

**GRAINS
RESEARCH AND DEVELOPMENT CORPORATION**

SECTION 1: ENTITY OVERVIEW AND RESOURCES	149
1.1 Strategic direction statement	149
1.2 Entity resource statement	151
1.3 Budget measures.....	152
SECTION 2: OUTCOMES AND PLANNED PERFORMANCE	153
2.1 Budgeted expenses and performance for Outcome 1.....	154
SECTION 3: BUDGETED FINANCIAL STATEMENTS.....	159
3.1 Budgeted financial statements.....	160

GRAINS RESEARCH AND DEVELOPMENT CORPORATION

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The Grains Research and Development Corporation's (GRDC) purpose is to invest in research, development and extension (RD&E) to create enduring profitability for Australian grain growers.

In supporting its purpose, GRDC invests in RD&E activities across a portfolio spanning temperate and tropical cereals (including coarse grains), pulses and oilseeds. This involves identifying and prioritising research for investment; monitoring, evaluating and reporting on research impacts; and facilitating the dissemination, adoption and commercialisation of research results.

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, grains market access and sustainable resource management.

While its focus is on delivering benefits to Australian grain growers, who pay levies, 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 grains research community in Australia and overseas. GRDC investments support the capacity of the Australian research community through collaborative approaches that minimise duplication of effort and provide access to shared knowledge, infrastructure and facilities.

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 transformational 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.

Because adoption by growers is critical to achieving benefits from research and development (R&D), GRDC undertakes activities to raise awareness of grains industry R&D and extend the results of GRDC-supported investments 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 Budget Statements

GRDC works closely with Australian grain growers and the Australian Government to ensure that their RD&E priorities are effectively addressed through GRDC investments. GRDC also maintains strong connections with its other stakeholders, particularly in the R&D and agribusiness sectors.

GRDC's investment priorities are articulated in the RD&E Plan 2018–2023. The plan is firmly focussed on delivering research and extension investments that increase the profitability of Australian grain growers. The plan considers the key drivers of profitability in terms of yield, price, costs (on-farm and post farm gate) as well as risk.

It is important to note that the impact of different drivers on profit will vary across grain-growing businesses and environments. This will inform the potential shape and scope of the GRDC's RD&E investment portfolio at the national level, and on the activities and approaches required to support adoption of RD&E outputs at the regional and local levels.

The RD&E Plan 2018–2023 has been informed by extensive consultation across a broad spectrum of grains industry participants, government, and research providers. The consultation identified 36 key investment targets, with relative priorities that will underpin the delivery of the GRDC's purpose.

Detailed performance information across all the drivers of profitability through Key Investment Targets will be available in each of the GRDC Annual Operational Plans across the five-year period.

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: Grains Research and Development Corporation – Resource Statement – Budget Estimates for 2019–20 as at Budget April 2019

	<i>2018–19 Estimated actual \$'000</i>	2019–20 Estimate \$'000
Opening balance/cash reserves at 1 July	232,825	170,092
Funds from Government		
Special appropriations^(a)		
<i>Primary Industries Research and Development Act 1989, s. 30(3) – Grains and Wheat R&D Corporation</i>	<i>159,426</i>	<i>183,003</i>
Total special appropriations	159,426	183,003
Total funds from Government	159,426	183,003
Funds from industry sources		
Levies ^(b)	98,330	128,902
<i>less amounts paid to the CRF</i>	<i>(98,330)</i>	<i>(128,902)</i>
Total funds from industry sources	-	-
Funds from other sources		
Interest	6,398	5,026
Royalties	5,000	4,000
Other	794	2,053
Total funds from other sources	12,192	11,079
Total net resourcing for GRDC	404,443	364,174
	2018–19	2019–20
Average staffing level (number)	79	79

(a) GRDC is not directly appropriated as it is a corporate Commonwealth entity under the PGPA Act. Appropriations are made to the Department of Agriculture and Water Resources and then paid to GRDC and are considered departmental for all purposes.

(b) The levies collected under the *Primary Industries Levies and Charges Collection Act 1991* are remitted to the Department of Agriculture and Water Resources 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).

CRF – Consolidated Revenue Fund

Prepared on a resourcing (i.e. appropriations available) basis.

Please note: All figures shown above are GST exclusive – these may not match figures in the cash flow statement.

1.3 BUDGET MEASURES

Budget measures in Part 1 relating to the Grains Research and Development Corporation are detailed in *Budget Paper No. 2: Budget Measures 2019–20* and are summarised below.

Table 1.2: Grains Research and Development Corporation 2019–20 Budget measures

Part 1: Measures announced since the 2018–19 Mid-Year Economic and Fiscal Outlook (MYEFO)

GRDC does not have any 2019–20 Budget measures.

Part 2: Other measures not previously reported in a portfolio statement

GRDC does not have any measures not previously reported in a portfolio statement.

Section 2: Outcomes and planned performance

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

Each outcome is described below together with its related programs. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the enhanced Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements – included in annual reports – to provide an entity's complete performance story.

The most recent corporate plan for the Grains Research and Development Corporation can be found at:

<https://grdc.com.au/About-Us/Corporate-Governance/Strategic-RD-Plan>.

The most recent annual performance statement for the Grains Research and Development Corporation can be found at:

<https://grdc.com.au/About-Us/Corporate-Governance/Annual-Report>.

2.1 BUDGETED EXPENSES AND PERFORMANCE 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.

Linked programs

Department of Agriculture and Water Resources

Programs:

- Program 1.7: Grains Industry

Contribution to Outcome 1 made by linked program:

The Grains Research Development Corporation works together with the Department of Agriculture and Water Resources to ensure sustainable, productive and profitable grains industry.

2.1.1 Budgeted expenses for Outcome 1

This table shows how much the entity intends to spend (on an accrual basis) on achieving the outcome, broken down by program, as well as by Administered and Departmental funding sources.

Table 2.2.1: Budgeted expenses for Outcome 1

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
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.					
Program 1.1: Grains Research and Development Corporation					
Revenue from Government					
Special appropriations					
<i>Primary Industries Research and Development Act 1989, s. 30(3) –</i>					
Grains and Wheat R&D Corporation	61,456	70,102	70,457	77,341	82,127
Revenues from industry sources	98,329	128,902	132,602	136,407	140,322
Revenues from other independent sources	15,828	11,744	11,376	11,021	10,810
Reserves	38,383	12,924	9,956	332	(7,439)
Total expenses for program 1.1	213,996	223,672	224,391	225,101	225,820
Outcome 1 totals by resource type					
Revenue from Government					
Special appropriations	61,456	70,102	70,457	77,341	82,127
Revenues from industry sources	98,329	128,902	132,602	136,407	140,322
Revenues from other independent sources	15,828	11,744	11,376	11,021	10,810
Reserves	38,383	12,924	9,956	332	(7,439)
Total expenses for Outcome 1	213,996	223,672	224,391	225,101	225,820
	2018–19	2019–20			
Average staffing level (number)	79	79			

2.1.2 Performance criteria for Outcome 1

Table 2.1.2 below details the performance criteria for each program associated with Outcome 1. It also summarises how each program is delivered and where 2019–20 Budget measures have created new programs or materially changed existing programs.

As an entity established under the PIRD Act, GRDC does not produce a Corporate Plan under the PGPA Act and is therefore exempt from the requirement to map purposes to 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.		
Program 1.1: Grains Research and Development Corporation		
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.	
Delivery	Continue to prioritise RD&E investments that supports the enduring profitability of Australian grain growers. The target group is primarily Australian grain growers but the grains industry value chain also includes Governments, industry groups, rural and regional communities, research organisations and the wider community.	
Performance information^(a)		
Year	Performance criteria	Targets
2018–19	Average farm business rates of return.	A minimum of 6 per cent by 2023.
	Improvements in yield and yield stability.	Minimum yield increases equivalent to one per cent per annum for cereals, two per cent per annum for pulses and 1.5 per cent for oilseeds.
	Yield stability.	By 2023 a minimum 20 per cent closure of the gap between potential yield and actual yield.

Continued on following pages

Contributions to Outcome 1 (continued)

Performance information^(a) (continued)		
Year	Performance criteria	Targets
2018–19 (continued)	Maintaining and improving price.	<p>Identification of potential new products that attract premium prices.</p> <p>Identification of opportunities for product differentiation.</p> <p>Defence of current market access programs.</p>
	Optimising input costs.	<p>Maintain increases in chemistry costs below the five-year trend (2018–2023) equivalent to \$85.50 per hectare or a ratio of input to crop revenue of 0.166.</p> <p>Maintain increases in fertilizer costs below the five-year trend (2018–2023) equivalent to \$84.30 per hectare or a ratio of input to crop revenue of 0.164.</p> <p>Note:</p> <p>Not all input costs are captured in this target – all inputs costs as a share of cash receipts are captured in the calculation of Rates of Return.</p> <p>Reporting on a mean can be informative but is not the best indicator of impact due to variations across region, soil type, rainfall and business characteristics of each farm. GRDC is working toward developing a more detailed regionalised dataset which will allow for impact measurement.</p>

Continued on following page

GRDC Budget Statements

Contributions to Outcome 1 (continued)

Performance information^(a) (continued)		
Year	Performance criteria	Targets
2019–20	As per 2018–19.	As per 2018–19.
2020–21 and beyond	As per 2018–19.	As per 2018–19.

(a) Additional performance information that support the achievement of the above performance criteria are available in the GRDC's 2018–2023 Strategic RD&E plan.

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2019–20 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences between 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.

3.1.2 Explanatory notes and analysis of budgeted financial statements

GRDC's revenue is primarily from industry contributions in the form of levies paid on the farm gate value of grain sold and Australian Government contributions which are capped 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, environmental conditions and the marketing decisions of growers. This means the assumptions in developing financial forecasts have a high degree of uncertainty and change frequently.

In 2019–20, GRDC is budgeting for an operating deficit of \$13.0 million which will be funded from its own accumulated reserves. Industry contributions are expected to increase by \$30.6 million on the current year estimates and in line with long term trends. Australian Government contributions are expected to increase by \$8.7 million. Own source income is expected to decrease by \$4.0 million due to a reduction in interest, grant income, royalties, and dividends due to the lower revenues and a reduction in reserves used to meet expected losses in 2018–19. In support of current higher values of RD&E investment, supplier expenses, including those relating to contracted operational support services are expected to increase by \$7.7 million in 2019–20.

The budgeted net asset position for 2019–20 is \$148.0 million which is \$16.0 million less than the 2018–19 estimated actual. This decrease is due to the reduction in investments required to manage losses that were greater than budgeted in 2018–19.

3.2 BUDGETED FINANCIAL STATEMENTS TABLES

**Table 3.1 Comprehensive income statement (showing net cost of services)
(for the period ended 30 June)**

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
EXPENSES					
Employee benefits	13,639	14,908	15,355	15,816	16,290
Supplier expenses	197,866	205,583	205,174	205,374	205,860
Depreciation and amortisation	2,491	3,181	3,862	3,911	3,670
Total expenses	213,996	223,672	224,391	225,101	225,820
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Interest	6,586	5,222	3,985	3,455	3,219
Grant income	1,000	200	-	-	-
Royalties	5,000	4,000	5,200	5,300	5,400
Dividends	1,500	1,200	1,300	1,500	1,500
Other	1,742	1,122	891	766	691
Total own-source revenue	15,828	11,744	11,376	11,021	10,810
Total own-source income	15,828	11,744	11,376	11,021	10,810
Net cost of (contribution by) services	198,168	211,928	213,015	214,080	215,010
Revenue from Government ^(a)					
Commonwealth contributions	61,456	70,102	70,457	77,341	82,127
Industry contributions	98,329	128,902	132,602	136,407	140,322
Total revenue from Government	159,785	199,004	203,059	213,748	222,449
Surplus/(deficit) attributable to the Australian Government	(38,383)	(12,924)	(9,956)	(332)	7,439
Total comprehensive income/(loss) attributable to the Australian Government	(38,383)	(12,924)	(9,956)	(332)	7,439

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

Prepared on Australian Accounting Standards basis.

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	927	810	633	1,310	5,686
Trade and other receivables	18,514	35,180	29,833	33,598	32,293
Investments	169,165	127,165	115,165	106,165	106,165
Other investments	9,215	14,215	19,215	24,215	29,215
Total financial assets	197,821	177,370	164,846	165,288	173,359
Non-financial assets					
Land and buildings	2,256	2,055	1,854	1,653	1,452
Property, plant and equipment	1,505	1,019	565	272	198
Intangibles	9,121	11,502	12,315	10,993	10,143
Other non-financial assets	714	714	714	714	714
Total non-financial assets	13,596	15,290	15,448	13,632	12,507
Total assets	211,417	192,660	180,294	178,920	185,866
LIABILITIES					
Payables					
Suppliers	46,286	40,582	38,300	37,387	37,022
Total payables	46,286	40,582	38,300	37,387	37,022
Provisions					
Employee provisions	2,746	2,796	2,846	2,896	2,946
Other provisions	1,405	1,226	1,048	869	691
Total liabilities	50,437	44,604	42,194	41,152	40,659
Net assets	160,980	148,056	138,100	137,768	145,207
EQUITY*					
Reserves	1,671	1,671	1,671	1,671	1,671
Retained earnings	159,309	146,385	136,429	136,097	143,536
Total Equity	160,980	148,056	138,100	137,768	145,207

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

Prepared on Australian Accounting Standards basis.

**Table 3.3: Departmental statement of changes in equity – summary of movement
(Budget year 2019–20)**

	Retained earnings	Asset revaluation reserve	Total equity
	\$'000	\$'000	\$'000
Opening balance as at 1 July 2019			
Balance carried forward from previous period	159,309	1,671	160,980
Adjusted opening balance	159,309	1,671	160,980
Comprehensive income			
Surplus (deficit) for the period	(12,924)	-	(12,924)
Total comprehensive income	(12,924)	-	(12,924)
Estimated closing balance as at 30 June 2020	146,385	1,671	148,056
Closing balance attributable to the Australian Government	146,385	1,671	148,056

Prepared on Australian Accounting Standards basis.

Table 3.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Industry contributions	98,658	128,902	132,602	136,407	140,322
Revenue from Government	60,667	54,101	76,587	70,724	82,503
Interest	6,398	5,025	3,780	3,381	3,219
Net GST received	19,787	20,555	20,517	20,537	20,586
Other	6,662	6,522	7,391	7,566	7,591
Total cash received	192,172	215,105	240,877	238,615	254,221
Cash used					
Employees	13,589	14,858	15,305	15,766	16,240
Suppliers	234,076	232,489	228,729	227,583	227,576
Total cash used	247,665	247,347	244,034	243,349	243,816
Net cash from (used by) operating activities	(55,493)	(32,242)	(3,157)	(4,734)	10,405
INVESTING ACTIVITIES					
Cash received					
Investments	33,000	42,000	12,000	12,506	1,516
Total cash received	33,000	42,000	12,000	12,506	1,516
Cash used					
Purchase of property, plant and equipment	5,240	4,875	4,020	2,095	2,545
Investments	5,000	5,000	5,000	5,000	5,000
Total cash used	10,240	9,875	9,020	7,095	7,545
Net cash from (used by) investing activities	22,760	32,125	2,980	5,411	(6,029)
Cash and cash equivalents at the beginning of the reporting period	33,660	927	810	633	1,310
Cash and cash equivalents at the end of the reporting period	927	810	633	1,310	5,686

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ^(a)	5,240	4,875	4,020	2,095	2,545
TOTAL	5,240	4,875	4,020	2,095	2,545
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	5,240	4,875	4,020	2,095	2,545
Total cash used to acquire assets	5,240	4,875	4,020	2,095	2,545

(a) 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 3.6: Statement of asset movements (Budget year 2019–20)

	Buildings \$'000	Other property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2019				
Gross book value	4,004	3,097	14,267	21,368
Accumulated depreciation/amortisation and impairment	(1,748)	(1,592)	(5,146)	(8,486)
Opening net book balance	2,256	1,505	9,121	12,882
CAPITAL ASSET ADDITIONS				
Estimated expenditure on new or replacement assets				
By purchase – other	-	-	4,875	4,875
Total additions	-	-	4,875	4,875
Other movements				
Depreciation/amortisation expense	(201)	(486)	(2,494)	(3,181)
Total other movements	(201)	(486)	(2,494)	(3,181)
As at 30 June 2020				
Gross book value	4,004	3,097	19,142	26,243
Accumulated depreciation/amortisation and impairment	(1,949)	(2,078)	(7,640)	(11,667)
Closing net book balance	2,055	1,019	11,502	14,576

Prepared on Australian Accounting Standards basis.