

Overview

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Overview of the GRDC

The Grains Research and Development Corporation (GRDC) was founded in 1990 under the *Primary Industries and Energy Research and Development Act 1989* (PIERD Act).



The corporation has two key customer groups: the Australian Government and Australian graingrowers. Its role is to invest in R&D and related activities to benefit graingrowers, other grains industry participants and the wider community. In doing so, the GRDC invests in research where obstacles to the industry's progress exist and where R&D may be effective in overcoming such obstacles.

This includes:

- investigating and evaluating the requirements for R&D in the grains industry
- coordinating or funding R&D activities
- facilitating the dissemination, adoption and commercialisation of the results of R&D.

The GRDC determines its priorities together with industry, government and research providers, and acts in partnership with public and private researchers, other R&D funding organisations, agribusiness and grower groups.

The GRDC is funded jointly by a levy collected from graingrowers based on the value of grain they produce, and contributions from the Australian Government. The industry levy is collected on 25 crops, spanning temperate and tropical cereals, oilseeds and pulses.¹ The Australian Government matches the levy income up to a maximum of 0.5 percent of the average gross value of grains production, provided the government's contribution does not exceed grower levies.

The GRDC's organisational structure and objectives recognise the complexities of the grains industry and its investment needs. Planning, delivering and communicating R&D outputs occurs in an environment that embraces governments, industry groups, research partners, other R&D investors and those operating in the industry itself—particularly Australian graingrowers.

¹ Crops with levies are: wheat; coarse grains—barley, oats, sorghum, maize, triticale, millets/panicums, cereal rye and canary seed; pulses—lupins, field peas, chickpeas, faba beans, vetch, peanuts, mung beans, navy beans, pigeon peas, cowpeas and lentils; and oilseeds—canola, sunflower, soybean, safflower and linseed. The levy for all crops is 0.99 percent of the net farm gate value of grain produced, except for maize which is levied at 0.693 percent of net farm gate value.

Organisational outcome

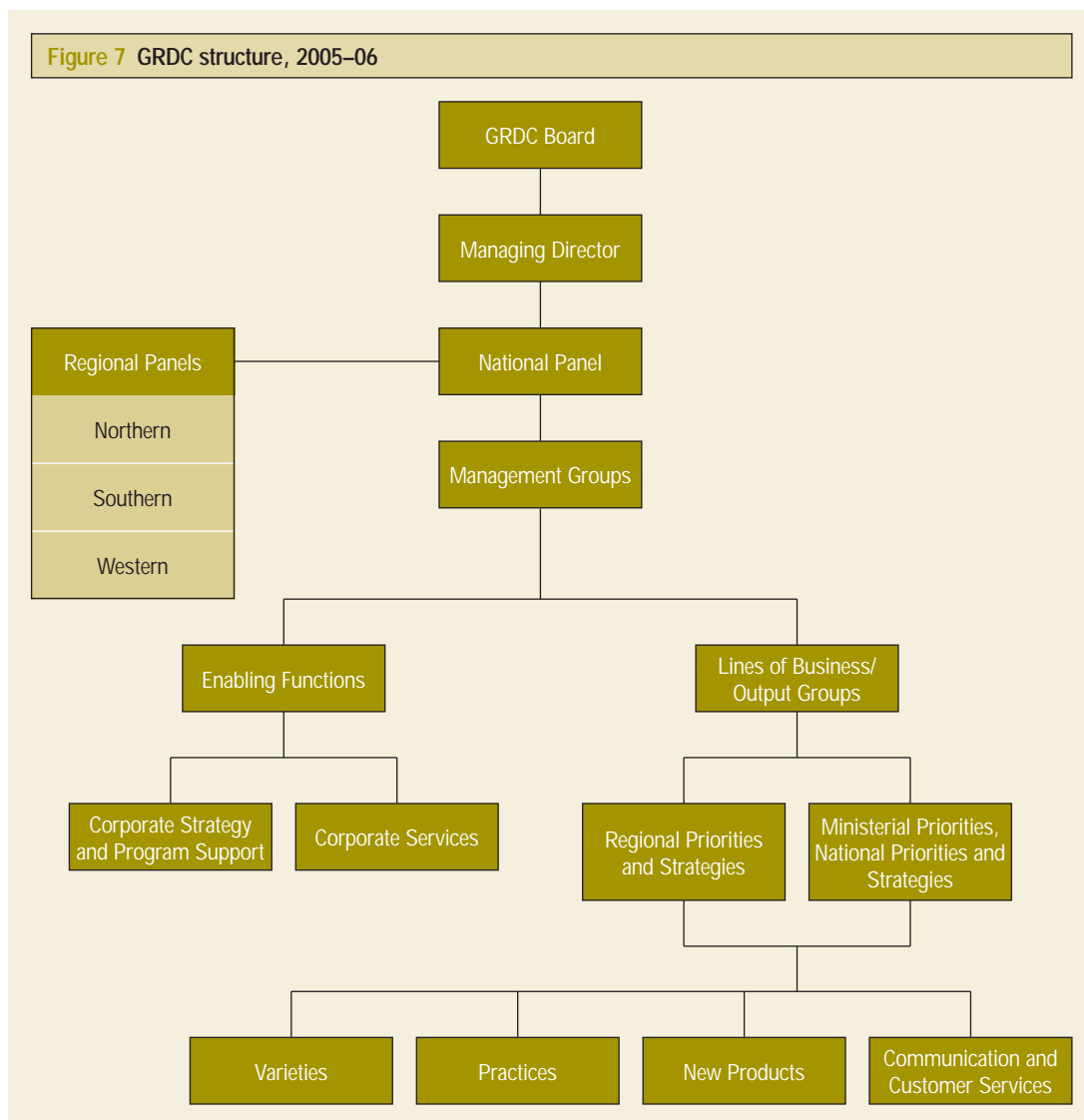
In a dynamic environment, the GRDC addresses R&D priorities to meet national, regional, commodity and multicommodity challenges, in order to achieve the following overall outcome:

Through its commitment to innovation, an Australian grains industry that is profitable and environmentally sustainable for the benefit of the industry and wider community.

The outcome reflects the corporate vision in *Driving Innovation*, and is consistent with the Department of Agriculture, Fisheries and Forestry's portfolio goal of achieving more sustainable, competitive and profitable Australian agricultural, fisheries, food and forestry industries.

Structure

The organisational structure of the GRDC is shown in Figure 7.





*The GRDC Executive Management Team. L–R: Back—
Vic Dobos (Communication and Customer Services),
Vince Logan (New Products),
Peter Reading (Managing Director),
Greg Fraser (Practices).
Front—
Gavin Whiteley (Corporate Services),
John Harvey (Varieties),
Iftikhar Mostafa (Corporate Strategy and Program Support).*

Board and Executive Management Team

As described in more detail in Part 3, a board of nine directors governs the GRDC, while a team of executive managers based in Canberra leads the corporation's business activities. As well as advising the GRDC Board, the management team is responsible for realising the Board's priorities and managing and evaluating R&D investments in the Australian grains industry.

National Panel

The National Panel includes the chairs of the GRDC's three regional panels, the GRDC's Managing Director and the GRDC's executive managers. It is the key body for developing and recommending to the Board the GRDC's overall corporate strategies and direction, and assists the Board in maintaining linkages with its two key customer groups, the Australian Government and Australian graingrowers, as well as research partners.

The National Panel also develops and recommends investment proposals for the national elements of the GRDC's research programs. In doing so, the National Panel considers advice from the four program teams that manage the GRDC's R&D investment portfolio. The program teams are discussed in more detail in Part 3.

Regional panels

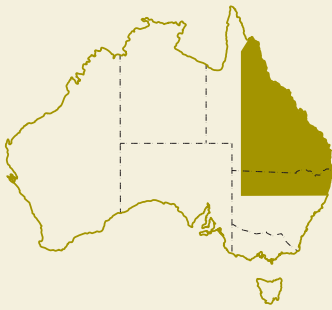
The GRDC recognises variations in local conditions, and provides for separate advisory panels to cover the northern, southern and western grain-growing regions of Australia. Figure 8 illustrates the geographical spread and characteristics of each region. Part 3 provides details of the membership of the regional panels.

The three regional panels develop regional investment priorities and make recommendations on the allocation of investment budgets to meet regional needs. This is also achieved through their membership on program teams that advance recommendations on investments to the GRDC Board via the National Panel. Regional panels also identify investments that may respond to national priorities.

An additional core function of the regional panels is to provide an interface with graingrowers and researchers, to promote awareness of the GRDC's investments and research outcomes and the corporation's strategic direction. The Board views the work of these panels, and the expertise of their members, as crucial to the corporation's success.

Figure 8 GRDC regions

NORTHERN REGION

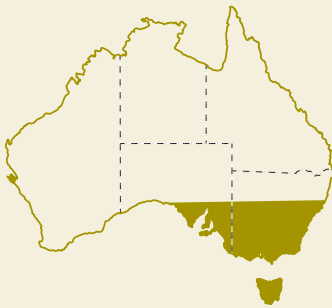


Northern Region characteristics include:

- tropical and subtropical climate
- high inherent soil fertility
- yield dependency upon conservation of soil moisture from subtropical rainfall
- substantial enterprise size
- diversity in crop choice
- need for better-adapted pulses
- premium high-protein wheats for export and domestic markets
- high-potential yields
- competition with cotton

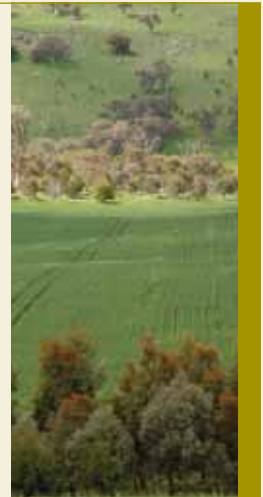


SOUTHERN REGION



Southern Region characteristics include:

- temperate climate
- relatively low soil fertility
- yield dependency upon reliable spring rainfall
- smaller enterprise size
- diverse production patterns and opportunities
- large and diverse domestic markets
- phase farming innovation
- increases in intensive livestock production and demand for feed grains



WESTERN REGION



Western Region characteristics include:

- Mediterranean climate
- low soil fertility
- yield dependency upon good winter rains as spring rainfall is generally unreliable
- large enterprise size
- narrower range of crop options
- dominant export market, smaller domestic market
- leading grain storage practice
- ease of transport access to South-East Asia





Planning and reporting approach

The GRDC is a statutory corporation, operating as a research investment body on behalf of Australian graingrowers and the Australian Government. As well as its responsibilities under the PIERD Act, the corporation has accountability and reporting obligations set out in the *Commonwealth Authorities and Companies Act 1997 (CAC Act)* and in the *Commonwealth Authorities and Companies (Report of Operations) Orders 2005*.

The GRDC's portfolio department is the Australian Government Department of Agriculture, Fisheries and Forestry.

In line with its enabling legislation, the GRDC Board communicates its strategic directions and performance objectives through a five-year strategic plan that delivers:

- a statement of the GRDC's objectives and priorities
- an outline of the GRDC's strategies to achieve those objectives and priorities.

The current strategic document, *Driving Innovation: The GRDC Five Year Research and Development Plan 2002–07*, was approved by the Minister on 16 May 2002.

Each year's planned activities are outlined in operational terms in an annual operational plan, and in terms of an outcome-based performance measurement framework in the portfolio budget statements. Both documents are subject to approval by the Minister for Agriculture, Fisheries and Forestry. The GRDC's annual report details the corporation's achievements against its planned outcomes.

The GRDC's legal and policy drivers for action, outcomes to be achieved, detailed outputs and future directions are summarised in the performance framework shown in Figure 9.

The corporation uses the Australian National Audit Office *Guidelines for Best Practice Corporate Governance* to assess the corporation's overall approach and ongoing development. The GRDC's corporate governance in 2005–06 is discussed in detail in Part 3.

The GRDC continues to respond to the ministerial priorities for rural R&D corporations (RDCs) and to the Australian Government's National Research Priorities. These priorities, and the GRDC's achievements in meeting them so far, are discussed in more detail in Part 2.



Photo: Vic Dobos

Strategic business plan— *The Way Forward*

In 2004 the GRDC conducted a significant strategy review that led to the release of the GRDC strategic business plan, *The Way Forward*, in January 2005. The plan is both supplementary and complementary to *Driving Innovation*, and encompasses issues highlighted in *Towards a Single Vision for the Australian Grains Industry: the Australian Grains Industry Strategic Plan 2005–25*.

The Way Forward also articulates the GRDC's responses to change in:

- the national and global agri-food sectors
- state-based departments of agriculture
- delivery channels to growers
- market penetration from competing countries
- input costs
- the profile of the Australian graingrower.

The strategic business plan identifies four principal pathways to market for R&D: better varieties faster; better farming practices adopted faster; new products; and building research capacity.

In 2005, as the first step towards implementing the strategic business plan, the GRDC reorganised its business structure to establish:

- four lines of business—Varieties, Practices, New Products and Communication and Customer Services—each of which corresponds to one of the strategic pathways to market and represents an output group for the purposes of reporting against our Annual Operational Plan 2005–06 and the Australian Government Department of Agriculture, Fisheries and Forestry Portfolio Budget Statements 2005–06.

- two enabling functions—Corporate Services, which covers human resources, finance, information technology, compliance and legal matters; and Corporate Strategy and Program Support, which covers strategy development and budget forecasting and provides program and panel support.

In other steps towards implementing *The Way Forward*, the GRDC has:

- developed separate investment strategies for each output group
- clearly identified two key customer groups—the Australian Government and Australian graingrowers
- improved communication between its key customer groups, research partners, Board, panel members and staff
- articulated the roles and responsibilities of the national and regional panels
- simplified and streamlined the corporation's procurement guidelines
- developed a comprehensive risk register, comprising strategic and operational risks, and provided quarterly 'traffic light' risk reports (identifying levels of risk as red, amber or green) to the Board
- selected an off-the-shelf project management system, to which business processes will be aligned.

The GRDC's annual report details the corporation's achievements against its planned outcomes.

Figure 9 Performance framework



CIMMYT = the International Maize and Wheat Improvement Center, in Mexico; CRC = cooperative research centre.

Industry priorities
Pages 25–29

Role of the GRDC described in the objects of the *Primary Industries and Energy Research and Development Act 1989* Page 80

Portfolio Budget Statements + Annual Operational Plan

OUTPUT GROUP 3: NEW PRODUCTS

Objectives:

- To develop innovative technologies, management practices and grain products that enhance grower profitability and the competitive performance of Australia's grain value chains

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OUTPUT GROUP 4: COMMUNICATION AND CUSTOMER SERVICES

Objectives:

- To deliver targeted and integrated information on research outputs arising from the GRDC's total R&D investment to all stakeholders
- To facilitate effective communication of the GRDC's R&D outcomes to all its identified customer segments
- To build critical mass in research capacity in collaboration with the GRDC's research partners that is able to maintain high-quality research standards and deliver against current and future needs of the Australian grains industry
- To identify the best means to attract and retain talented students and researchers in agricultural disciplines—such as breeding, agronomy and entomology—which benefit the grains industry

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- Commencement of a situational analysis of on-farm grain storage, taking into account the needs of growers, identifying storage options and the impacts that they could have on other value chain participants
- Collaboration with three or more value chain participants, ensuring that Australian grain participates more effectively in Asian markets
- Commercial evaluation and testing of biological inputs for profitable farming, enabling final commercialisation arrangements to be established
- Development of a business case for the commercialisation of a suite of new grain fumigants, and the commercialisation of these fumigants through to the negotiation of suitable licensing arrangements

- An increasing proportion of growers adopting new practices over the past two years due to GRDC activities, identified through an ongoing tracking survey of graingrowers
- An increasing level of customer satisfaction with GRDC organisational performance as a whole, and with the delivery of new and relevant information, products and services in particular, assessed by annual survey of GRDC stakeholders
- Greater utilisation of GRDC training and travel awards, and enhanced communication and extension of the knowledge and experiences gained
- Successful completion of an audit of skills, capabilities and research capacity presently available to support the domestic grains industry
- Publication of an audit report that accurately maps existing research capacity and identifies future needs, to include details of the levels and types of support available from all parties (the GRDC and research partners) that contribute to existing research capacity
- A new strategy in place to address the research capacity needs of the industry, specifying how research capacity is to be strengthened, by whom (responsibility) and by when (timeline); the milestones to be achieved along the way; and resourcing issues
- The research capacity requirements of GRDC stakeholders and research partners identified via consultation and incorporated into the new strategy

- Gathering new product market intelligence
- Developing sustainable grain storage technologies
- Managing food safety risks
- Investigating new uses for grains

- Supporting industry skills development
- Delivering research information through the airwaves
- Nipping frost damage in the bud
- Building a learning industry
- Showcasing the co-investment model

Through its commitment to innovation, an Australian grains industry that is profitable and environmentally sustainable for the benefit of the industry and wider community

The GRDC be recognised as the leader in setting, coordinating and facilitating a national grains R&D agenda driven by market signals that will enable graingrowers to compete on world markets, and deliver against Australian Government priorities

Report from the Chair and Managing Director

The year 2005–06 was one of mixed fortunes for Australian graingrowers. On the positive side, last season's harvest was the second highest on record. However, growers continued to face numerous challenges, including higher input costs due to rising oil prices, lower grain prices due to the continued strength of the Australian dollar, market penetration from competing countries, increasing labour shortages, and uncertainty in wheat marketing arising from the investigations of the Cole Inquiry.

These difficult production and market conditions highlight the need for national collaboration to drive R&D efforts further, to ensure that delivered outcomes enable Australian graingrowers to more effectively compete in the rapidly changing global grains industry.



Grains industry production in 2005–06

The production of winter grains and oilseeds in 2005–06 was 40.5 million tonnes, an increase of just over five million tonnes or 14 percent from the 35.4 million tonnes produced in 2004–05. ABARE's June 2006 *Australian Crop Report* estimated that 2005–06 winter crop production in the two major crop-growing states was 14.2 million tonnes in Western Australia and 11.2 million tonnes in New South Wales, together accounting for 62.6 percent of total winter crop production in Australia.

Summer crop production in 2005–06 was 2.6 million tonnes, a decrease of 2.1 percent compared with 2.7 million tonnes produced in the previous year. For the major summer broadacre crop of sorghum, production fell by 7.6 percent to 2 million tonnes or 76.3 percent of summer crop production in 2005–06.

Growing season conditions were variable across New South Wales. The southern and central regions had the benefit of timely rainfall but in northern New South Wales dry conditions and hot temperatures affected crop growth and development.

GRDC strategic business plan implementation

The primary objective of the GRDC's strategic business plan, *The Way Forward*, is to ensure that Australian graingrowers effectively compete in the global grains markets. The four core strategies to support this objective are to:

- coordinate a national portfolio approach to grains R&D
- deliver against Australian Government priorities
- grow and leverage total grains R&D
- ensure R&D is market driven.

In 2005, the GRDC reorganised its business structure to more effectively achieve these objectives, by targeting four pathways to market for grains R&D: better varieties faster; better farming practices adopted faster; new products; and building research capacity.

The new strategy and structure are effectively delivering results, as the sections on performance in Part 2 of this annual report confirm.

GRDC achievements in 2005–06

GRDC achievements for 2005–06 include the successful establishment of National Variety Trials (NVT) across all the major grain-growing regions of Australia, national breeding programs for barley and pulses and a national approach to the management of the plant genetic resource centres. The new joint venture with Philom Bios Inc. of Canada, to commercially develop new soil inoculant products, will be particularly beneficial for cereal and canola growers in Australia. Part 2 of this report provides more details on these achievements, and on the outcomes of many other GRDC initiatives and ongoing projects.

We are pleased to report that our annual survey of growers showed that Australian graingrowers remained satisfied with the GRDC's performance in 2005–06. It was pleasing to note there was a significant increase in the proportion of growers who rate the GRDC performance standard to be 'very high'. Growers are also becoming more aware of our regional panels, and taking the opportunity to interact with panel members more often.

Challenges in 2006–07

The year ahead will bring new challenges and opportunities to the Australian grains industry and the GRDC.

Based on *The Way Forward*, the corporation will finalise its four output group strategies, and continue to implement the strategic business plan with strong emphasis on collaborating with other industry members and RDCs to enable the Australian grains industry to remain globally competitive. The corporation will undertake a comprehensive review of its business processes in order to improve efficiency and effectiveness.



Terry J Enright
Chair

Peter F Reading
Managing Director

The strategic business plan and the four output group strategies will be the building blocks of the corporation's next five-year plan (for 2007 to 2012), which will be finalised in 2006–07. The GRDC will continue to build relationships with customers and partners to enhance performance-driven focus on outcomes.

The GRDC's achievements depend on the effective and timely implementation of its strategies and the cooperation of the Board and panel members, our staff, our key customer groups and our R&D and delivery partners. We thank them for their significant contributions to grains industry R&D in 2005–06. We are pleased to note that our 2003–04 and 2004–05 annual reports have been recognised for their high quality, and commend this year's report to the reader.

Terry J Enright
Chair

Peter F Reading
Managing Director

Key achievements

The Grower Annual Indicator Survey 2006 showed that the corporation's overall performance rating (of 'very high' and 'fairly high') was unchanged in 2006, remaining at 74 percent. The proportion of growers rating GRDC performance as 'very high', however, rose for the first time since 2002.

The survey also showed that awareness of regional panels rose from 50 percent in 2005 to 58 percent in 2006, and that a higher proportion of growers interacted with panel members (up from 20 percent in 2005 to 23 percent in 2006).



Other noteworthy achievements for 2005–06 included:

- establishing the National Variety Trials (NVT), to provide nationally coordinated, independent and cost-effective information to Australian graingrowers on the performance of new crop varieties
- facilitating the formation of a single national barley-breeding program, Barley Breeding Australia
- facilitating the formation of a single national pulse-breeding program, made up of the GRDC, Pulse Australia and state government pulse-breeding agencies
- making substantial progress towards commercially sustainable, world-leading wheat-breeding programs as well as working with industry to improve End Point Royalty collection
- entering into a joint venture with Philom Bios Inc. of Canada to commercially develop new soil inoculant products and to make these available to cereal and canola growers in Australia as quickly and as cost effectively as possible
- improving the alignment between GRDC activities and the objectives of our key customer groups—the Australian Government and Australian graingrowers—as well as other stakeholders, including grower organisations and research partners
- collaborating with the International Maize and Wheat Improvement Center (CIMMYT) in Mexico to speed up the introduction of genetic material through all stages, from quarantine to evaluation to incorporation into Australian breeding programs, and maximise the adoption of superior traits
- cooperating with other RDCs and providing information to the Department of Agriculture, Fisheries and Forestry regarding the Australian Government's Uhrig-based review of the governance arrangements of all statutory authorities
- receiving a silver award for our 2004–05 annual report, at the Australasian Reporting Awards Fifty-sixth Annual Awards in June 2006.

Significant events

27 June 2005

Senator the Hon. Richard Colbeck, then Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry, wrote to the Chair to formally approve the GRDC's Annual Operational Plan 2005–06.

31 August 2005

Senator Colbeck appointed Russell Phillips as the Government Director of the GRDC from 31 August 2005, following the resignation of Roland Pittar.

23 September 2005

Senator Colbeck wrote to the GRDC advising of the appointment of the nominated directors for the GRDC Board (two reappointed and four new) for a term commencing 1 October 2005 and ending 30 September 2008.

4 October 2005

The GRDC informed Senator Colbeck that it would become a member of Go Grains Health and Nutrition Ltd.

2 November 2005

Senator Colbeck wrote to the Chair to formally approve the GRDC's Annual Report 2004–05 for tabling. The report was tabled in parliament on 8 November 2005.

29 November 2005

Senator Colbeck appointed Ross Johns as Deputy Chair of the GRDC for the duration of his appointment as a director.

21 December 2005

The GRDC informed Senator Colbeck of its proposed involvement in a company to develop high-amylose wheat with CSIRO and Groupe Limagrain.

27 January 2006

The Hon. Sussan Ley, MP, was sworn in as Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry, succeeding Senator the Hon. Richard Colbeck.

22 February 2006

The GRDC informed the Hon. Sussan Ley, MP, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry, that it proposed to join with Philom Bios Inc. in the formation of an Australian company, Philom Bios (Australia) Pty Ltd.

4 to 7 April 2006

Grains Week—the annual conference of the Australian grains industry—was held in Canberra.

21 June 2006

The Hon. Sussan Ley, MP, wrote to the Chair to formally approve the GRDC's Annual Operational Plan 2006–07.



