PBR *per se* does not impose direct costs to growers. Owners of varieties, whether protected by PBR or not, may choose to use commercial arrangements to charge growers for use of the variety. The main methods are either a royalty on sale of seed (seed royalty), or increasingly, an End Point royalty (EPR) levied on each tonne of grain sold by a grower.

The major grain types covered by EPRs are wheat, barley, chickpeas and canola. Of the estimated \$10 million of EPRs collected on grain varieties in 04/05, it is estimated that over 90 per cent related to wheat and barley grain varieties.

Importantly, with EPRs this cost is not incurred by growers until they have a successful crop and the grain has been harvested. This means that, for breeding programs that are dependent upon EPRs to fund their activities, they must produce new varieties that

- satisfy the market promise and therefore be adopted; and

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- are successfully grown and harvested by farmers.

EPRs currently range from \$0 to around \$3.50 per tonne. EPRs generally have 3 components:

- Collection fee – charged by accumulators to collect EPRs on behalf of licence holders. It varies between 10 and 14 cents per tonne for cereals.
- Management fee – charged by seed companies to commercialise (bulk, process and service) varieties on behalf of breeders. It varies between 10 and 40 cents per tonne.
- Breeder royalty – the payment to breeders for use of their variety. It varies from 50 cents to over \$2.00 per tonne for cereals.

There are no grains that do not come under the umbrella of PBR.

With respect to the question *'How many crops going in at the moment have gone in on PBR seed and how many have not?'*, the GRDC does not have direct data to assist in the provision of a response. However, the GRDC estimates that between 50-65% of the current wheat crop has gone in on PBR Seed.

The vast majority of canola varieties are covered by PBR, an estimate would be over 90%. This also applies to most pulse crops, including chickpeas, field peas, faba beans, lupins, soyabean and peanuts.

However for hybrid crops such as sorghum and maize, owners of currently grown varieties have not sought PBR protection. This is because, being hybrids, there is an 'in-built' protection for the plant breeder and the plant breeder's value capture is in the recurrent purchase of seed.

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**Question No:** GRDC02

**Division/Agency:** Grains Research Development Corporation

**Topic:** Board remuneration

**Hansard Page:** 39 (31/10/06)

**Senator O'Brien asked:**

**Senator O'Brien**— I am asking whether the level of remuneration for the board has increased at more than or less than the rate of inflation.

**Answer:**

The Remuneration Tribunal is responsible for setting the remuneration for the GRDC Board (except for the Managing Director) each year. The remuneration increase for each Board member (with the exception of the Managing Director and the Chairman of the Board) from 2004/05 to 2005/06 was 4.12 to 4.13 percent. In December 2005, the Remuneration Tribunal approved a 14 per cent increase for the Chairman of the Board. The increase was backdated to 9 March 2005.

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**Question No:** GRDC03

**Division/Agency:** Grains Research Development Corporation

**Topic:** Meals provided at board meeting

**Hansard Page:** 40 (31/10/06)

**Senator O'Brien asked:**

**Senator O'Brien—** What does it cost to sustain the board on an annual basis in that context?

**Answer:**

\$4,694 for the 2005/06 financial year.

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**Question No:** GRDC04

**Division/Agency:** Grains Research Development Corporation

**Topic:** Single Vision Grains Australia – establishment under the act

**Hansard Page:** 40 (31/10/06)

**Senator O'Brien asked:**

**Senator O'Brien—** Could you give the committee the detail of how the provisions of the act operate to allow that?

**Answer:**

The Grains Research and Development Corporation's (GRDC) functions are set out in section 11 of the *Primary Industries and Energy Research and Development Act 1989* (PIERD Act). Several clauses in section 11, including section 11(c), allow the GRDC to fund the activities that the Single Vision Grains Australia interim board (SVGA interim board) is conducting. Section 12 provides that the GRDC has power to do all things necessary or convenient to be done for, or in connection with, the performance of its functions. This includes the power to (h) join in the formation of a company; and (j) do anything incidental to any of its powers.

Using the "Single Vision" name would greatly facilitate the conduct of the activities for which the SVGA interim board was established, in furtherance of the Single Vision Grains Industry Strategic Plan. Grains Council Australia (GCA) owned the "Single Vision" name, company and website. In order for the SVGA interim board to access the Single Vision website and name, the GCA required that Single Vision Grains Australia Limited also be bought. In buying the company, the directors and members were changed to the current members rather than to the GRDC. This was to ensure the level of autonomy and guidance expected from the interim Board, as had been emphasised by industry to the GRDC. The GRDC membership of the company and Board would not have been consistent with industry's clear request that Single Vision Grains Australia be as independent as possible. GRDC paying GCA for the company, without being a member of it, is consistent with GRDC's functions and powers under the PIERD Act.

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**Question No:** GRDC05

**Division/Agency:** Grains Research Development Corporation

**Topic:** Single Vision Grains Australia – lease on premises

**Hansard Page:** 42 (31/10/06)

**Senator O'Brien asked:**

**Senator O'Brien**— That is why I cannot rattle off a number. I am trying to add \$2,660 to \$26,600. Close to \$30,000 is near enough. What about later years—is it an ongoing lease and is that the rental component on an ongoing basis, or are they unknowns at this stage?

**Answer:**

The lease over the Capalaba premises is for three years from 1 December 2005 to 30 November 2008. Rent for the first year is \$26,600 plus GST. Rent for the second and third years is subject to review in accordance with increases in the Consumer Price Index.

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**Question No:** GRDC06

**Division/Agency:** Grains Research Development Corporation

**Topic:** Single Vision Grains Australia – advisory fees

**Hansard Page:** 42 (31/10/06)

**Senator O'Brien asked:**

**Senator O'Brien—** Yes. The answer to question on notice 1847 lists some of the other single vision costs incurred by GRDC. What are the advisory fees costed at \$6,750 in November last year?

**Answer:**

The “advisory fees” were consultant fees for the December 2005 quarter.

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**Question No:** GRDC07

**Division/Agency:** Grains Research Development Corporation

**Topic:** Single Vision Grains Australia – cost of logo development

**Hansard Page:** 42 (31/10/06)

**Senator O'Brien asked:**

**Senator O'Brien—** Did GRDC pay almost \$5,000 for the development of Single Vision's logo?

**Answer:**

Yes.



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**Question No:** GRDC08

**Division/Agency:** Grains Research Development Corporation

**Topic:** Single Vision Grains Australia – quarterly fees

**Hansard Page:** 42 (31/10/06)

**Senator O'Brien asked:**

**Senator O'Brien**— What are the Single Vision quarterly fees costed at \$7,363 in January 2006? It is near the top of page 3, on 6 January 2006. The code is YOUN04.

**Answer:**

The “Single Vision quarterly fees” were consultant fees for the December 2005 quarter of \$6,750 plus an adjustment for an underpayment of consultant fees for the September 2005 quarter of \$613.

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**Question No:** GRDC09

**Division/Agency:** Grains Research Development Corporation

**Topic:** Single Vision Grains Australia – body corporate fees

**Hansard Page:** 43 (31/10/06)

**Senator O'Brien asked:**

**Senator O'Brien—** And body corporate fees, I take it, are payable in addition to the rent?

**Answer:**

Yes.