

GRAINS

RESEARCH AND DEVELOPMENT CORPORATION

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GRAINS

RESEARCH AND DEVELOPMENT CORPORATION

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION

The Grains Research and Development Corporation (GRDC) is a statutory authority established to invest in research and development (R&D) and related activities to benefit the Australian grains industry and the wider Australian community.

GRDC invests in research, development and extension (RD&E) activities across a portfolio spanning temperate and tropical cereals, coarse grains, pulses and oilseeds. This involves coordinating and funding the activities; monitoring, evaluating and reporting on their impact; and facilitating the dissemination, adoption and commercialisation of their results.

GRDC's primary objective is to drive the discovery, development and delivery of world-class innovation to enhance the productivity, profitability and sustainability of Australian grain growers and benefit the industry and the wider community.

GRDC does not undertake R&D itself. Rather, it relies on other organisations that have the necessary capabilities to undertake the specialised work. As an investor in RD&E, GRDC often partners with co-funding organisations, many of which also provide RD&E services.

GRDC also contributes to the development of strategic national approaches to grains industry RD&E, to reduce fragmentation and duplication and to help address industry-wide issues such as biosecurity and climate change.

While its focus is on delivering benefits to Australian grain growers, GRDC also generates outcomes from investing in RD&E that benefit other participants in the Australian grains industry value chain and the wider Australian community, as well as the research community in Australia and overseas.

Because effective delivery is critical to achieving benefits of R&D, GRDC undertakes activities to raise awareness of grains industry R&D and extend the results of GRDC-supported projects to grain growers and their advisers, other participants in rural industry, and the wider community. Recognising different needs and preferences for receiving information, GRDC uses a range of products and channels, from phone apps to field days.

GRDC works closely with Australian grain growers and the Australian Government to ensure that their RD&E priorities are effectively addressed through GRDC

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investments. GRDC also maintains strong connections with its other stakeholders, particularly in the R&D and agribusiness sectors.

Effective partnerships with other Australian organisations enable GRDC to leverage resources and research capability; share market knowledge, technologies and intellectual property; and reduce the risk associated with particular investments. GRDC also builds strong relationships with organisations overseas, both to broaden the resources available to the Australian grains industry and to access international RD&E efforts that offer potential benefits, such as food security, for Australia.

GRDC's Strategic R&D Plan 2012-17 provides a template to ensure that GRDC will invest in RD&E in a sustainable manner, balancing long-term and short-term, high-risk and low-risk, and strategic and adaptive research needs, over the five years from July 2012 to June 2017.

The five-year strategy is informed by consultation with grain growers, representatives of government and research partners, and other relevant stakeholders. It embraces the principles, strategies and implementation plan set out in the Grains Industry National Research, Development and Extension Strategy and integrates them with the identified priorities of Australian grain growers and the Australian Government.

GRDC's Strategic R&D Plan 2012-17 also takes into account the priorities of other cross-sectoral research strategies in areas with relevance to the grains industry – for example, climate change; water use in agriculture; and biofuels and bioenergy.

The outcomes of the Strategic R&D Plan 2012-17 are delivered through six investment themes – meeting market requirements, improving crop yield, protecting your crop, advancing profitable farming systems, improving your farm resource base and building skills and capacity – supported by five corporate strategies, as detailed in the Outcome 1 strategy statement.

The Strategic R&D Plan sets out targets, intermediate outcomes and aspirational outcomes for each theme. These provide the framework for GRDC's annual operational plans and the annual investment process through which GRDC refines its RD&E portfolio to respond to changes in the business environment and optimally address the priorities of its stakeholders.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Corporate Commonwealth entity Grains Research and Development Corporation resource statement — Budget estimates for 2015–16 as at Budget May 2015

Source	Actual available appropriation 2014–15 \$'000	Estimate of prior year amounts available in 2015–16 \$'000	Proposed at Budget 2015–16 \$'000	Total estimate 2015–16 \$'000
Opening balance/Reserves at bank	218,253	227,910	-	227,910
REVENUE FROM GOVERNMENT				
Special appropriations¹				
<i>Primary Industries Research and Development Act 1989, s. 30(3) – Grains and Wheat R&D Corporation</i>	198,200	-	181,401	181,401
Total special appropriations	198,200	-	181,401	181,401
Total funds from Government	198,200	-	181,401	181,401
FUNDS FROM INDUSTRY SOURCES				
Levies ²	125,276	-	113,438	113,438
<i>less amounts paid to the CRF</i>	(125,276)	-	(113,438)	(113,438)
Total	-	-	-	-
FUNDS FROM OTHER SOURCES				
Interest	7,260	-	4,480	4,480
Royalties	5,670	-	5,840	5,840
Grant income	4,577	-	420	420
Proceeds from sale of property, plant and equipment	-	-	3,802	3,802
Other	4,940	-	3,875	3,875
Total	22,447	-	18,417	18,417
Total net resourcing for agency	438,900	227,910	199,818	427,728

- GRDC is not directly appropriated as it is a corporate Commonwealth Entity. Appropriations are made to the Department of Agriculture which are then paid to GRDC and are considered departmental for all purposes.
- The levies collected under the *Primary Industries Levies and Charges Collection Act 1991* are remitted to the Department of Agriculture and transferred to the Consolidated Revenue Fund. An equivalent amount is paid by Department of Agriculture to the GRDC as a special appropriation under the *Primary Industries Research and Development Act 1989* (PIRD Act).

Reader note: All figures are GST exclusive.

CRF – Consolidated Revenue Fund

1.3 BUDGET MEASURES

GRDC does not have any 2015–16 Budget measures.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programmes are the primary vehicle by which Government entities achieve the intended results of their outcome statements. Entities are required to identify the programmes which contribute to Government outcomes over the Budget and forward years.

GRDC's single outcome is described below together with its related programmes, specifying the performance indicators and targets used to assess and monitor GRDC's performance in achieving Government outcomes.

Outcome 1: New information and products that enhance the productivity, competitiveness and environmental sustainability of Australian grain growers and benefit the industry and wider community, through planning, managing and implementing investments in grains research and development.

Outcome 1 strategy

Outcome 1 will be delivered through six RD&E investment themes set out in the Strategic R&D Plan 2012-17. The themes are underpinned by five key corporate strategies to drive performance and respond effectively to challenges and opportunities in the business environment:

- Create value – deliver value by investing in programmes that address the key industry priorities with the greatest potential returns;
- Coordinate nationally – ensure that programmes are nationally coordinated and the Australian grains industry has access to the RD&E infrastructure and capability that it needs for the future;
- Deliver regionally – deliver the outputs of research in innovative products and services relevant to growers and their advisers in each region;
- Connect globally – proactively source new technologies and innovation from around the world for the Australian grains industry; and
- Engage with growers and industry – actively listen to and engage with growers and the broader grains industry.

Factors expected to influence the GRDC's business environment in 2014-15 include:

- New arrangements under the *Primary Industries Research and Development Act 1989* and *Public Governance, Performance and Accountability Act 2013*;

- Significant changes within the global grain market, including an increase in overseas demand for Australian grain and global food security issues;
- The Wheat Industry Advisory Taskforce's review of wheat export marketing arrangements;
- The need to adapt to the requirements of private sector collaboration on ownership of intellectual property;
- Reduced farm profitability;
- Climate variability;
- Pressure on productivity growth rates;
- Volatility in grain production, market requirements, the currency exchange rate and grain prices;
- Changing in the competitive grants system for Australian universities; and
- The implementation of the Grains Industry National Research, Development and Extension Strategy.

GRDC will work in consultation with grain growers, the Australian Government and other stakeholders, including research and commercialisation partners and other rural R&D corporations, to manage the effects of such factors.

Outcome 1 expense statement

Table 2.1 provides an overview of the total expenses for Outcome 1, by programme.

Table 2.1: Budgeted expenses for Outcome 1

Outcome 1: New information and products that enhance the productivity, competitiveness and environmental sustainability of Australian grain growers and benefit the industry and wider community, through planning, managing and implementing investments in grains research and development.	2014–15 Estimated actual expenses \$'000	2015–16 Estimated expenses \$'000
Programme 1.1: Grains Research and Development Corporation		
Revenue from Government		
Special appropriations	68,238	69,128
Revenues from industry sources	115,931	113,438
Revenues from other independent sources	19,837	14,026
Reserves	14,595	23,108
Total for Programme 1.1	218,601	219,700
Outcome 1 Totals by resource type		
Revenue from Government		
Special appropriations	68,238	69,128
Revenues from industry sources	115,931	113,438
Revenues from other independent sources	19,837	14,026
Reserves	14,595	23,108
Total expenses for Outcome 1	218,601	219,700
	2014–15	2015–16
Average staffing level (number)	75.2	79.3

Contributions to Outcome 1

Programme 1.1: Grains Research and Development Corporation

Programme objective

Drive the discovery, development and delivery of world-class innovation to enhance the productivity, profitability and sustainability of Australian grain growers and benefit the industry and the wider community.

Programme expenses

	2014–15 Estimated actual \$'000	2015–16 Budget \$'000	2016–17 Forward estimate \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000
Annual departmental expenses:					
Grains Research and Development Corporation	218,601	219,700	218,495	209,317	209,168
Total Programme expenses	218,601	219,700	218,495	209,317	209,168

Programme 1.1 Deliverables

Efficient and effective investment in grains research, development and extension (RD&E) based on robust business cases and stakeholder input that will address the research priorities of the Australian Government and Australian grain growers and deliver:

- Improved grain quality and functionality knowledge that growers can use to select crop, variety and cropping sequence to increase profit and manage risk;
- Cereal, pulse and oilseed varieties with significantly increased yield potential and stability over current elite varieties that growers can access and adapt to increase production;
- New genetic, biological, cultural and chemical weed, pest and disease management tools to reduce crop losses and minimise control costs for grain growers;
- Effective biosecurity and science-based support for pesticide and genetic technology stewardship;
- New information to help growers identify and understand the opportunities, risks and potential impacts of key farming practices in each agroecological zone;
- Integrated management of opportunities and constraints to increase profit and minimise risk across seasons (strategic decisions) and within each season (tactical decisions);
- Farm business plans providing the flexibility to respond to the risks and opportunities of a changing and variable climate;
- New information to assist growers to improve soil health and reduce soil, nutrient and chemical losses;
- Improved biodiversity management on farm for ecosystem services (such as habitat, amenity, pollination) profitability;
- A skilled agricultural advisory extension sector, and world-class RD&E personnel, with the appropriate skills to meet current and future needs of the Australian grains industry; and
- Support for training to facilitate acquisition of skills and knowledge for use in the grains industry.

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Programme 1.1 Performance measures					
Performance measures	2014–15 Estimated actual	2015–16 Budget	2016–17 Forward estimate	2017–18 ¹ Forward estimate	2018–19 ¹ Forward estimate
Australian Export Grains Innovation Centre (AEGIC) joint venture is established and operating appropriately.	Required market information available.	Maintain programme target.	Maintain programme target.	n.a.	n.a
Growers are interested in the benefits of measuring grain quality to meet customer requirements.	90%	Maintain programme target.	Maintain programme target.	n.a.	n.a
Growers storing grain on-farm use sealed silos to meet market requirements and provide for the continued effectiveness of pest control measures.	65%	70%	70%	n.a.	n.a
New cereal, pulse and oilseed varieties have minimum increases in genetic yield potential per annum as measured in National Variety Trials (NVT).	Cereals 1% Pulses 2% Oilseeds 1.5%.	Maintain programme target.	Maintain programme target.	n.a.	n.a
New varieties currently available meet the expectations of growers.	60%	Maintain programme target.	Maintain programme target.	n.a.	n.a
Growers and advisers use NVT data in selection of varieties to plant.	35% access data, of which 90% consider helpful.	35% and 90%	40% and 90%	n.a.	n.a
Growers and advisers are aware of and use integrated weed, pest or disease management practices.	70% aware, 50% use.	Maintain programme target.	Maintain programme target.	n.a.	n.a
Growers undertake on-farm practices to maintain or improve their biosecurity.	30%	40%	50%	n.a.	n.a
Growers place a high importance on the use of decision tools to assist them with strategic or tactical decision-making.	70%	Maintain programme target.	Maintain programme target.	n.a.	n.a
Growers have a whole-farm business plan which takes account of strategic opportunities, constraints and risks.	25%	Maintain programme target.	Maintain programme target.	n.a.	n.a
Growers consider the potential effects of climate change on their farm business when making long-term decisions.	50%	55%	60%	n.a.	n.a

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Programme 1.1 Performance measures (continued)					
Performance measures	2014–15 Estimated actual	2015–16 Budget	2016–17 Forward estimate	2017–18 ¹ Forward estimate	2018–19 ¹ Forward estimate
Growers undertake activities to improve the condition and productive capacity of their soils.	70%	Maintain programme target.	Maintain programme target.	n.a.	n.a.
Growers use nutrient budgeting to better match application with anticipated crop needs.	55%	60%	65%	n.a.	n.a.
Each year Nuffield scholars include people from the grains industry.	At least 3.	At least 3.	At least 3.	n.a.	n.a.
Growers and advisers undertake at least one activity each year to learn more about opportunities to improve farm profit or sustainability.	70%	75%	75%	n.a.	n.a.

1. No performance measures have been developed for forward years 2017–18 and 2018–19. These will be the first two years of the new five-year plan for 2017–22. All current performance measures that are extended into 2017–18 will maintain ongoing programme targets.

n.a. = not available

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2015-16 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and programme expenses, movements in administered funds, special accounts and Government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Movement of administered funds between years

GRDC does not have any administered funds.

3.1.2 Special accounts

GRDC does not have any Special Accounts.

3.1.3 Australian Government Indigenous expenditure

GRDC has no Indigenous specific expenses.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in entity resourcing and financial statements

The financial statements are prepared on an accrual basis where revenues and expenses are recognised as and when the resources are received and used. The entities resourcing table recognises cash resources available to be used during the period and includes amounts recognised as revenue in previous periods.

3.2.2 Analysis of budgeted financial statements

Budgeted Comprehensive Income Statement

GRDC's revenue is primarily from industry contributions in the form of levies paid on the farm gate value of grain sold and Commonwealth contributions which are determined at 0.5 per cent of the three year rolling average of gross value of production (GVP). GRDC's revenue streams are therefore subject to the volatility of local and international grain commodity markets, farm gate costs, and the marketing decisions of growers. This means the assumptions in developing financial forecasts have a high degree of uncertainty and change frequently.

In 2015-16 GRDC is budgeting for an operating deficit of \$23.1 million which will be funded from its own accumulated reserves. Industry contributions are expected to fall by \$2.5 million primarily due to a decrease in grain prices. Commonwealth contributions are expected to increase by \$0.9 million and own source income is expected to decrease by \$5.8 million due to lower interest and grants income. Supplier expenses are expected to increase by \$1.1 million due to increased R&D expenditure in 2015-16.

Budgeted balance sheet

The budgeted net asset position for 2015-16 is \$166.1 million which is \$23.1 million less than the estimated actual for 2014-15. This decrease is due to the budgeted operating deficit for 2015-16.

3.2.3 Budgeted financial statements tables

**Table 3.2.1 Comprehensive income statement (showing net cost of services)
(for the period ended 30 June)**

	2014–15 Estimated actual \$'000	2015–16 Budget \$'000	2016–17 Forward estimate \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000
EXPENSES					
Employee benefits	11,100	11,535	11,939	12,357	12,789
Supplier expenses	204,730	206,827	204,425	195,169	194,844
Depreciation and amortisation	771	1,338	2,131	1,791	1,535
Write-down and impairment of assets	2,000	-	-	-	-
Total expenses	218,601	219,700	218,495	209,317	209,168
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Interest	7,260	4,480	4,034	3,882	4,145
Grant income	4,577	420	-	-	-
Royalties	5,670	5,840	6,016	6,196	6,382
Other	2,330	3,286	3,302	3,270	3,110
Total own-source revenue	19,837	14,026	13,352	13,348	13,637
Total own-source income	19,837	14,026	13,352	13,348	13,637
Net cost of (contribution by) services	198,764	205,674	205,143	195,969	195,531
Revenue from Government ¹					
Commonwealth contributions	68,238	69,128	69,735	72,971	74,713
Industry contributions	115,931	113,438	116,716	120,148	120,891
Total revenue from Government	184,169	182,566	186,451	193,119	195,604
Surplus (Deficit) attributable to the Australian Government	(14,595)	(23,108)	(18,692)	(2,850)	73
Total comprehensive income (loss)	(14,595)	(23,108)	(18,692)	(2,850)	73
Total comprehensive income (loss) attributable to the Australian Government	(14,595)	(23,108)	(18,692)	(2,850)	73

1. Revenue from Government includes a Commonwealth contribution under the PIRD Act and levies collected from industry by the Department of Agriculture for R&D activities.

Prepared on Australian Accounting Standards basis.

Table 3.2.2: Budgeted departmental balance sheet (as at 30 June)

	2014–15 Estimated actual \$'000	2015–16 Budget \$'000	2016–17 Forward estimate \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	76,038	69,142	68,940	68,788	66,720
Trade and other receivables	15,319	16,484	16,424	19,205	18,520
Investments	151,872	135,872	118,872	111,872	114,872
Other investments	6,285	6,285	6,285	6,285	6,285
Total financial assets	249,514	227,783	210,521	206,150	206,397
Non-financial assets					
Land and buildings	7,367	3,127	2,759	2,391	2,023
Property, plant and equipment	298	373	430	472	504
Intangibles	1,144	6,279	4,859	3,794	2,995
Other non-financial assets	2,789	2,200	2,200	2,200	2,200
Total non-financial assets	11,598	11,979	10,248	8,857	7,722
Total assets	261,112	239,762	220,769	215,007	214,119
LIABILITIES					
Payables					
Suppliers	67,611	69,497	69,325	66,541	65,709
Total payables	67,611	69,497	69,325	66,541	65,709
Provisions					
Employee provisions	2,200	2,250	2,300	2,350	2,400
Other provisions	2,119	1,941	1,762	1,584	1,405
Total provisions	4,319	4,191	4,062	3,934	3,805
Total liabilities	71,930	73,688	73,387	70,475	69,514
Net assets	189,182	166,074	147,382	144,532	144,605
EQUITY*					
Reserves	110,726	109,626	104,126	103,576	103,576
Retained earnings	78,456	56,448	43,256	40,956	41,029
Total equity	189,182	166,074	147,382	144,532	144,605

* 'Equity' is the residual interest in assets after deduction of liabilities.

Prepared on Australian Accounting Standards basis.

Table 3.2.3: Departmental statement of changes in equity — summary of movement (budget year 2015–16)

	Retained earnings	Asset revaluation reserve	Other reserves	Total equity
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2015				
Balance carried forward from previous period	78,456	2,376	108,350	189,182
Adjusted opening balance	78,456	2,376	108,350	189,182
Comprehensive income				
Surplus (deficit) for the period	(23,108)	-	-	(23,108)
Total comprehensive income	(23,108)	-	-	(23,108)
of which:				
Attributable to the Australian Government	(23,108)	-	-	(23,108)
Transfers between equity components	1,100	-	(1,100)	-
Estimated closing balance as at 30 June 2016	56,448	2,376	107,250	166,074
Closing balance attributable to the Australian Government	56,448	2,376	107,250	166,074

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2014–15 Estimated actual \$'000	2015–16 Budget \$'000	2016–17 Forward estimate \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Industry contributions	125,276	113,438	116,716	120,148	120,891
Revenue from Government	72,924	67,963	69,795	70,190	75,398
Interest	7,260	4,480	4,034	3,883	4,145
Grant income	4,577	420	-	-	-
Net GST received	20,473	20,683	20,442	19,517	19,484
Other	10,610	9,715	9,318	9,466	9,492
Total cash received	241,120	216,699	220,305	223,204	229,410
Cash used					
Employees	10,984	11,485	11,889	12,307	12,739
Suppliers	217,324	225,802	225,218	217,649	215,339
Total cash used	228,308	237,287	237,107	229,956	228,078
Net cash from (used by) operating activities	12,812	(20,588)	(16,802)	(6,752)	1,332
INVESTING ACTIVITIES					
Cash received					
Sale of property, plant and equipment	-	3,802	-	-	-
Investments	-	20,000	20,000	10,000	-
Total cash received	-	23,802	20,000	10,000	-
Cash used					
Purchase of property, plant and equipment	2,755	6,110	400	400	400
Investments	6,400	4,000	3,000	3,000	3,000
Total cash used	9,155	10,110	3,400	3,400	3,400
Net cash from (used by) investing activities	(9,155)	13,692	16,600	6,600	(3,400)
Net increase (decrease) in cash held	3,657	(6,896)	(202)	(152)	(2,068)
Cash and cash equivalents at the beginning of the reporting period	72,381	76,038	69,142	68,940	68,788
Cash and cash equivalents at the end of the reporting period	76,038	69,142	68,940	68,788	66,720

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement

	2014–15 Estimated actual \$'000	2015–16 Budget \$'000	2016–17 Forward estimate \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ¹	2,755	6,110	400	400	400
TOTAL	2,755	6,110	400	400	400
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	2,755	6,110	400	400	400
Total cash used to acquire assets	2,755	6,110	400	400	400

1. Includes the following source of funding:
– internally developed assets.

Consistent with information contained in the Statement of Asset Movements and the Budgeted Statement of Cash Flows.

Table 3.2.6: Statement of asset movements (Budget year 2015–16)

	Land \$'000	Buildings \$'000	Other property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2015					
Gross book value	690	7,141	404	2,704	10,939
Accumulated depreciation/amortisation and impairment	-	(464)	(106)	(1,560)	(2,130)
Opening net book balance	690	6,677	298	1,144	8,809
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new or replacement assets					
By purchase – other	-	-	200	5,910	6,110
Total additions	-	-	200	5,910	6,110
Other movements					
Depreciation/amortisation expense	-	(438)	(125)	(775)	(1,338)
Disposals – other	(690)	(3,112)	-	-	(3,802)
Total other movements	(690)	(3,550)	(125)	(775)	(5,140)
As at 30 June 2016					
Gross book value	-	3,831	604	8,614	13,049
Accumulated depreciation/amortisation and impairment	-	(704)	(231)	(2,335)	(3,270)
Closing net book balance	-	3,127	373	6,279	9,779

Prepared on Australian Accounting Standards basis.