



Australian Government  
Department of Agriculture,  
Fisheries and Forestry



# REGIONAL FOOD PRODUCERS INNOVATION AND PRODUCTIVITY PROGRAM

## Program Guidelines

Round 2 registrations close 5.00pm AEST  
Monday 22 June 2009

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Program information, guidelines and related forms are available at  
[www.daff.gov.au/foodinnovation](http://www.daff.gov.au/foodinnovation)

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## Overview

The Australian food industry plays an integral role in the nation's economy. The food and beverage sector is Australia's largest manufacturing sector, with sales and service income of \$71.4 billion in 2005-06. Australia is a significant net exporter of food, with exports of \$23.3 billion and imports of around \$8.2 billion in 2006-07. Food exports account for 15 per cent of total Australian merchandise exports.

The food industry is a major employer, particularly in rural and regional Australia. In 2006-07, around 191 400 people (or 18 per cent of Australia's manufacturing workforce) were employed in food and beverage manufacturing.

Over 40 per cent of food industry employees live and work in regional Australia. The regional food processing sector has a critical part to play in the health of regional communities, providing employment opportunities for young people and creating an important link in the supply-chain between farmers and fishers and consumers.

## Purpose of the program

Australia has a competitive edge in the export of agricultural commodities, such as meat and grains, but is faced with a range of new challenges, including increases in global food prices, climate change and rising imports.

The growth of the food production sector, in particular the regional food production industry, will play an important part in meeting these challenges. An increase in on-shore value-adding will boost the value of Australia's food exports. An increase in productivity will allow the industry to grow and diversify, providing alternative markets for our farmers and fishers. Productivity gains will make the sector more profitable and have flow-on benefits up and down the value-chain, from farmer to processor to retailer and, finally, the consumer.

The Australian Government has committed to 'invest \$35 million...in a Regional Food Producers' Innovation and Productivity Program to improve productivity, innovation and profitability of Australia's regional food producers'.

\$10 million of the \$35 million will be set aside for projects from the seafood industry.

The program is a merit-based, discretionary grant program. Applicants submit expressions of interest, which are assessed against eligibility criteria. Those considered eligible and likely to meet the program objectives are invited to submit an application. This application is assessed against merit criteria. Funds are limited and therefore meeting eligibility and merit criteria does not guarantee funding. The program funds projects that focus on increased productivity and development, and adoption of new technology.

This is a matched-funding program—grantees must meet at least 50 per cent of the project costs, in cash. It is generally expected that grants will be between \$50 000 and \$2 million. Funding will be provided on a reimbursement basis at agreed milestones throughout the project.

The program is due to end on 30 June, 2012. The maximum project length is three years. No projects will be approved after 30 June, 2012. Funded projects should be completed by 30 April, 2012 to allow final payments to be made by 30 June.

## Program objectives

The Regional Food Producers Innovation and Productivity Program aims to assist the regional food industry to improve productivity and profitability through innovation in processing and value-adding.

It will achieve this by funding projects that design and/or transfer new technologies, new processing methods and new production methods and implement them for use in the regional food and/or seafood production industries. In doing so, the program will encourage the development of collaboration networks between the regional food/seafood processing industry and the rest of the supply chain.

## Am I eligible to apply?

All applicants must satisfy the following criteria:

1. You must be a food<sup>1</sup> producing business involved in value-adding and processing<sup>2</sup> or a not-for-profit organisation active in the food production industry
2. Your business must be a business registered for tax purposes in Australia with an Australian Business Number (ABN)
3. Your business must be financially sound, with professionally prepared financial statements demonstrating the ability to fund your share of project costs

Universities and research organisations are not eligible to apply.

Applications will be judged on the benefits they deliver to the regional food industry, as expressed in the merit criteria in these guidelines. Applicant businesses do not have to be located in regional Australia. This recognises that eligible food producing businesses will have supply chains that are inextricably linked with regional businesses and benefits can accrue for regional Australia from projects taking place in metropolitan Australia.

While the Commonwealth will enter into funding agreements with single entities meeting the above criteria, we encourage you to undertake projects in collaborative partnerships with other businesses, such as supply chain partners and research and development providers. If you elect to collaborate, you will be responsible for managing the legal relationship between project partners.

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<sup>1</sup> Food is defined as any substance, whether processed, semi-processed or raw, that is intended for human consumption and is sold to a consumer for immediate consumption, or with minimal preparation. This includes drink, chewing gum and any substance that has been used in the manufacture, preparation or treatment of 'food', but does not include cosmetics or tobacco or substances used only as pharmaceuticals.

<sup>2</sup> This means food processors, or farmers and fishers involved in value-adding.

## What activities are eligible for funding?

Your proposal should focus on designing and applying new production and processing technologies for application in the regional food processing or producing industry.

This includes processing, packaging and logistics, and/or adoption of technology. Projects must have a commercial focus—funding will be available for implementation and commercialisation of new technologies to a point mutually agreed in the funding agreement.

The activities that the program will fund include:

### 1. Design of new technologies to proof-of-concept through to implementation and commercialisation to meet a market need

This would involve the creation of new technologies designed to address a real innovation gap in your industry and the implementation of that technology. Technologies could focus on increasing production output, improving efficiency, breakthroughs in food preservation and the utilisation of by-products and waste streams.

The program will not fund full-scale roll-out of the new technology, but may assist in implementing at least one production line.

### 2. Adoption of technologies, with regional spill-over benefits

While the technology may have been developed overseas or in another region in Australia, you could make the case that the program should assist you in acquiring the technology. To do so, you would have to convincingly make the case that the adoption of the technology represents a significant opportunity for Australia and/or your regional food sector that would not be possible without government assistance.

For successful applications, strict funding conditions will be imposed requiring the dissemination of lessons learned from the implementation of the technology, in order to demonstrate the benefits of the technology to the wider regional food industry and encourage its uptake.

### 3. The innovative re-design of existing production/processing lines to create efficiencies and boost productivity

No production process operates at 100 per cent efficiency. The solution may not lie in buying new and better technology. Increased productivity can be achieved through the re-design of production processes. You would have to objectively quantify your current production efficiency and your expected gains in efficiency, using accepted industrial measures<sup>3</sup>, in order to be eligible for funding.

In addition, you must be able to demonstrate that your project is consistent with your business's strategic goals, as outlined in your business plan. You will need to provide your business plan with your application.

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<sup>3</sup> For example, Overall Equipment Effectiveness (OEE)

## What activities are not eligible for funding?

The program will NOT fund:

- × innovation in the process of farming or fishing, such as planting, growing, fertilising, irrigating, harvesting, breeding and genetics, or catching
- × projects where the productivity benefits accrue to the applicant business only at the expense of domestic competitors
- × the construction of buildings and infrastructure<sup>4</sup> such as extensions, roads, or fences
- × expenditure related to the normal day-to-day operations of a business
- × retrospective project related activities (i.e. anything commenced before a Funding Agreement has been signed by the department)
- × the development of new product lines, where the project does not involve the development of new technologies or new processes
- × promotional activities not related to disseminating information on the benefits of the innovation to the regional/seafood producing industry
- × purchase of land
- × remuneration and related costs of personnel not directly engaged in project activity
- × initial scoping of the market opportunity/innovation potential
- × other activities deemed to be contrary to the spirit/intent of the program or outside the Funding Agreement

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<sup>4</sup> Capital equipment costs and pilot plant facilities may be eligible when part of the project. See 'Supplementary Information' for additional guidance.

## How do I apply?

It will only be possible to apply to the program using the appropriate forms, available from our website ([www.daff.gov.au/foodinnovation](http://www.daff.gov.au/foodinnovation)) or from program staff.

We will endeavour to have multiple funding rounds per year until the funds are committed. The number of rounds and their frequency will depend on the response and availability of funding. We will publish critical dates on our website when known.

Rounds will consist of two stages:

### 1. Expression-of-Interest

We will publish a form to register details on our website. This form will collect simple information about your company and will be used to make an initial assessment of your eligibility.

On receipt of this form, we will send you an expression-of-interest form to provide us with details on your project and give you a date by which it should be submitted.

Your expression-of-interest should be clear, concise and convincing. We are not looking for the full detail; just enough information to allow us to determine whether your project is likely to be eligible.

### 2. Application

If, after assessment of your expression of interest, the program decision-maker determines that your business and project are likely to meet the program eligibility criteria and your project could be competitive, we will invite you to submit an application. We will provide you with an application form. We will publish an example of this application form on our website, for information, but you should only submit the application on the form we provide directly. The application form will seek additional detail on your business, its financial situation and your project.

The information in your application form, the advice of an independent advisory panel and any other information relevant to your application will be used to make a final determination of eligibility and competitiveness. Further details of the project or your financial details may be sought by the department to assist in making a decision.

All information provided to the department will be treated as commercial-in-confidence and handled on a strict need-to-know basis. The information collected is necessary for us to make a fair and equitable decision on funding, but we recognise the sensitivity of this data, particularly financial information. The department is obliged to, and will, protect any personal information and private information in accordance with the *Privacy Act 1988 (Cth)*.

## How will my application be assessed?

### ***Expressions of interest***

We will accept expressions of interest continuously up to the nominated cut-off date for their submission. Any expressions of interest received after that date will be considered in the next round.

We will assess your expression of interest for eligibility and recommend to the program decision-maker (see Roles and Responsibilities) which applicants should be invited to submit an application.

If your business and your project proposal is considered:

- ***eligible***, you will receive an invitation to submit an application. You will also receive feedback on further likely information requirements to assist you to prepare your application
- ***ineligible***, but if the project ***could be adjusted to make it eligible***, you will receive feedback to assist you to prepare an expression-of-interest for a future round
- ***ineligible*** and ***unlikely*** to be able to be adjusted to make it eligible, you will receive feedback on the reasons for the decision.

We endeavour to provide a decision on all expressions-of-interest within three weeks of receipt. We will advise of any unforeseen delays.

### ***Applications***

If you receive an invitation to submit an application, we will provide you with an application form and a deadline for submission. If you miss that deadline, your proposal will be assessed in a subsequent round.

The Regional Food Producers Innovation and Productivity Program Independent Advisory Panel appointed by the Minister for Agriculture, Fisheries and Forestry, will assess all applications against the eligibility and merit criteria set out in these guidelines and make recommendations to the program decision-maker for funding.

The members of the advisory panel (see Roles and Responsibilities) will be appointed because of their experience and understanding of a broad range of relevant issues, including food processing technology, financial and marketing acumen and food production industry knowledge.

Advisory panel members will be required to complete conflict-of-interest declarations and will not be allowed to access information or assess projects where a conflict-of-interest, detrimental to your interests or those of your fellow applicants, exists.

The names and a short CV of the advisory panel members will be published on our website when they have been appointed.



Your application will be competing for limited funds and the panel will only recommend the highest-rated applications. Potential outcomes of this assessment are:

- the panel will recommend your project for funding; they will also make recommendations on how much funding you should receive and any changes they feel necessary before the project can begin
- the panel will not recommend your project for funding, but will consider it a candidate for future funding. If this recommendation is accepted, you will receive feedback on how you can make your application more competitive and an invitation to resubmit
- the panel will not recommend your project for funding and they have determined that your project is ineligible or will never be competitive. If this recommendation is accepted, you will receive feedback on the reasons for the assessment.

## **Merit Criteria**

Your application will be assessed on the degree to which:

**Criterion 1.** the project will lead to improved productivity and profitability in Australia's regional food or seafood production industry

**Criterion 2.** the project will draw upon and involve existing knowledge and expertise within the Australian regional food or seafood production industry, including through collaboration with value-chain partners

**Criterion 3.** you have the resources and capability to carry the project through to finality

**Criterion 4.** you are able to demonstrate that your project meets your business's/organisation's strategic goals

**Criterion 5.** your project would be unlikely to proceed in a reasonable manner and time frame without the funding

In assessing the likelihood of improved productivity and profitability in the regional food production industry from a prospective project, the independent advisory panel will also aim to achieve a level of diversity in the projects funded, subject to the overall competitiveness of the projects.

## **How will decisions be made?**

The Minister for Agriculture, Fisheries and Forestry has delegated decision-making powers to a senior departmental officer, the program decision-maker.

The independent advisory panel will make recommendations for funding to the program decision-maker. The program decision-maker will make final decisions on funding, taking into account the panel's recommendations and any other relevant information available.

To be recommended for funding, projects will need to satisfy all criteria. In addition, the advisory panel will assess the extent to which your project meets each individual criterion.

The minister will announce successful candidates. Information on successful applications will be published on the program website.

## **What conditions are attached to funding?**

You will be advised in writing of the decision-maker's determination. If you are awarded funding, you will be required to sign a Funding Agreement that sets out (among other things):

- the rights and obligations of the Australian Government and the grantee
- the agreed activities and a timetable for completion
- the milestone payments
- the conditions to be met to acquit the use of the funds
- reporting and accountability obligations
- requirements for recognising the Australian Government contribution on advertising material
- penalties for failing to meet obligations

All terms and conditions of a grant are not necessarily set out in these guidelines. No legally binding relationship exists until a Funding Agreement is agreed and signed. We will publish an example of the Funding Agreement on our website. Grantees should seek independent legal advice before entering into a Funding Agreement.

# Additional information

## Project budget

The program only funds eligible activities carried out solely for the purposes of the agreed project. The funding is paid retrospectively—that is, you must fund the upfront costs of the project until an agreed milestone is achieved and the department is satisfied that the milestone has been achieved satisfactorily. After successful completion of the agreed activities under that milestone and acquittal of expenditure demonstrating you have spent the monies according to the Funding Agreement, you will receive a payment for that milestone.

You should be aware of the implications this has for your cash-flow. After the final acquittal of your project, you will have paid 50 per cent of the total costs; the other 50 per cent will come from your grant. However, to complete your project and receive your final payment, you will have to outlay an additional amount equal to the value of the final payment. The following example illustrates how this might work:

<b>Total agreed project costs:</b>	\$200 000
<b>Your cash contribution:</b>	\$100 000
<b>Your grant amount:</b>	\$100 000
<b>Agreed milestone costs:</b>	
<b>Milestone 1</b>	\$100 000
<b>Milestone 2</b>	\$100 000

At Milestone 1, you will have outlaid \$100 000. On acquittal, we will then pay \$50 000.

At Milestone 2 and project completion, you will have outlaid a further \$100 000. At this stage, you will have paid out \$150 000 and the government would have provided \$50 000. On successful acquittal, you will then receive a final \$50 000 payment.

You should carefully consider this implication in the design of your project budget. You will need to demonstrate that you have access to the required amount of funding for the life of the project and that expenditure will not impact on the financial viability of your business.

Funding is on a strict dollar-for-dollar basis to the agreed amount. The department will not fund an overall cost over-run for the project. In-kind contributions will not count towards matching contributions.

Total project costs should be calculated as the cost of all eligible project activities, undertaken or commissioned by project partners.

No other sources of government funding can account for any of the expenditure within a project. Industry R&D levy contributions or matching government funds originally paid to a Research Development Corporation or an industry stakeholder body will not be accepted as applicant funding for this program.

You may no longer be eligible for support from other government programs if you receive funding from this program. You should check with the grant officers responsible for the other programs.

Announced grants will not include goods-and-services tax (GST). Grant payments will be GST inclusive. Therefore, if you are awarded \$200 000, you will receive \$220 000. When submitting your project budget, you should omit GST from your figures.

You should seek professional advice on the taxation impacts on your business of funding from this program, in particular, whether the grant:

- will be considered income for the purposes of paying income tax
- will affect your ability to claim expenditure under the Tax Concession of R&D
- will have additional GST implications
- will have any other taxation implications

If you are successful in gaining funding, you must not commence your project before you receive a funding agreement signed by yourself and a representative of the Commonwealth.

We will publish additional project budget advice on our website.

## **Intellectual property**

Intellectual property is a valuable outcome of an innovative project and you must carefully consider its use. It is through the dissemination of intellectual property that the broadest community benefits can be realised. Therefore, while the Australian Government does not seek to own intellectual property developed through projects funded under this program, it does have an interest in how that intellectual property is used and may seek to impose conditions on its use.

Where your project is based on the adoption of technology, where there is little or no generation of intellectual property associated with the project, it will be requirement of the project that you disseminate any lessons learned to the wider food industry. Funds will be committed to this purpose. In this instance, it is the demonstration of the value of the technology, thus encouraging other participants in the food industry to take up the technology, that is the outcome sought by the Commonwealth.

Additionally, if you have partners in your project and we invite you to submit an application, the application must include a letter of understanding or an agreement setting out ownership and disposition of existing and proposed intellectual property rights associated with the project.

All collaborators must sign this letter.

## **Roles and responsibilities**

The Minister for Agriculture, Fisheries and Forestry has ultimate responsibility for the program. The minister has responsibility for approving these guidelines and appointing the independent advisory panel. The minister has delegated decision-making powers to a senior departmental officer, the program decision-maker. The minister will announce all grants.

The program decision-maker is assisted by the independent advisory panel and the program secretariat. The panel will consist of industry experts with a range of expertise in food production and processing, marketing and retailing. A senior departmental officer, who may or may not be the program decision-maker, will represent the minister on the panel.

The program will be administered by a secretariat from the Food Programs Section of the Agricultural Productivity Division of the Department of Agriculture, Fisheries and Forestry.

The Program Manager will have specific responsibility for:

- the overall supervision of the program administration, including project assessment and management
- determining if project objectives have been met and whether repayment of funds is required
- approving Funding Agreement variations
- dispute management

Together, the program staff will be responsible for:

- communicating program requirements to stakeholders
- receiving expressions of interest and making recommendations to the program decision-maker on initial eligibility
- communicating assessment outcomes to the program decision-maker and the minister
- receiving and assessing applications for consistency with expressions-of-interest
- organising independent advisory panel meetings, ensuring adherence to conflict-of-interest requirements and providing secretariat services to the panel
- providing the outcomes of panel meetings to the program decision-maker
- communicating the program decision-maker's decisions to applicants
- negotiating and finalising funding agreements
- administering individual grants, including reconciling expenditure
- making payments