STRATEGIC INITIATIVES TO IDENTIFY AND MEET MARKET OPPORTUNITIES IN THE AUSTRALIAN GRAINS INDUSTRY

S. Lack and S. Till

Grains Research and Development Corporation, PO Box E6, Queen Victoria Terrace, ACT 2600

Summary. The status of the recent Strategic Planning Units into various sectors of the grains industry and their effect on strategic direction of the GRDC's Research and Development portfolio are discussed.

INTRODUCTION

Recognising the imperative to more closely match grains and grain products to market need, domestic and international, the Australian grains industry has undertaken a number of significant studies during the 1990s. The output from these studies will be used by the industry for planning. The GRDC intends to utilise the information to ensure the objectives of Research and Development in which it invests are symmetric with those of the industry.

DISCUSSION

In 1991, the grains industry participated in a large forum (Grains 2000) which investigated the strengths and weaknesses of each sector. This led to the establishment of a number of Strategic Planning Units (SPUs) which were seen as the most appropriate way to provide the industry with a focus to determine its future in an uncertain world. The GRDC subsequently made funds available for research to be undertaken to support;

• a National Grain Marketing Strategic Planning Unit, including milling wheat and feed grain issues;

• a Malting Barley Strategic Planning Unit;

• a Grain Legumes Strategic Planning Unit; and

• an Oilseeds Strategic Plan.

Each SPU was developed over three stages by independent consultants. Initially a situation analysis was undertaken to establish the current market and outlook for grain commodities and products and key factors which determine the Australian industry's capacity to take advantage of market prospects. Each SPU drew upon growers, processor and marketers in obtaining this information. These factors were further researched including international benchmarking. This information was then assessed by industry who developed into a strategic plan for each industry sector with appropriate recommendations for action leading to a viable and profitable future for industry stakeholders and the wider community. All SPU's except the Feed Grains SPU have completed the three stages and were launched in early 1995. Each SPU is currently under review by the relevant industry to determine the extent of, and processes for, adoption of recommendations.

National Grain Marketing (Milling Wheat) Strategic Planning Unit

Research indicated that Australia will continue to face vigorous competition in its core markets (1). Two strategies for exporters are to compete on price in bulk markets or differentiate products on the basis of quality and service. In the face of USA and EU subsidies Australia has elected to pursue the latter. In this environment, the GRDC is targeting research in the following fields:

• provision of knowledge about quality requirements for major markets and end uses so breeders, agronomists and growers can target customer needs;

• development of genotypes with the quality, yield and disease resistance characteristics to enhance profitability; and

• management strategies which overcome limitations to yield and quality including selection of appropriate genotypes and the effect of these strategies on farmer returns and the sustainability of production.

The Strategic Plan also highlighted the relatively poor yield improvements achieved in the Australian wheat crop since the 1960s (approximately 1% from 1961 to 1987). At the same time, protein levels have been in steady decline. The study concluded that the Australian wheat *industry is sustainable, but not in all regions and only if growers invest in new practices, which is unlikely given current economic conditions* (1). More recent studies have highlighted variable performance arising due to a complex mix of agronomic, infrastructure and socio-economic factors which affect adoption of new and proven approaches. In order to assess these issues the GRDC is supporting research analysing:

• productivity and diversification trends in grain producing regions to distinguish between environmental and socio-economic constraints.

Malting Barley Strategic Planning Unit

Research into this sector of the grains industry indicated that the Australian barley industry retains advantages in the areas of production costs and quick-malting quality (6). The changing trends facing the barley industry were identified as; increasingly demanding customers, competitors actions and expanding and freer world trade. Limited integration of varietal breeding objectives with market needs was considered a constraint on the industrys' ability to meet these demands.

Through the National Malting Barley Research Agenda (NMBRA) the GRDC is funding research into variety development. This has lead to improved co-operation between researchers and industry which has provided a cleared focus on outcomes of real importance. It is hoped that this will lead to accelerated progress in the development of new, world class varieties of barley for the malting and brewing industries.

Other issues were identified from the consultants report (4) by the GRDC which are now being addressed, these include:

• the need for market intelligence to ensure the world competitiveness of Australia's malting barley varieties;

• lack of clarity of market signals to researchers;

• enhanced technical support for customers;

• streamlining the release of varieties;

• best practise production of malting barley for specific markets;

• receival standards;

• varietal identification;

• maintenance of funding and research co-ordination.

Grain Legumes (Pulses) Strategic Planning Unit

Through the Grains Council of Australia's Strategic Planning Unit the pulse industry set itself a benchmark to increase production from 2 million to 4 million tonnes by the year 2005. An average yield of all pulses of 1.4 t/ha is required to meet this target. Thus yield stability and potential are a priority for the industry. The resulting demand for high yielding varieties adapted to a wide range of growing environments across Australia will place additional pressure on those existing pulse breeding programs that are State-based. Meeting the industry's target could, potentially, see the GRDC investing in a multitude of breeding programs (e.g. 5-6 States x 19 species) (2) . Such an allocation of resources is not practicable.

The GRDC's preference is to develop truly national programs and utilise existing resources more efficiently. This will require the host State to incorporate national performance indicators into the job description of their plant breeders, and not limit rewards to local achievements within a State. To ensure feedback, Host States receiving germplasm from a national program (for regional screening and variety development) based in another State should have a direct input into the direction of the national program and be involved in assessing its performance. The GRDC will endeavour to influence such a change by supporting those pulse breeding programs which take a national, rather than a local perspective.

Australian Oilseeds Federation Strategic Plan

The Australian Oilseed industry study, which focussed on Canola, Sunflowers and Soybean, identified the potential for the industry to expand in Australia. However, it identified several threats to this market including imported oil, particularly from countries where production is subsidised, prices and crop production uncertainty for the growers and variability of supply (3). Positive attributes of the industry include world competitive processing technology, stable demand in Australia and nutritional benefits of plant oils over animal oils. Therefore there is a need to broaden the skills of farmers, and develop varieties and management practices to allow wider geographical spread of production.

To build on the strategy outlined in the plan the GRDC has been developing research which focuses on:

• broadening the understanding of farmers in marketing and management strategies including increased awareness of crop check systems.

• encouragement of wider geographic / seasonal spread of oilseeds by better understanding of the factors that influence which crops can be grown in particular locations.

This effort has been assisted by the Oilseeds Development Fund, a body consisting of oilseed processors and users which, as a result of their involvement in the Five-year Plan, obtain funds for research from a self imposed levy. This levy has been collected since 1 August 1993.

Feed grains study

In a landmark report on demand and supply, expansion in both domestic and export markets for Australian producers is predicted (5). The study was commissioned by the GRDC, in conjunction with the Dairy, Pig, Chicken Meat and Egg research bodies. This, most recently commenced, strategic plan has progressed through the situation analysis which was recently published (5). It predicts domestic demand in the year 2000 will be 10.3 million tonnes which is 4.9 m tonnes more than the forecast made at the 1991 Grains 2000 conference. This arises from an expected doubling of the demand by the dairy industry, an increase of 30% in the beef feedlot industry (making it the biggest consumer) and a 15% increase in demand by the poultry, pig and sheep industries.

In these circumstances supply capacity presents a challenge to Australian graingrowers. It is predicted that Australia will remain a net grain exporter however more feed grains will be used internally and there is expected to be more frequent imports of some grains such as soy beans and meal, maize, sorghum particularly in the North Eastern Region of Australia.

The GRDC recognises the significance of these trends and will support Research and Development in the area of feed grain quality in particular for end user industries. For example, targeted action would be needed to offset a deficit in feed barley and sorghum, while higher yielding feed wheat varieties could make an important contribution.

Strategic initiatives within Co-operative Research Centres (CRCs)

To promote market linked Research and Development the GRDC has invested in several Cooperative Research Centres (CRCs). For example, the GRDC is a core participant in the CRC for Quality Wheat Products and Processes investing $7 million over 7 years, in addition to its existing investment in cognate areas. The objective of the CRC is to achieve a sustainable increase in the contribution of the wheat production, processing and related service activities to Australia by generating scientific, technical and business systems knowledge. These objectives are symmetric with those outlined in the Milling Wheat SPU. Investment in the CRCs is therefore considered desirable as it assists the GRDC in achieving strategic alliance with the industry ensuring the research focus echo's the recommendations from the SPUs.

CONCLUSIONS

The SPU process has provided useful information on the opportunities and limitations facing the Australian grains industry. The recommendations resulting from the process are strategic guidelines which will assist the GRDC in formulating its Research and Development policies.

CRCs have provided a useful tool for the GRDC to implement strategic research issues, in particular because they involve downstream users they ensure a nexus of information of market need to the researchers.

REFERENCES

1. Booz, Allen and Hamilton. 1995. Inventing the future. Grains Council of Australia's National Grain Marketing Strategic Plan. Milling Wheat Project. Grains Council of Australia, Canberra.

2. Hamblin, J. 1995. Thoughts to GRDC on Cool-Season Grain Legume Breeding in Australia and its Implications for Variety Production. Workshop Proc. Coordination of Pulse Breeding in Australia, 21 Aug 1995. GRDC, Canberra.

3. Meyers Strategy Group. 1993. Strategic Plan for the Australian Oilseeds Industry 1993-98. Australian Oilseeds Federation, Wilberforce.

4. Meyers Strategy Group. 1995. Inventing the Future. Grains Council of Australia's Australian Grains Legumes Industry. Strategic Planning Unit. Grains Council of Australia, Canberra.

5. Meyers Strategy Group. 1995. Feed Grains Study. Meyers Strategy Group, Sydney.

6. The Boston Consulting Group. 1995. Inventing the future. Grains Council of Australia's Malting Barley Strategic Planning Unit. Grains Council of Australia, Canberra.