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**The Role of Corporate Governance in Australian Crop R&D**

Katarzyna Bolek and Richard Gray

*Bio-resources Policy Business and Economics, University of Saskatchewan*

The Australian Agricultural research system is distinctive in several respects, including the use of levy-funded research, the use of End Point Royalties, and its overall research intensity. Among the most striking features, is the creation of corporations to allocate research resources raised from taxpayers, from industry levies and from royalties. These corporations, with a mixture of public, industry and private shareholder dominate wheat breeding and pre-breeding in Australia. Given the amount of resources involved and importance of agricultural research outcomes, we examine the economic forces behind the development of this corporate form of governance.

The current Research and Development Corporations (RDCs) model was established under the Primary Industries and Energy Research and Development Act 1989. The corporation model was premised on the need to give the RDCs operating and financial flexibility and increases the efficiency with which R&D funds were spent. Each of RDC was to focus on the needs of its industry and invest in R&D to develop and contributes to profitability and competitiveness of the industry. Twelve years after its creation the Grains Research and Development Corporation (GRDC) launched a tender process looking for three partnerships and resulting in the eventual establishment of AGT Pty Ltd, InterGrain Pty Ltd and HRZ Wheats Pty Ltd with state departments and universities. These wheat breeding Corporations have become self-funding and each have taken on a private multinational research firm as an additional shareholder.

This study uses the *theory of the firm* as a framework to examine a creation of the RDCs model and establishment of 3 wheat-breeding companies. Gibbons (2005) put four theories of the firm into an integrative framework; a “rent-seeking” theory, a “property-rights” theory, an “incentive-system” theory, an “adaptation” theory. These theories provide a rational and assess consequences of vertical and horizontal integrations and vertical separation in Australian research funding system. The costs related to integration a very important factor for making a decision whether integration or market transaction is a better way of doing research. Assessing costs should provide some insight into the most efficient way to govern agricultural research, both in Australia and abroad.

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