


[Agribusiness & Markets](#)
[Animal Health](#)
[Animal Welfare](#)
[Crops](#)
[Environment & Climate](#)
[Farm Systems](#)
[Food](#)
[Gardens & Households](#)
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[Invasive Species](#)
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[Pastures](#)
[Plant Health](#)
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You are: [Home](#) > [Publications](#) > [Crop Updates by year](#) > [Crop Updates 1999 Index](#) > [Crop Updates - Improvement royalties](#)

## Crop Updates - Improvement royalties

### CROP IMPROVEMENT ROYALTIES - INVESTING IN THE FUTURE

*Bevan Buirchell and Dean Diepeveen, Agriculture Western Australia*

Continuous development and release of new crop varieties is critical for Western Australia's grains industry to maintain and improve market share and profitability.

The aim of Agriculture Western Australia's internationally competitive crop improvement programs is to develop varieties that give growers greater returns through higher yields, improved quality to meet market demand, and better resistance to disease and pests.

Since 1997, Agriculture Western Australia's plant breeding program has released 21 new varieties which are well adapted to local growing conditions and which have a high marketable value for industry.

To remain competitive in the international markets, research efforts must be increased to develop improved crop varieties. The plant breeding and biotechnology areas require major investment, over and above the significant contribution already made through Agriculture Western Australia's current plant breeding programs.

In December, Agriculture Western Australia wrote to growers about the introduction of a Crop Improvement Royalty and began consulting with industry groups regarding the level of the royalty.

Here are some of the facts about the Crop Improvement Royalty:

#### Q. What is a Crop Improvement Royalty?

A. A Crop Improvement Royalty is a payment made to the owner/s of a plant variety for the right to grow that variety. It is paid on production rather than on seed sales and is collected when a grower sells grain produced from that variety. A Crop Improvement Royalty will be paid on grain deliveries of all future varieties bred by Agriculture Western Australia and its crop breeding partners, primarily the Grains Research and Development Corporation (GRDC). It will be calculated as a percentage of net farm gate price on each tonne delivered. It is proposed that the Crop Improvement Royalty replace the Plant Breeders Rights Act Seed Royalty on the specified varieties. The Crop Improvement Royalty is a return on breeding investment, not an unspecified general levy.

#### Q. Why do we need a Crop Improvement Royalty?

A. Agriculture Western Australia has committed \$6 million a year for plant breeding programs over the next four years, but more research funds are needed to improve international competitiveness for the Western Australian grain industry into the future. The Crop Improvement Royalty will ensure that those who pay are those who benefit directly from adopting the new varieties. The introduction of production royalties in other parts of Australia and the world have encouraged greater investment in crop breeding.

#### Q. Do I have to pay the Crop Improvement Royalty?

A. Only if you use the new varieties. The current new varieties that are subject to a Crop Improvement Royalty will make up a very small proportion of the Western Australian crop. The decision to use a new variety would be based on the potential of the variety to increase profitability.

#### Q. What varieties does the Crop Improvement Royalty apply to?

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A. The Crop Improvement Royalty will apply to the wheat varieties **Ajana** and **Camm**, oat variety **Needilup**, barley variety **Doolup**, and the lupin varieties **Tanjil** and **Wodjil**. All future new varieties bred by Agriculture Western Australia will be subject to a Crop Improvement Royalty. To grow the specific varieties, growers will sign a contract which obligates them to pay the Crop Improvement Royalty on grain produced and sold.

**Q. What will it cost?**

A. A level has yet to be set for the six varieties named above. The rate of the royalty will be set in consultation with industry organisations. These consultations are in progress.

**Q. What about the levies I already pay?**

A. You will not pay a Seed Royalty (under the Plant Breeders Rights Act) for varieties that carry a Crop Improvement Royalty. The other levies currently in place are collected by GRDC and the Council of Grain Growers Organisation (COGGO). The GRDC levy of 1% raised \$20 million from Western Australian growers last financial year. The COGGO levy of 0.5% is paid on a voluntary basis.

**Q. How much of those levies goes towards plant breeding?**

A. A proportion of the GRDC levy is invested in plant breeding in Western Australia. This amounts to \$3 million which, together with Agriculture Western Australia's annual \$6 million contribution, is insufficient for the level of research required to be internationally competitive in the future. As yet, none of the money raised by COGGO has been allocated to Agriculture Western Australia for crop improvement activities.

**Q. Will farmers still be paying a Seed Royalty under the Plant Breeders Rights Act?**

A. Not on varieties for which they pay a Crop Improvement Royalty.

**Q. What if I have already paid a Seed Royalty on those varieties?**

A. The Seed Royalty will be refunded on varieties subject to the Crop Improvement Royalty. Details of the refunding process are currently being finalised.

**Q. Will the price of seed be cheaper?**

A. Yes because there will be no Seed Royalty collected on the named varieties. The Seed Royalty is currently \$60 or \$70 a tonne.

**Q. Will the Crop Improvement Royalty cost more than the current Seed Royalty system?**

A. Yes. This is necessary to maintain a consistent source of research funding. The Plant Breeders Rights Act Seed Royalty is currently collected for the first three years after the release of a new variety. The Seed Royalty contribution to research is made before a crop is grown from the seed, with no recourse if the variety is unsuited to local conditions. It may cost the grower less in the short term, but it means in the longer term that there are inadequate funds for research towards crop improvement. Without advancements in plant breeding and biotechnology, producers will face declining profits and loss of market share. The Crop Improvement Royalty is an end-point royalty which means it is performance-based. If the variety doesn't perform, growers don't pay and no funds are collected.

**Q. When will I have to pay the Crop Improvement Royalty?**

A. The Crop Improvement Royalty will be collected on grain of the specified varieties delivered from the 1999/2000 harvest.

**Q. How will it be collected?**

A. The method of collection is currently being discussed with the major grain marketing and processing organisations - the Grain Pool of WA, the Australian Wheat Board, Flour Millers Association, and the Stock Feed Manufacturers Association. Growers will be advised when details are finalised.

**Q. What happens to the money collected from the Crop Improvement Royalty?**

A. Agriculture Western Australia's share (70%) will be invested directly in crop improvement

activities. The rest of the royalty (30%) is returned to other major equity holders, such as GRDC.

**Q. Who decides how royalty funds are spent?**

A. Allocation of the money collected from the Seed Royalty is decided by the farmer and industry representatives in the Cereals and Pulses and Oilseed Partnership Groups in conjunction with Agriculture Western Australia. The money collected from the Crop Improvement Royalty will be treated in the same way. In the case of the GRDC levy, GRDC committees decide how to allocate the funds. The committees include farmer and research institute representatives.

**Q. How do I find out more?**

A. A Fact Sheet for growers will be widely circulated when details of the level of the Crop Improvement Royalty, method of collection, and Seed Royalty refund process are finalised. If you require more information before those details are made available, please contact Dr Bevan Buirchell at Agriculture Western Australia on (08) 9368 3653.

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**[Return to Crop Updates 1999 Cereals Index Page](#)**