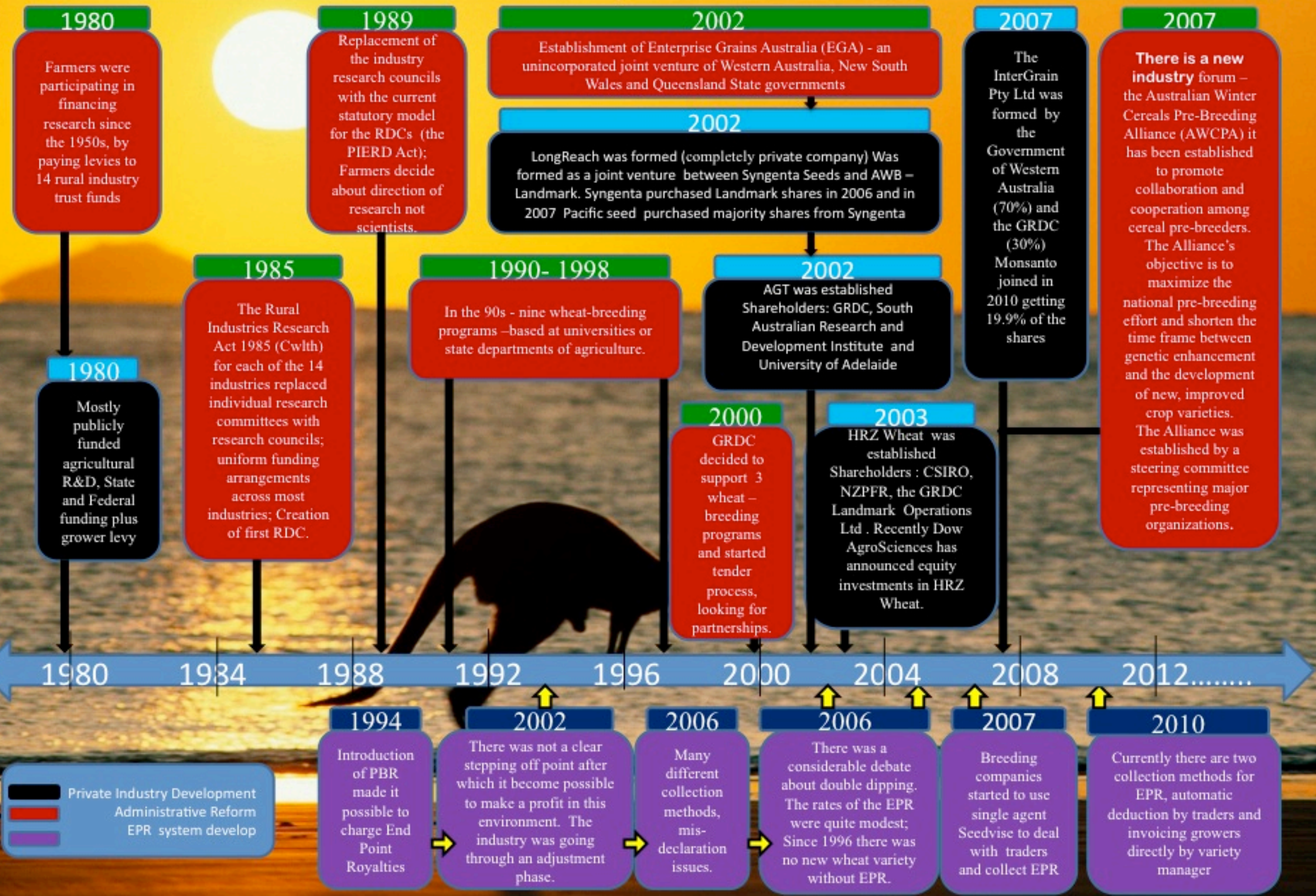


Evolution of Australian System for funding agricultural R&D

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Research Poster from the
Canadian Agricultural Innovation and Regulation Network (CAIRN)
Enabling Research for a Competitive Agriculture



Abstract CAIRN-04

Dynamics of Innovative System for Funding R&D in Australia

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Persistent underinvestment in agricultural research, which is indicated by high rates of return to agricultural research and recently slowing productivity growth, has an overall negative impact on the long-term prospects for the agricultural sector and creates a need to study mechanisms for increasing level of investment in agricultural research. Given the public nature of some forms of knowledge, the inherent economies of scale in research, and the sequential nature genetic improvement, many different types of models have developed to support crop innovation. Australia has distinctive and potentially successful system for rural research and development (R&D). The Australian Grain Research and Development Corporation (GRDC), funded by a grower levy and matching government funding, coordinates research, invest in prebreeding, and own shares in breeding companies plays an important role in the innovation system. A key strength is a system wide perspective with producer involvement in priority setting. The introduction of Plant Breeders Rights and the End Point Royalties also gave new possibilities for private firms to capture returns from crop research investments. Given the fact that innovation institutions do not develop instantaneously it is important to understand the incentives and complex process of transformation of Australian system. Other countries struggling with underinvestment in agricultural sector could look at Australian system as an example and source of ideas to solve they own problems and improve their systems for doing agricultural research.

Growing Forward in a Volatile Environment
2nd Annual Agriculture Policy Conference
January 11-13, 2012
Ottawa, Canada