

GRAINS
RESEARCH AND DEVELOPMENT CORPORATION

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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.

2018 marks the beginning of a new five-year RD&E plan. 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 2018–2023 RD&E plan has been informed by extensive consultation across a broad spectrum of grains industry participants, government, and research providers. The consultation has 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 2018–19 as at Budget May 2018

	2017–18 Estimated actual \$'000	2018–19 Estimate \$'000
Opening balance/cash reserves at 1 July	234,732	216,671
Funds from Government		
Special appropriations^(a)		
<i>Primary Industries Research and Development Act 1989, s. 30(3) – Grains and Wheat R&D Corporation</i>	195,970	199,270
<i>Total special appropriations</i>	195,970	199,270
Total funds from Government	195,970	199,270
Funds from industry sources		
Levies ^(b)	121,810	125,306
<i>less amounts paid to the CRF</i>	<i>(121,810)</i>	<i>(125,306)</i>
<i>Total funds from industry sources</i>	-	-
Funds from other sources		
Interest	3,908	6,559
Royalties	3,144	3,220
Other	9,221	6,044
<i>Total funds from other sources</i>	16,273	15,823
Total net resourcing for GRDC	446,975	431,764
	2017–18	2018–19
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 2018–19* and are summarised below.

Table 1.2: Grains Research and Development Corporation 2018–19 Budget measures

Part 1: Measures announced since the 2017–18 Mid-Year Economic and Fiscal Outlook (MYEFO)

GRDC does not have any 2018–19 Budget measures.

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

GRDC does not have any other 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 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 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: <ul style="list-style-type: none">• Program 1.7: Grains Industry
Contribution to Outcome 1 made by linked program: <p>The Grains Research Development Corporation works together with the Department of Agriculture and Water Resources to ensure sustainable, productive and profitable grains industry.</p>

Table 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.

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.					
	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
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	74,160	73,964	74,573	75,139	77,383
Revenues from industry sources	121,810	125,306	128,902	132,602	136,407
Revenues from other independent sources	16,273	15,823	11,164	10,106	9,504
Reserves	12,957	13,777	16,897	14,696	10,284
Total expenses for program 1.1	225,200	228,870	231,536	232,543	233,578
Outcome 1 totals by resource type					
Revenue from Government					
Special appropriations	74,160	73,964	74,573	75,139	77,383
Revenues from industry sources	121,810	125,306	128,902	132,602	136,407
Revenues from other independent sources	16,273	15,823	11,164	10,106	9,504
Reserves	12,957	13,777	16,897	14,696	10,284
Total expenses for Outcome 1	225,200	228,870	231,536	232,543	233,578
	2017–18	2018–19			
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 2018–19 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^(b)	Targets
2017–18	Australian Export Grains Innovation Centre (AEGIC) joint venture is established and operating appropriately.	Required market information available.
	Growers are interested in the benefits of measuring grain quality to meet customer requirements.	90 per cent of growers.
	Growers storing grain on-farm use sealed silos to meet market requirements and provide for the continued effectiveness of pest control measures.	70 per cent.

Continued on following pages

Contributions to Outcome 1 (continued)

Performance information^(a) (continued)		
Year	Performance criteria^(b)	Targets
2017–18 (continued)	New cereal, pulse and oilseed varieties have minimum increases in genetic yield potential per annum as measured in National Variety Trials (NVT).	Cereals 1 per cent. Pulses 2 per cent. Oilseeds 1.5 per cent.
	New varieties currently available meet the expectations of growers.	60 per cent.
	Growers and advisers use NVT data in selection of varieties to plant.	40 per cent access data of which 90 per cent consider helpful.
	Growers and advisers are aware of and use integrated weed, pest or disease management practices.	70 per cent aware, 50 per cent use.
	Growers undertake on-farm practices to maintain or improve their biosecurity.	50 per cent.
	Growers place a high importance on the use of decision tools to assist them with strategic or tactical decision-making.	70 per cent.
	Growers have a whole-farm business plan which takes account of strategic opportunities, constraints and risks.	25 per cent.
	Growers consider the potential effects of climate change on their farm business when making long-term decisions.	60 per cent.
	Growers undertake activities to improve the condition and productive capacity of their soils.	70 per cent.
	Growers use nutrient budgeting to better match application with anticipated crop needs.	65 per cent.
	Each year Nuffield scholars include people from the grains industry.	At least three.
	Growers and advisers undertake at least one activity each year to learn more about opportunities to improve farm profit or sustainability.	75 per cent.

Continued on following pages

Contributions to Outcome 1 (continued)

Performance information^(a) (continued)		
Year	Performance criteria^(b)	Targets
2018–19	<i>Average farm business rates of return.</i>	<i>A minimum of six per cent by 2023.</i>
	<i>Improvements in yield and yield stability.</i>	<i>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.</i>
	<i>Yield stability.</i>	<i>By 2023 a minimum 20 per cent closure of the gap between potential yield and actual yield.</i>
	<i>Maintaining and improving price.</i>	<i>Identification of potential new products that attract premium prices.</i> <i>Identification of opportunities for product differentiation.</i> <i>Defence of current market access programs.</i>
	<i>Optimising input costs.</i>	<i>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.</i> <i>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.</i>

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Contributions to Outcome 1 (continued)

Performance information^(a) (continued)		
Year	Performance criteria^(b)	Targets
2018–19 (continued)	<i>Optimising input costs (continued)</i>	<p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>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.</i> • <i>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.</i>
2019–20 and beyond	<i>As per 2018–19.</i>	<i>As per 2018–19.</i>

(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.

(b) New or modified performance criteria that reflect new or materially changed programs are shown in *italics*. These measures are consistent with a new five-year strategic plan for 2018–2022, which takes effect 1 July 2018.

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2018–19 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 2018–19, GRDC is budgeting for an operating deficit of \$13.8 million which will be funded from its own accumulated reserves. Industry contributions are expected to increase by \$3.5 million on the current year estimates and in line with long term trends. Australian Government contributions are expected to decrease slightly by \$0.2 million. Own source income is expected to decrease by \$0.5 million due to a reduction in project refunds as a greater proportion of RD&E contracts become milestone based. In support of current higher values of RD&E investment, supplier expenses, particularly those relating to contracting services are expected to increase by \$3.2 million in 2018–19.

The budgeted net asset position for 2018–19 is \$179.1 million which is \$13.8 million less than the estimated actual. This decrease is due to the budgeted operating deficit for 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)**

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
EXPENSES					
Employee benefits	13,900	14,000	14,420	14,853	15,298
Supplier expenses	209,500	212,731	214,996	215,801	216,602
Depreciation and amortisation	1,800	2,139	2,120	1,889	1,678
Total expenses	225,200	228,870	231,536	232,543	233,578
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Interest	3,908	6,559	5,920	5,126	4,656
Grant income	1,000	3,220	-	-	-
Royalties	3,144	3,302	3,302	3,302	3,302
Dividends	1,945	1,000	1,000	1,000	1,000
Other	6,276	1,742	942	678	546
Total own-source revenue	16,273	15,823	11,164	10,106	9,504
Total own-source income	16,273	15,823	11,164	10,106	9,504
Net cost of (contribution by) services	208,927	213,047	220,372	222,437	224,074
Revenue from Government ^(a)					
Commonwealth contributions	74,160	73,964	74,573	75,139	77,383
Industry contributions	121,810	125,306	128,902	132,602	136,407
Total revenue from Government	195,970	199,270	203,475	207,741	213,790
Surplus/(deficit) attributable to the Australian Government	(12,957)	(13,777)	(16,897)	(14,696)	(10,284)
Total comprehensive income (loss)	(12,957)	(13,777)	(16,897)	(14,696)	(10,284)
Total comprehensive income/(loss) attributable to the Australian Government	(12,957)	(13,777)	(16,897)	(14,696)	(10,284)

(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)

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	21,472	16,136	15,829	19,424	17,923
Trade and other receivables	27,390	26,734	27,695	28,018	30,060
Investments	195,199	165,199	135,199	115,199	105,199
Other investments	4,214	4,214	4,214	4,214	4,214
Total financial assets	248,275	212,283	182,937	166,855	157,396
Non-financial assets					
Land and buildings	5,785	5,287	4,789	4,291	3,793
Property, plant and equipment	985	1,282	980	877	770
Intangibles	5,637	7,704	6,534	5,536	4,613
Other non-financial assets	3,000	3,000	3,000	3,000	3,000
Total non-financial assets	15,407	17,273	15,303	13,704	12,176
Total assets	263,682	229,556	198,240	180,559	169,572
LIABILITIES					
Payables					
Suppliers	64,224	47,224	32,934	30,077	29,503
Unearned income	3,220	-	-	-	-
Total payables	67,444	47,224	32,934	30,077	29,503
Provisions					
Employee provisions	1,782	1,832	1,882	1,932	1,982
Other provisions	1,584	1,405	1,226	1,048	869
Total provisions	3,366	3,237	3,108	2,980	2,851
Total liabilities	70,810	50,461	36,042	33,057	32,354
Net assets	192,872	179,095	162,198	147,502	137,218
EQUITY*					
Reserves	110,998	110,998	110,998	110,998	110,998
Retained earnings	81,874	68,097	51,200	36,504	26,220
Total Equity	192,872	179,095	162,198	147,502	137,218

* '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 2018–19)

	Retained earnings	Asset revaluation reserve	Other reserves	Total equity
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2018				
Balance carried forward from previous period	81,874	2,098	108,900	192,872
Adjusted opening balance	81,874	2,098	108,900	192,872
Comprehensive income				
Surplus (deficit) for the period	(13,777)	-	-	(13,777)
Total comprehensive income	(13,777)	-	-	(13,777)
Estimated closing balance as at 30 June 2019	68,097	2,098	108,900	179,095
Closing balance attributable to the Australian Government	68,097	2,098	108,900	179,095

Prepared on Australian Accounting Standards basis.

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

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Industry contributions	122,441	125,306	128,902	132,602	136,407
Revenue from Government	75,580	74,817	73,817	75,030	75,564
Interest	3,780	6,363	5,715	4,912	4,432
Net GST received	20,950	21,272	21,499	21,580	21,660
Other	12,069	6,044	5,244	4,980	4,848
Total cash received	234,820	233,802	235,177	239,104	242,911
Cash used					
Employees	13,850	13,950	14,370	14,803	15,248
Suppliers	254,077	251,183	250,964	240,416	239,014
Total cash used	267,927	265,133	265,334	255,219	254,262
Net cash from (used by) operating activities	(33,107)	(31,331)	(30,157)	(16,115)	(11,351)
INVESTING ACTIVITIES					
Cash received					
Investments	47,830	50,000	50,000	40,000	30,000
Total cash received	47,830	50,000	50,000	40,000	30,000
Cash used					
Purchase of property, plant and equipment	2,784	4,005	150	290	150
Investments	-	20,000	20,000	20,000	20,000
Total cash used	2,784	24,005	20,150	20,290	20,150
Net cash from (used by) investing activities	45,046	25,995	29,850	19,710	9,850
Net increase (decrease) in cash held	11,939	(5,336)	(307)	3,595	(1,501)
Cash and cash equivalents at the beginning of the reporting period	9,533	21,472	16,136	15,829	19,424
Cash and cash equivalents at the end of the reporting period	21,472	16,136	15,829	19,424	17,923

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ^(a)	2,784	4,005	150	290	150
TOTAL	2,784	4,005	150	290	150
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	2,784	4,005	150	290	150
Total cash used to acquire assets	2,784	4,005	150	290	150

(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 2018–19)

	Land \$'000	Buildings \$'000	Other property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2018					
Gross book value	745	6,629	1,912	9,101	18,387
Accumulated depreciation/amortisation and impairment	-	(1,589)	(927)	(3,464)	(5,980)
Opening net book balance	745	5,040	985	5,637	12,407
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new or replacement assets					
By purchase – other	-	-	725	3,280	4,005
Total additions	-	-	725	3,280	4,005
Other movements					
Depreciation/amortisation expense	-	(498)	(428)	(1,213)	(2,139)
Total other movements	-	(498)	(428)	(1,213)	(2,139)
As at 30 June 2019					
Gross book value	745	6,629	2,637	12,381	22,392
Accumulated depreciation/amortisation and impairment	-	(2,087)	(1,355)	(4,677)	(8,119)
Closing net book balance	745	4,542	1,282	7,704	14,273

Prepared on Australian Accounting Standards basis.