SAGIT – THE FIRST 20 YEARS

IN THE BEGINNING - BEFORE SAGIT

- There had been a National Statutory Wheat levy in place for some time and in 1982 it was agreed to lift this to 30 cents per tonne. NSW at this time was paying $1/tonne.
- In 1981 there was substantial debate around the need to a State levy, given the view that R&D was being severely hampered by a lack of funds. The major concerns were around cereal breeding and disease (of which a major one was Rhizoctonia).
- This debate was led by The Grains Section Executive of the UF&S. It is interesting to note who was on the Executive at that time: A.B. Eichner (Chair), C.J. Rowe (Senior Vice Chair), A.R Inglis (Junior Vice Chair), G.E. Ashman, E.D Buckley, K.S. Fitzgerald, K.S. Kelly, M.J Kluge, F.C. Kuhlmann, E.O. Milne, H.W. Petras, M.A. Sargent, M.S. Shanahan, N.McK. Smith, and J.R Williams, with T.W Inglis as Executive Officer.

Blast from the Past – 1982 Tour of the Murray Mallee - by Train.

From left, Ken Lyons (AWB), Herb Petras (ABB), Duke Acton (SACBH), Harry Philbey (SACBH), Manager (ANR), John Tansell (ABB), Andrew Inglis (UFS Grains Section)

- The debate included many issues which are still relevant today, such as:
  - Should the State levy be compulsory or voluntary? A.R. Inglis was of the view that a compulsory levy would have Constitutional issues. He was right, hence the voluntary levy with a provision to opt out.
  - Should there be a single Centre for Grains Research, combining Waite, Roseworthy and Department of Agriculture, with a number of out stations?
  - Should the funds we used for bricks and mortar, or just for projects?
  - Should the funds be used to support private entities to do research, as well as the well-known institutions?
  - Should the funds be used to support industry committees?

- The Grains Research Trust Funds Act was proclaimed in 1982.
  - It defined “grains” as cereal seed, oil and protein seed, and pasture crop seed, although the levy under the Act was only set on wheat and barley (at 20 cents per tonne).
The purpose was for research, training, publication and dissemination purposes to those grains on which a levy was collected, and for administrative expenses.

The accounts for the respective grains were to be kept separate.

Each would be administered by a Committee comprising four growers one of whom would be Chair), one from Dept of Agriculture, one from the research institutions and one representing the processing industries.

Each Committee would be appointed by the Minister upon nomination from the UF&S.

The first levy to be collected was on the 1983 harvest (which to that time was a record).

**SAGIT IS BORN**

- In the late 1980’s, under the drive of Hon John Kerin Federal Minister for Primary Industry and Energy, discussions were held with the State grower bodies, in particular the Wheat and Barley Research Committees, regards the establishment of a national R&D entity. This would provide a national coordinated approach and be funded by a compulsory grower levy with matching support from the Commonwealth. It would replace the voluntary funds in the States.

- In a letter dated 20 March 1990 to the then Chair of the SA Wheat Research Council, Don Blesing, John Kerin foreshadowed the imminent formation of the Grains Research and Development Council (GRDC).

- The GRDC was formed under the Primary Industry and Energy Research and Development (PIERD) Act 1989 (Commonwealth) and commenced operation in September 1990.

- It is interesting to note that the PIERD Act does not allow GRDC to lobby on behalf of industry. This was seen as the role of the grower (and other industry) bodies, and was also not favoured by the Commonwealth.

- In a letter of 8 June 1990 to Lynn Arnold, then SA Minister of Agriculture, John Kerin agreed to the return to SA of the wheat and barley levies collected under the voluntary arrangement since 1983, provided that they were spent on wheat and barley research.

- The funds to be returned to SA were $4,066,120.85.

- Along with this, a proposal was developed by the then United Farmers and Stockowners, largely with the leadership and foresight of Ken Schaefer, Colin Rowe and Malcolm Sargent to establish a Trust to manage the voluntary levy funds returned by the Commonwealth.

- This was agreed by Minister Arnold and a Trust Deed established under the Regulations under the Wheat Marketing Act.

- The Trust would responsible for the SA Grain Industry Trust Fund and be managed by three Trustees appointed by growers (one of whom would be Chair) and one appointed by the Minister.

- The rationale behind the Fund, and the continued application of a voluntary levy, was to provide support for work with specific benefit to SA growers.

- The Trustees would manage the Fund for “the benefit and advancement of the grain industry in South Australia through research and development into the growing, harvesting, storage, processing and marketing of grain, and for the dissemination of technical information to the grain industry”.

- The Trust Deed dated 5 March 1991 was signed by the Trustees Ken Schaefer, Colin Rowe, Malcolm Sargent and Rip Van Velsen (Minister’s appointee).

- SA is unique and the envy of the other States in that they don’t have such an arrangement.

- The voluntary levy only applied to wheat and barley until about 2000 but is now collected on all grains grown in SA.

- The levy is calculated on a per tonne basis, as compared with an *ad valorum* or farm gate value as is the case with GRDC. The latter does provide for some counter balancing of production and price impacts, but is far more difficult to collect, especially at State level.

- In SA the levy is collected on behalf of growers from purchasers of grain by Primary Industries and Resources SA, under powers provided under the Wheat Marketing Act.

- It is interesting to note that at the time the Trust was formed, negotiations occurred with UF&S with regards SAGIT joining in the purchase of the premises at 122 Frome Street, Adelaide, which
were for sale by Mortgagee in Possession for $3.5M. The Trustees declined, the building was purchased and became the home of SAFF, and was later sold.

- An operational review into SAGIT was instigated by SAFF Grains Council in 2003 and done by Maurie Vaast of GSI Consulting. The recommendations included setting up formal processes and documentation to reflect the expectations of current Corporate Governance. Roles were defined, tenders called for services, and Service Level Agreements were established.

- Thomas Project Services took over the Executive Services role from SAFF in 2005.

**SAGIT FINANCIAL MANAGEMENT**

SAGIT is a not for profit entity and is therefore not subject to Income Tax.

SAGIT generates income from three main sources, the levy on grains, interest and dividends from investments, and from royalties.

**The Levy**


- The levy expressed as a percentage of the wheat prices has varied since its inception from 0.05% to 0.1%.

- For an average farmer cropping say 1500 ha with an average yield of 2t/ha, the levy paid at the current rate of 25 cents/t is $750. Assuming a farm gate grain price of $200/t, the current levy to GRDC (at 0.99 per cent) would be $5940.

- Being set on a per tonne basis, levy revenue is largely at the mercy of the seasons. This is demonstrated in the following figure

![SAGIT Levy Funds Collected](image)

**Dividends/Interest**

- SAGIT Trustees have always invested its reserves in equities and cash deposits under what is a conservative strategy, having in mind that they are custodians of farmer levy funds. They have used external expert advice to assist in this process.

- Payments received depend on the state of the market.

- Investment income has played an important part in maintaining income stability and therefore project investment over the years. This is shown by the fact that levy income as a percentage of total income has varied wildly from a low of 22% in 1995 to 84% in 2004.

- Where a drop in levy income (due to drought) has coincided with a reduction in share value and returns (such as during the global financial crisis) in the 2007 – 2009 period, investment in projects have had to be substantially curtailed.

**Royalties**

- Given the nature of the projects and the difficulty and cost of capturing IP value, the returns from royalties have been small, but not insignificant. For example, royalty revenue from the 2010 crop was about $250K.
Management

- SAGIT Trustees manage the funds through a 10 year forward budget which is reviewed annually. This is used to recommend the level of levy collection and expenditure on projects.
- Project finances are accounted for through a rigorous spread sheet process.
- Financial reports, including performance of investments, are received monthly, are reviewed in detail quarterly, and independently audited and reported annually.

THE PROJECTS

Project Investments

- SAGIT since 1993/94 has directly invested over $17 million dollars in projects – from 1993/94 to 2001/2 it invested $6.834 million, and between 2002/3 and 2010/2011 $10.287 million
- This has supported 162 projects at an average investment of $105,000 per project, the largest being $364,000, the smallest $6,500.
- Most projects are funded for three years with an average total annual spend of about $1.2 million.
- Of course the impact of SAGIT is greater that the level of direct investment. Basically speaking, SAGIT invests “at the margin”. In other words it funds staff and other operational requirements of projects, with the actual research body providing (as in-kind contributions) such things as the buildings, equipment and professional supervision. Until recently it was about 50/50 so the contribution by SAGIT has been double or $34 million. SAGIT’s contribution is made even more important by the fact that many of the projects would not have been done at all had it not been for SAGIT’s investment.
- Numerous studies into the benefit/cost of R, D & E investment (quoted recently by ABARE and in the Productivity Commission Report), show a ratio of about 4:1. Using this, the value to SA farmers of the SAGIT investment of $17 million (and including the indirect leveraging) is about $136 million. The fact that the levy payments are tax deductible adds even further to the benefit.
- While the major emphasis is on creating value for SA growers, many projects provide benefit to growers in other States. Where there is a clear case of national benefit negotiations are held with GRDC to secure joint funding. This trend is likely to increase.
- Projects conducted by universities also provide the opportunity for SAGIT to be an industry partner for Australian Research Council funds. This has allowed SA to secure some large and important projects which would not have happened without the SAGIT input.
- Similarly, joint support is sought from the private sector when the project is clearly in the mutual interest – examples are the work in durum, Angel Medic and more recently with wheat breeding.
- Recent reductions in government budgets have caused service providers such as SARDI and CSIRO to reduce their in kind contributions which has resulted greater demand for industry input. This trend seems set to continue both at the State and National levels.

PROJECT SELECTION CRITERIA AND PROCESSES

- SAGIT has, since its inception, always had a transparent and objective process of project call and selection.
- Project guidelines and selection criteria are openly available and are currently on the SAGIT website. An open call is made for project submissions which are then assessed by the Project Management Committee (PMC) (comprising the Trustees and two others appointed by the industry) according to the selection criteria and scoring process. The PMC is also advised by independent scientific input.
- Successful projects are subject to a Funding Agreement with clearly defined performance measures. Projects are regularly assessed by PMC through Progress Reports and discussion with the researchers.
- In the past five years in particular, SAGIT management has established a closer mentoring arrangement with those conducting the projects which has resulted in improved quality of applications and outputs.
WHO IS FUNDED

- Over the 20 years a wide range of groups have received project support from SAGIT.
- SARDI and The University of Adelaide have been the major recipients, simply because of their capacity in staff and other resources to conduct projects.
- Others include CSIRO, farmer groups such as Ag Bureaux, YPASG, SANTFA, SPAA, HART, and private consultants, and more recently private companies such as AGT.
- The shift to greater support for farmer groups and the private sector is likely to continue.

WHAT TYPES OF PROJECTS ARE FUNDED

- Under the criteria, projects must benefit SA growers and have a high potential for payoff in the short/medium term.
- Since inception, 76% of SAGIT’s investments have been in research and development, 19% in extension, with the remainder on such things as travel grants, scholarships and capital equipment grants.
- In the early days more “blue sky” research was supported than has been the case in recent years. This has been a conscious shift by the Trust towards more field research, validation of results to local areas, and extension. In part this is in response to the government reducing its research in these areas and expecting more development and extension to be done by farmer groups and consultants who often don’t have the financial or technical resources to fill the gap. Hence the increased call on SAGIT in recent times.
- Many of the projects have been and are with groups in regions such as the Yorke Peninsula Alkaline Soils Group, Eyre Peninsula, HART and Ag Bureau groups, and respond to local issues. Frequently the results are still relevant to the wider farming audience.
- SAGIT has supported initiatives which assist farmers to be at the forefront of technology – examples are its support for SA No Till Farmers Association, Southern Precision Ag Association, and for projects such as weed mapping and improved tillage and fertiliser placement.
- Most of the work has been on wheat and barley simply because they are the most significant crops. In recent times however there has been increased work in other grains and in farming practices such as no till, precision agriculture, fertiliser placement, break crops, as well as in farm systems and decision support.

SOME HIGHLIGHTS

Research into cereal root diseases

This has been by far the greatest SAGIT investment with over $1.7M on projects and a loan of $200K to support the establishment of the Soil and Plant Diagnosis Facility in SARDI. It is fair to say that without SAGIT’s investment SARDI (and SA) would not enjoy the lead role in root disease pathology which they do today.

The work has not only increased our knowledge of plant root diseases but provided an in-field Root Disease Testing Service (RDTS), and provided much of the basis for advice on control measures. It has also provided a valuable support service for consultants advising farmers and other research teams and plant breeders. Attempts to commercialise the service with Bayer (Predicta B) were not successful.

AS well as research support, SAGIT has led the way in funding the Root Diseases Handbook and the associated training for farmers, consultants and other scientists.

The work has now extended beyond disease management per se to such things as using DNA measures to assess root architecture and its implications for farming practices and plant breeding based on the need for more robust root systems to cope with our difficult environment.

SAGIT has also invested heavily in research into Rhizoctonia which is still the major root disease troubling SA farmers. This work continues.
Research on double haploids – now joint GRDC
The use of double haploids provides for more rapid development of new varieties. SARDI has played a lead role with substantial investment by SAGIT ($743K) with the approach now being an important part of variety development. The work continues with co support from GRDC to reduce the costs and increase the use of this material by plant breeders.

Support for new technology
SAGIT has been a strong supporter of groups to support new technologies including major investments in SANTFA ($305K), SPAA ($272K) and HART ($100k+). These groups have provided valuable service to the farming community and are now more self-supporting.

Snail control
Snail management became an important grain quality/delivery issue especially with the adoption of no till and cessation of stubble burning. SAGIT supported (about $270K) a comprehensive research and extension program with the Bash’Em, Burn’Em, Bait’Em control measures still being widely used today.
Break Crops

Break crops have been an important component of farm rotations for many years, in terms of disease management, weed management, crop nutrition (especially nitrogen), and more recently the conservation of moisture for use by the following crop. They are an integral part of modern no till systems and are likely to increase in importance. Yet in many areas, especially those with unreliable rainfall there is still the need for reliable break crops.

- Peas. An important component in many rotations, peas provide a disease and weed break as well as being a valuable source of nitrogen. Pea diseases, especially black spot, has been a major issue for which control measures are now available through SAGIT funded work.
Oil seeds. SAGIT has funded substantial work on canola and mustard, especially in the lower rainfall areas.

Medics will remain important for many farmers and SAGIT is investing in Angel medic and a number of new lines.

Vetch has substantial potential and SAGIT is supporting research on a number of overseas lines.

Fertiliser Efficiency
Fertiliser costs are a major component of most farm programs and are likely to remain so. Hence SAGIT funds substantial work on new and improved approaches such as use of fluid and other forms of phosphate fertilisers; fertiliser placement; improved methods of assessing soil nutrients; and the optimal levels of fertiliser required, especially after droughts.

Sowing Guide
The Sowing Guide which uses GRDC funded National Variety Trial and other data to provide recommendations on varieties of all grain crops in the various districts is one of SAGIT’s most popular projects. It is now a joint venture between SARDI, GRDC and SAGIT and is being extended to the other States.
GOVERNANCE

- SAGIT has developed a tradition of strong governance, born out of an appreciation that they are responsible for the proper management of the funds entrusted to them, and to the Minister.
- Most of the Trustees have done training through the Aust Institute of Company Directors
- The business is driven by rolling 5 year Strategic and Communication Plans, and a 10 Year Forward Budget, with progress reviewed annually.
- A Governance Procedures Manual is in place and is reviewed regularly.
- Clear and transparent criteria are in place for the selection of projects, management of finances and investments, and the conduct of business.
- Reports are provided to SAFF and to the Minister following each meeting, as well as an Annual Report and the Audited accounts.

The performance of the Board, both individually and collectively are reviewed annually, as is the performance of those providing executive, financial and investment services.

PEOPLE

Much of the success of SAGIT is due to the skill and efforts of its founders and those who have followed.

Trustees
- Under the revolvement process Trustees serve for 3 years but are eligible for re appointment.
- Appointment of “Group A” trustees is made by the SAFF Grains body, after open call for expressions of interest.
- SAGIT is characterised by a few people who have provided long service and have been unstinting in their efforts to support R, D & E in SA. Most notable are Ken Schaefer, Malcolm Sargent, Colin Rowe, and Peter Kuhlmann who cumulatively have provided more than 50 years of service
to SAGIT. In addition, they have all provided leadership in many other aspects of the grain industry – and still do.

- The tradition continues with Peter Kuhlmann, Jim Heaslip and Simon Ballinger now serving on the Board.
- It is worth noting that SAGIT has only had three Chairpersons in its history – Ken Schaefer, Malcolm Sargent and Peter Kuhlmann

SAGIT Chairpersons since 1991: Ken Schaefer, Malcolm Sargent & Peter Kuhlmann

- The “Group B” trustees are appointed by the Minister and again the list is extensive. After an initial period (from SAGIT inception) by Rip Van Velsen, there followed a number of senior people from the Department of Agriculture (later PIRSA), including Peter Gibson, Brian Hansen and Robert Rees. In 2006, the Minister elected to appoint a person outside of the public service – Linda Eldredge (who is also a farmer) was appointed and serves on the Board to this day.

SAGIT Trustees 2011: Jim Heaslip (Appila), Peter Kuhlmann (Mudamuckla - Chairperson), Simon Ballinger (Wolseley) & Linda Eldredge (Clare)

Project Management Committee (PMC)
- The purpose of the PMC is to decide on the projects to be funded and ensure that the project performance requirements are met.
- PMC comprises the Trustees plus two other persons appointed by the industry
• Again we have seen some long serving people, most notable being John McEvoy. Others who have served include Peter Kuhlmann, Paul Kaden, Simon Ballinger, Tanja Morgan and Peter McCormack.
• Any record of PMC would not be complete without mention of Dr Alan Dube who has served as Scientific Adviser to the PMC since 2002.

Support Staff
• For the first 14 years, executive support and financial services were provided by UFS/SAFF under a contract arrangement. Those involved during this time were Neil Fisher (who was involved at the inception), Ian Desborough, Michael Thomas, Grant Thompson, Pat Venning, Caroline Brokus (now Rhodes), Sarah Warner (now Koch), and Ben Gursansky.
• In 2005, the Trustees tendered for services and broke the SAFF connection and appointed Geoff Thomas from Thomas Project Services as Executive Manager, Deloitte as Financial Manager and Mark Draper from Genes as Portfolio Advisor. In 2010 Geoff Thomas was reappointed, Eastwoods became the Financial Managers, and Ord Minnett the Investment Advisers.

COMMUNICATION
Communication is essential to any program both to inform farmers as to what you are doing and to get their ideas as to what further work is required. SAGIT has always been fortunate in being relatively small and close to its farmer stakeholders.
Its communication efforts have been largely through:
• Regular articles in the Stock Journal and on ABC Rural stations.
• Publications such as the Grain Legume Handbook, the Snail Control Guide, the Annual Sowing Guide, the Farm Gross Margins and Enterprise Guide, and many other publications over the years for farmers.
• Comprehensive signage at research sites.
• Support for extension activities, grower updates and attendance at field days.
• Sponsorship of major conferences.
• Co-organising of industry forums such as those on Water Use Efficiency in Crops and the recent Post Harvest Issues Forum.
• The establishment of an effective SAGIT website on which is placed information on the projects being conducted and summaries of those completed, as well as comprehensive information on SAGIT itself and how it operates.

AGROPOLITICS
SA has for many years “punched above its weight” in terms of national influence in the grains industry, be it agro political or in R&D.
This has included lead roles in such things as the Grains Council of Australia and the various research committees.
Until recently SAGIT has concentrated almost solely on its primary purpose of funding and managing R, D & E for the benefit of SA growers.
There have however emerged a number of issues which impinge directly on research, development and extension and it’s funding to which SAGIT has and will continue to respond.
These include:
• The National Grains R&D Strategy.
• The Inquiry by the Productivity Commission into the Research and Development Corporations
• National and State Inquiries into Grain Classification and Handling
• The Proposed Merger between SA Research and Development Institute and the University of Adelaide.
• The impact of government cuts on funding for R&D.
It is anticipated that the need to address these broader issues will increase in future.

SA has done its bit - Grains Council Chairs over the years– Keith Perrett (NSW), John Lush (SA), Jeff Arney (SA), Andrew Inglis (SA), Michael Shanahan (SA)

THE FUTURE

Few would question the success of SAGIT over the past twenty years, but what of the future?

It is likely that SAGIT will be driven by a number of factors:

- The ever present need for farmers to improve production, profitability and manage risk in order to meet the challenges of the seasons, costs and market returns.
- Increasing regulatory constraints on farming operations.
- The need to adjust to what is likely to be a more “carbon conscious” future with its impacts on costs of farm inputs and transport.
- Reductions in investment by governments in research, development and extension and the demand for farmers and the industry generally to contribute more.
- Increasing reliance on private research and extension service providers and the need for capacity building in these sectors.
- A major generational change in farmers with the need for continued training.
- An increasing need to leverage funds adopt a joint approach with others such as GRDC and the private sector in research and extension planning and operations.
- The opportunities and challenges presented by the communication revolution.

Given its history and performance to date, and with the support of farmers and their communities, there is every reason to expect that SAGIT will meet these challenges and continue to play a vital role in the development and success of the grains industry in South Australia.