



Research and Development Plan 2007–2012



Australian Government

Sugar Research and Development Corporation

Investing in Sugarcane Industry Innovation

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GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ACFA	Australian Cane Farmers' Association Ltd
ACGC	Australian Cane Growers' Council Ltd
ASMC	Australian Sugar Milling Council Proprietary Ltd
BSES	BSES Limited
CCS	Commercial Cane Sugar
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CRCSIIB	CRC Sugar Industry Innovation through Biotechnology
PIERD Act	Primary Industries and Energy Research and Development Act 1989
R&D	Research and Development
SRDC	Sugar Research and Development Corporation
SRI @ QUT	Sugar Research and Innovation at the Queensland University of Technology

RESEARCH AND DEVELOPMENT PLAN 2007–2012

Corporate Outcome

The Corporate Outcome of the Sugar R&D Corporation (SRDC) is ...

“A profitable and internationally competitive Australian sugar industry providing economic, environmental and social benefits for rural and regional communities”

Outcomes this Plan will Deliver

As outlined in the R&D Plan 2007-2012, SRDC will work towards its Corporate Outcome or vision during this five-year period, by delivering against three specific outcomes:

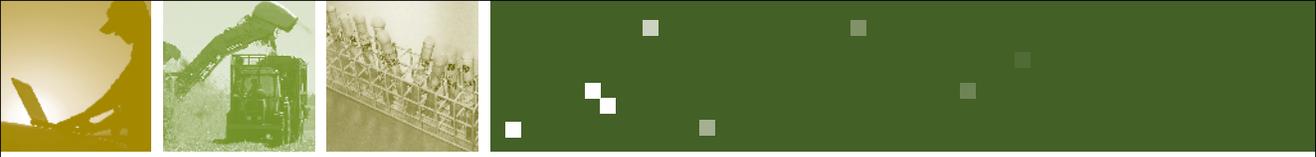
- *Implementation of innovative farming, harvesting, transport, milling and marketing systems tailored to the needs and opportunities of each region*
- *Rapid translation of relevant emerging technologies to enhance the industry’s competitive edge in the global marketplace*
- *Development of individuals and networks across the sugarcane industry that enhance the capacity for continuous improvement*

The Essence of the Plan

This R&D Plan presents a strategic view of the needs and opportunities for R&D and outlines an investment strategy to achieve outcomes that meet the expectations of industry and government.

Partnering will be the key to the success of this plan. It is primarily through partnering - between industry participants, government, rural communities, other Rural Research and Development Corporations, and researchers from a wide variety of agencies - that changes that add value will be developed and implemented.

This R&D Plan provides a clear framework and challenging targets for R&D for the Australian sugarcane industry over the next five years.



ABOUT THE CORPORATION

A Partnership

SRDC works in a unique and highly successful partnership between the Australian sugarcane industry and the Australian Government.

It is a statutory authority of the Australian Government established under the *Primary Industries and Energy Research and Development Act 1989* (the PIERD Act).

Core Business

SRDC's core business or mission is:

"... to foster an innovative and sustainable Australian sugar industry through targeted investment in research and development"

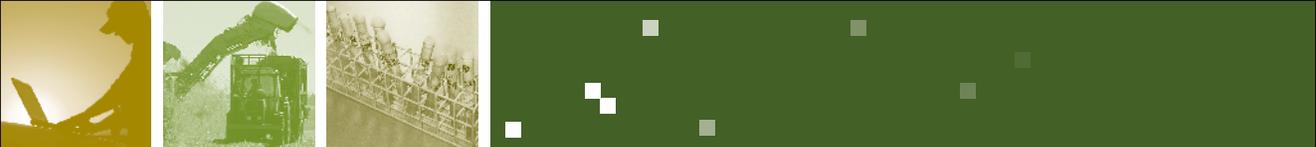
SRDC operates as an R&D investment body and partner, drawing on funds provided by both the industry and government.





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A VISION OF THE FUTURE

SRDC believes that the vision expressed in its Corporate Outcome of ... "a profitable and internationally competitive Australian sugar industry providing economic, environmental and social benefits for rural and regional communities" will, within the next decade, have many of the following characteristics.

Across the entire sugarcane industry system or value chain (i.e. across the farming, harvesting, milling and marketing sectors):

- solutions will be developed and implemented more on a mill area or regional basis than on an industry-wide basis;
- there will be increased adoption of the best practice philosophy in all sectors to increase industry productivity, resilience and sustainability;
- sector participants will be more committed to working together to increase total revenue ("the size of the cake") from the mill area or region and more closely attuned to market signals;
- relationships between industry participants will be more strongly driven by the notion of "collaborating to compete";
- human capital of men and women in the industry will be developed and utilised more effectively.

In the farming sector:

- there will be a smaller area under sugarcane but sugar yields per hectare and per mill area will be higher;
- farms or production units will be larger (through aggregation, farming cooperatives, share farming, etc);
- farming systems will be more sophisticated and utilise emerging technologies more effectively to benefit the value chain as a whole;
- water, nutrients, organic matter, and other farm inputs will be managed more efficiently, leading to enhanced economic and environmental performance;
- improved cane varieties (including GM varieties) will be released faster;
- growers will have better systems to assist them in selecting varieties for particular blocks, soil types and environments;
- sugarcane will increasingly be rotated with other agricultural, horticultural or industrial crops;
- contracting will be used for all aspects of cane production;
- every grower will have a cane supply contract with the mill that is specifically tailored, by negotiation, to the needs of each party;



- harvesting of the majority of the above-ground biomass, balanced with the need to maintain a targeted level of organic matter, will be a feature of the farming system in some mill areas;
- most growers will continuously improve their farming and business management skills through participation in action learning programs, and will have access to a more diverse range of advisory services.

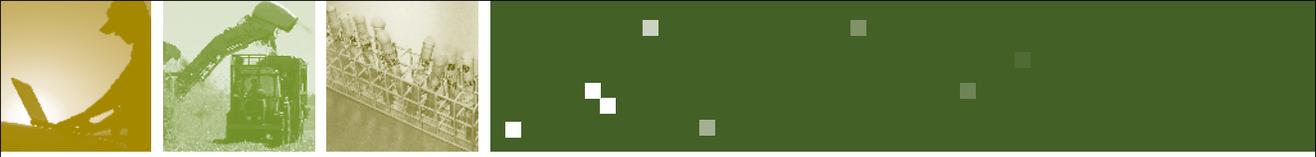
In the harvesting and transport sectors:

- operations will be better integrated and use capital more efficiently;
- cane will be better presented to the harvester;
- there will be fewer harvesting groups handling much larger tonnages, fewer harvesting rounds, multiple shifts with longer harvesting hours per day, and longer seasons;
- geographical harvesting will be more widely used to capture the early sugar market;
- the numbers and locations of sidings and loading pads will be rationalised;
- rail transport systems will be more efficient and road transport will be more widely used;
- communication of cane yield and cane quality information to growers and harvesters will be more timely and allow real-time modifications to operations;
- new payment systems and contracts between miller, grower and harvester will provide appropriate incentives to all parties to improve performance.

Finally, in the milling and marketing sectors:

- overall there will be fewer mills. These will handle larger tonnages and make better use of capital;
- mills will employ fewer, more highly trained and remunerated people;
- although raw sugar production will remain dominant, production of energy, animal feeds, and other sugarcane and caneland products will be higher;
- new products such as bio-plastics and bio-pharmaceuticals will be commercially viable;
- the industry will be fully deregulated, leading to closer and more direct business relationships between millers, their suppliers, and their various customers.

SRDC will partner with industry to achieve this bold vision through targeted investment in R&D.



INVESTMENT APPROACH

SRDC will take a targeted and disciplined approach to R&D investment to underpin the achievement of its vision to provide economic, environmental and social benefits for both the sugarcane industry and the people of Australia.

The following statements that revolve around planning, investment, accountability, innovation, partnership and outcomes, encapsulate the SRDC approach.

- SRDC is highly responsive to the priorities, needs, and views on R&D of its major stakeholders - the sugarcane industry and the Australian Government - and is accountable to them. SRDC plays a national role in planning R&D for the sugarcane industry. It invests in a range of foresight activities that guide its setting of investment targets.
- SRDC fosters innovation. It takes a strategic view of the needs and opportunities for R&D and seeks investment opportunities to foster innovation that will benefit both the industry (providing private good) and the community (providing public good). It invests in R&D to find new and improved ways of doing things rather than investing in ongoing core services that are the responsibility of others, or basic research to generate new knowledge for its own sake.
- SRDC enters into cooperative partnerships with sugarcane industry participants across its sectors, the R&D agencies, other Rural R&D Corporations, and the general community. It regards its partners as co-investors in the quest for a profitable, internationally competitive and sustainable Australian sugarcane industry. Through its investments, SRDC shares in the risks associated with R&D with other relevant parties. SRDC is not a “research grant” agency.
- SRDC invests in R&D conducted by others and does not carry out research in its own right
- SRDC strives to deliver high rates of return on its R&D investment by managing technical and market risk and by applying significant resources to translate research outputs into practical outcomes

In summary, SRDC is committed to setting the right targets for R&D investments, to making sound investment decisions that address those targets using rigorous transparent processes, to managing investments so that they succeed, and to ensuring that R&D delivers outcomes for its stakeholders and builds capacity for change, learning and innovation across the industry.

In developing this plan, SRDC analysed the key drivers in the industry’s external environment and undertook a comprehensive consultation process with industry, government, R&D partners and the wider community to determine the needs and opportunities for R&D to underpin a future Australian sugarcane industry.

Based on this advice, SRDC has developed this R&D Plan to guide its R&D investment decisions during the five year period 2007-2012.

SRDC invests in Innovation

... but what exactly is innovation?

Innovation is about looking at things from a different perspective, harnessing the creativity of people, and taking advantage of new technology, information and ways of thinking. Innovation is not just about invention.

Being innovative is about being prepared to take some risks. It is about encouraging others. It is about being aware of opportunities and giving them a go. It is about embracing change that adds value and contributes to a vibrant, prosperous, and sustainable sugarcane industry.



In a commodity-based industry like the Australian sugarcane industry, innovation provides a sustainable source of competitive advantage. We have to be a lot smarter in the way we use the resources we have available.

For the sugarcane industry, innovation can occur successfully in one of two principal ways - process innovation and product innovation.

Process innovation refers to the way we do things. A grower implementing a new farm management plan to improve profitability and minimise the impact on the local environment is undertaking process innovation. Members of a mill area working together to implement a streamlined service to transport cane from the farm to the mill are undertaking process innovation.

Product innovation refers to the range of products we produce.

It is about investigating ways of making more efficient use of sugarcane and processing by-products. It is about finding new markets and developing clever ways of satisfying them. Turning mill mud into an eagerly-sought-after product that enhances profitability and overcomes environmental issues would be an example of product innovation.

Working with others to harness our collective power to innovate is a great way - in fact the only way - that we have available for creating benefits for the entire value chain of the sugarcane industry.

“It is about investigating ways of making more efficient use of sugarcane and processing by-products. It is about finding new markets and developing clever ways of satisfying them.”

KEY INDUSTRY DRIVERS

The Australian sugarcane industry is strongly influenced by the twin drivers of *globalisation and competition*. Other major drivers or forces which can be viewed as either threats or opportunities for the industry - or a combination of both - include *climate change*, the desire to enhance *human capital*, societal pressure for industries to be more *environmentally and socially sustainable*, concerns about the *safety and health* implications of processes and products, and the availability of new *enabling sciences and technologies*.

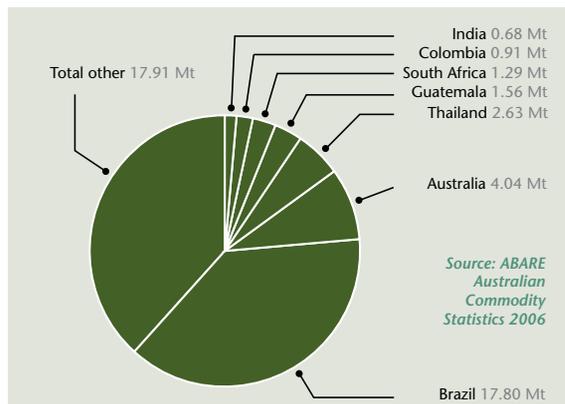
Globalisation and Competition

World sugar production and consumption have risen steadily over many decades broadly in step with population growth. This trend is expected to continue until at least 2050. The Australian sugarcane industry sells a high proportion of its raw sugar production into the world market, so it is very familiar with *globalisation* and *competition* as drivers. Many countries subsidise sugar production for domestic markets and will continue to do so. More needs to be done in freeing up world trade. However, recent reforms have reduced subsidised European Union sugar from the world market. As a result, it is expected that prices will be more volatile and more closely linked with timing of supply and demand and with the costs of production of the most efficient exporting country. This will provide opportunities for the Australian industry but will require greater discipline in marketing and more sophisticated mechanisms for forward pricing. Industry returns are likely to continue to be influenced by the relative exchange rates of the major producing and consuming nations, and terms of trade are likely to continue to decline because of more rapid increases in input costs than prices received for bulk products like raw sugar.

The three largest exporting nations are Brazil, Thailand and Australia, with Brazil's exports being dominant and expanding rapidly. Brazil's industry is highly integrated across the industry value chain and well supported by government policies. It also has the huge advantages of favourable climates, a large population, and widespread use of ethanol in its expanding fleet of flex-fuel cars, so it can produce for a variety of purposes - local consumption of sugar, ethanol and electricity, or export of sugar and/or ethanol onto the world market. Thus the cost of production of Brazilian sugar is the benchmark against which all sugar exporting nations must compete.

Sugar exports by country:

Includes both raw and white sugar measured in raw sugar equivalents, September – August 2005-06



Climate Change

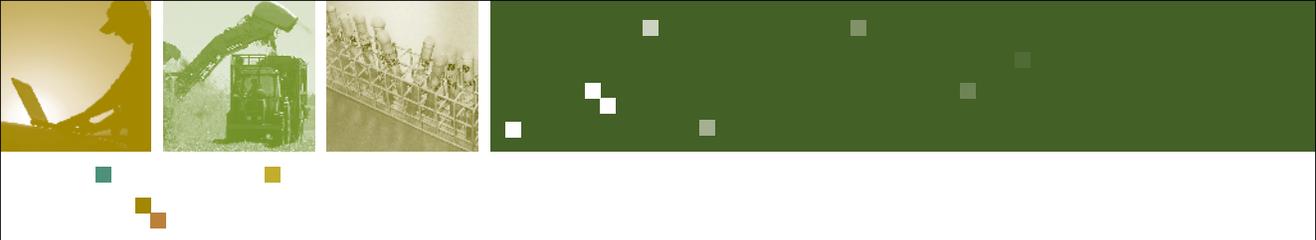
Changes in global and regional climate are already impacting on agricultural industries and over the next 50 years are expected to have important implications for sugar producing regions. The impacts of climate change will vary across industry sectors and in different regions, both in Australia and globally. However, variability and occurrence of extreme events is certain to increase. Furthermore, policy settings in relation to carbon emissions trading may increase competition for land use from industries such as forestry. Enhanced strategies to adapt to climate change will be critical across the entire value chain.

Other Drivers

The need to maintain and enhance *human capital* is widely seen as critical to future industry competitiveness. Greater involvement of women and youth will provide a substantial advantage. Changing expectations of societies around the world, particularly in more developed countries, are also putting increasing pressure on all industries to be sustainable and to take greater account of environmental and social effects (the triple bottom-line thrust). Thus, *environmental and social accountability* is increasingly important and being imposed internationally, nationally and regionally. The Australian sugarcane industry, with its urban coastal location, is increasingly aware of, and motivated to address, these issues. The safety of production processes, and the resultant products, is also of increasing concern to consumers, as are their *human health* effects (e.g. for sugar - obesity and diabetes) at the individual and societal level.

Many of these drivers and competitive forces can only be countered by continuous improvement in efficiency across the value chain and in productivity per unit area. Fortunately, rapid developments in current and emerging technologies and in our understanding of human behaviour are available to assist the industry to meet the challenges.

“Changes in global and regional climate are already impacting on agricultural industries and over the next 50 years are expected to have important implications for sugar producing regions.”



INDUSTRY AND GOVERNMENT PRIORITIES

Sources of Advice on Priorities

The PIERD Act requires SRDC to investigate and evaluate the requirements of the sugarcane industry for R&D, and on the basis of that ..., prepare an R&D Plan, and review and revise that plan as necessary.

Accordingly, SRDC takes account of the priorities, needs, and opinions on R&D of the Australian Government, the sugarcane industry, and other interested parties - all of which have been consulted extensively at various stages during the development of this plan.

Four major groups have provided input into the decision making process, as follows:

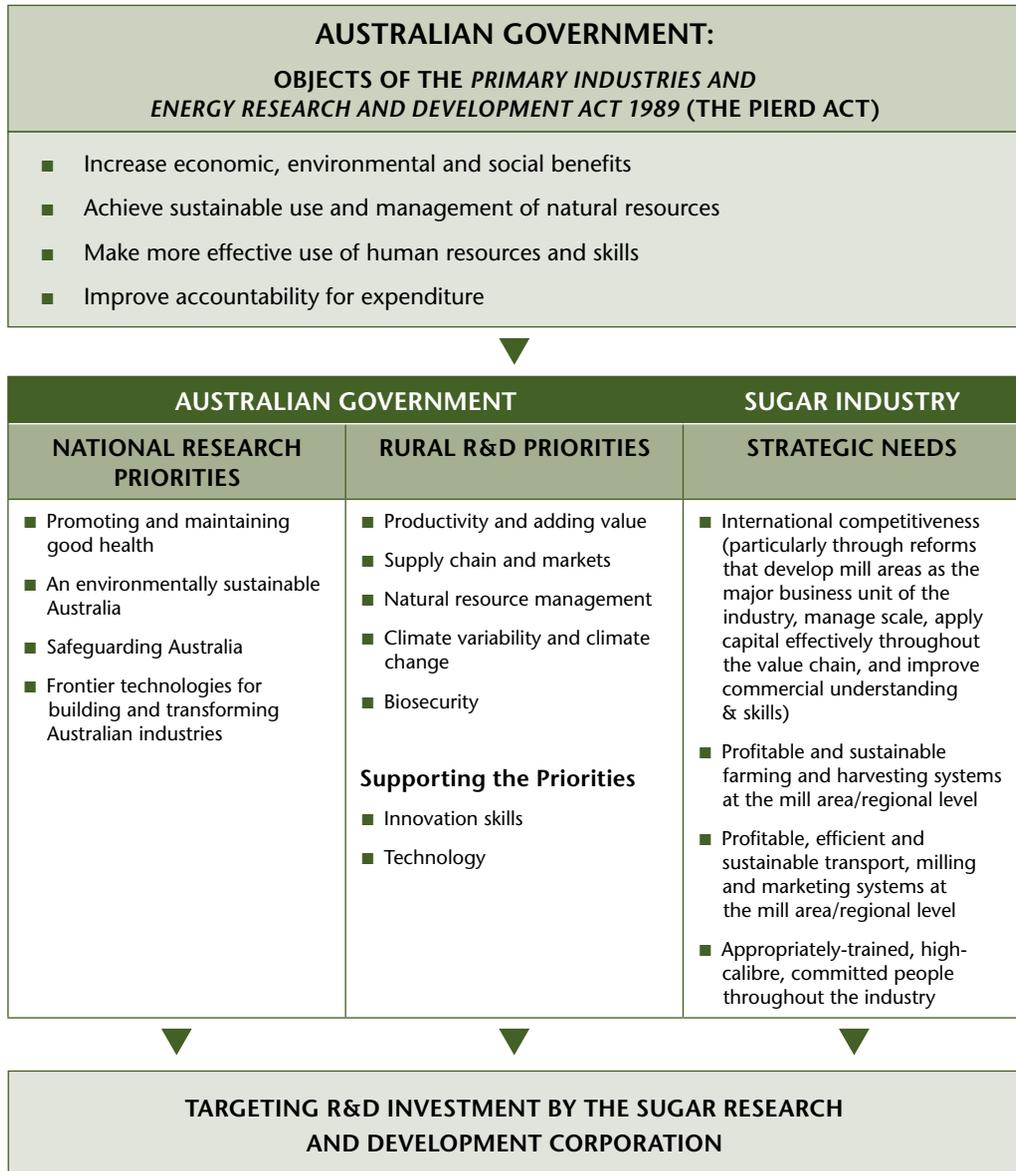
- **The Australian Government** which has articulated its views in the National Research Priorities of 5 December 2002, and through the more specific Rural Research and Development Priorities of 8 May 2007. In addition, SRDC takes account of advice provided by other groups such as the Industry Oversight Group that was set up under the Australian Government's *Sugar Industry Reform Program 2004* to provide a strategic vision for the industry.
- **The Representative Bodies** that have been specifically designated by the Australian Government for SRDC, namely: the Australian Cane Farmers' Association Ltd (ACFA), the Australian Cane Growers' Council Ltd (ACGC), and the Australian Sugar Milling Council Proprietary Ltd (ASMC).
- **Industry Participants**, including individuals and organisations at a national, regional and mill area level, concerned with growing, harvesting, transporting, milling and marketing. This plan has also been informed by the individual Regional Plans developed as part of the Sugar Industry Reform Program.
- **R&D Partners**, including R&D and Productivity Services organisations, particularly BSES Limited (BSES), CSIRO, the Queensland Department of Primary Industries and Fisheries (QDPIF), Sugar Research and Innovation at the Queensland University of Technology (SRI @ QUT), the Cooperative Research Centre for Sugar Industry Innovation through Biotechnology (CRC SIIB), universities, agribusiness and private enterprises.

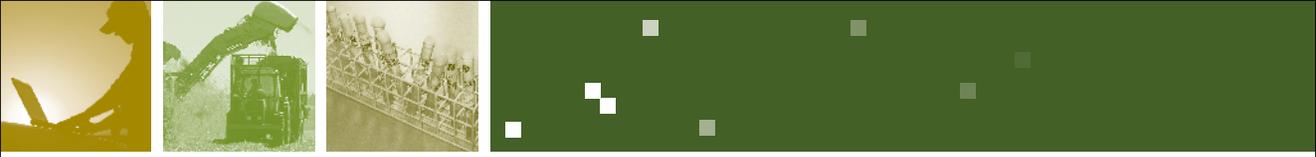
In addition, the following publications were considered in the development of this plan:

- Agriculture and Food Policy Reference Group, 2006. *'Creating our Future – Agriculture and Food Policy for the Next Generation'*. Department of Agriculture, Fisheries and Forestry, Commonwealth of Australia, Canberra.
- SRDC Technical Report 1/2006. *'The Value Chain of the Australian Sugar Industry – Developments in the Period 1970 - 2005 and Future Opportunities'*;
- SRDC Technical Report 2/2006. *'Analysis of Bagasse and Trash Utilisation Options'*; and
- The State of Queensland and the Commonwealth of Australia, 2003. *Reef Water Quality Protection Plan; for catchments adjacent to the Great Barrier Reef World Heritage Area*. Queensland Department of Premier and Cabinet, Brisbane

Framework for Targeting R&D Investment

The following flow diagram outlines the framework that SRDC used to determine its future strategic direction. It also describes the current government priorities and the broad strategic industry needs identified through consultation. In analysing these priorities and needs, SRDC is well equipped to form a view where R&D can best be targeted to deliver outcomes that meet the expectations of industry and government.

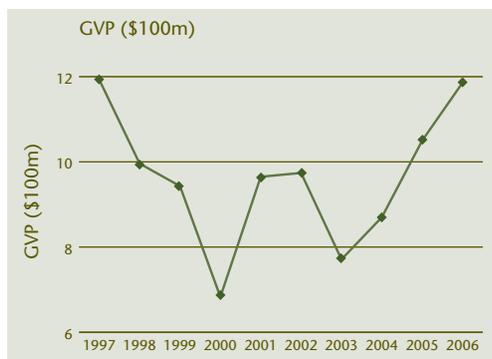
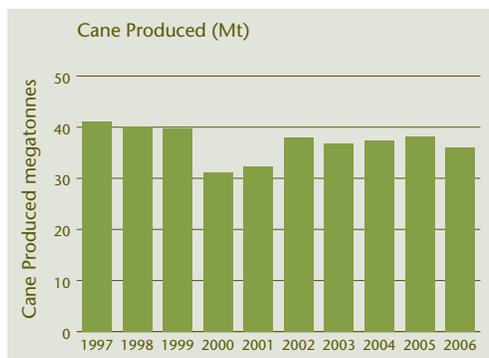
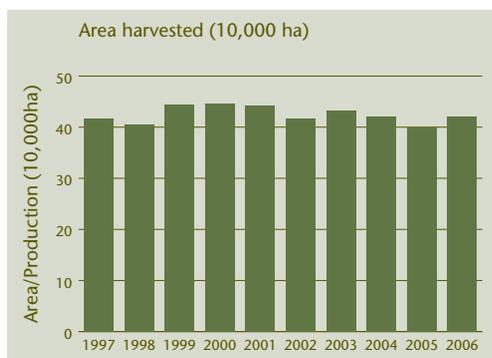




Resources for R&D

SRDC derives its investment funds from a levy on growers and millers that is matched by a Government contribution. The current levy of \$0.14 per tonne of sugarcane harvested has applied since April 2002. This industry levy is matched by the Australian Government on a dollar-for-dollar basis up to 0.5 per cent of the Gross Value of Production (GVP) of cane harvested. Hence, SRDC's income varies both with the level of production of sugarcane and with the GVP of cane harvested. Trends in production and GVP over the last decade are shown in the chart below.

Trends in production and GVP over the last decade:



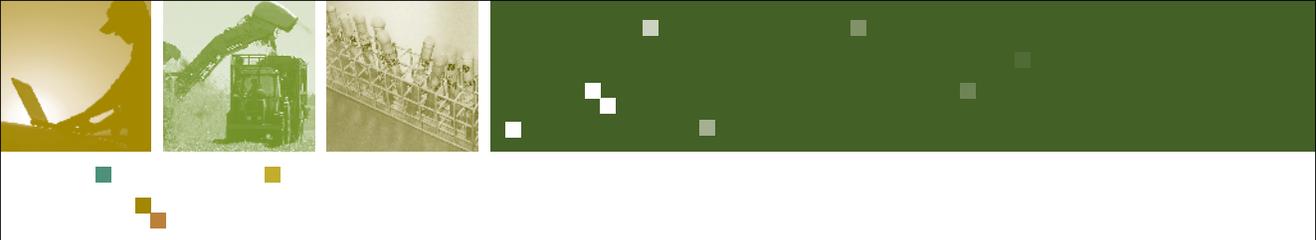
“Consequently, forecast SRDC expenditure, at least over the early years of this R&D Plan, is expected to be relatively stable from year to year, in the range of \$11-13m per annum.”

Historically, both sugarcane production and the price received for sugar, and hence the GVP of sugarcane harvested have fluctuated widely, with the result that SRDC's income can be quite variable. SRDC's risk analysis policy is to run, at least three times each year, a Forward Estimates Model based on likely crop size and sugar price in order to assess the consequences of various income/expenditure scenarios on investment decisions. SRDC currently has a policy of maintaining cash reserves of at least 30 per cent of the following year's expected expenditure, with a target of 50 per cent, to buffer this variability.

Consequently, forecast SRDC expenditure, at least over the early years of this plan, is expected to be relatively stable from year to year, in the range of \$11-13m per annum. Projected expenditure is significantly higher than the actual expenditure during the period of the R&D Plan 2003-2008, as shown in the chart below.

Year	Income	Expenditure
	(\$M, rounded to nearest \$0.1M)	
2002-03	9.8	8.1
2003-04	10.9	9.0
2004-05	9.4	8.6
2005-06	11.1	10.2
2006-07*	10.7	11.7
2007-08*	11.2	13.1
2008-09*	11.2	11.7

* Forecast



R&D INVESTMENT STRATEGY

A Change in Emphasis

The previous plan, SRDC R&D Plan 2003-2008, made a major break with the past by reducing emphasis to some extent on disciplinary and component research aimed at individual technological improvements while increasing emphasis on:

- integrating across the industry value chain using systems approaches to achieve industry benefits; and
- improving industry capacity to manage change at both the individual and group level.

In the current R&D Plan 2007-2012, these major thrusts will be further enhanced and focused, to take account of recent developments within the industry and experience in implementing the previous plan.

The following aspects will receive particular emphasis:

- *Millarea/regional focus.* The focus on improving the functioning of the industry value chain will be further strengthened by giving greater acknowledgement to the fact that mill areas and regions differ in their needs and capabilities and may require specific solutions from R&D.
- *Improving farming and harvesting systems* As in the R&D Plan 2003-2008, there will be a major focus on further innovation leading to improved management of farming and harvesting systems that deliver enhanced economic, environmental, and social performance. The impact of any changes within the farming or harvesting sector on the operation of the entire value chain will be carefully considered.
- *Investing in longer-term strategic research* Longer-term R&D, with a particular focus on the translation or adaptation of emerging technologies that have potential application across the industry value chain, will receive stronger emphasis. Significant emphasis will be placed on technologies that enhance genetic and breeding systems, in view of the importance of genetic improvements to industry profitability and to managing biosecurity risks, including smut. Diversification opportunities will also be explored but only where they have clear industry significance.
- *Developing people* As in the R&D Plan 2003-2008, improving the skills and capabilities of men and women in the sugarcane industry, the effectiveness of partnerships between industry, researchers, and the community, and the capabilities of the R&D system remain key priorities.
- *Improving research approaches* The strong emphasis on participative R&D and a systems approach in much of the R&D portfolio will be maintained. Priority will be given to R&D investments that have readily measurable target outcomes, are user-driven and commercially-focused where appropriate, and are innovative.

In response to these changes in emphasis, SRDC's R&D Portfolio in this plan is based on three major Investment Arenas, namely: *Regional Futures; Emerging Technologies; and People Development.*

Investment Arenas

Regional Futures

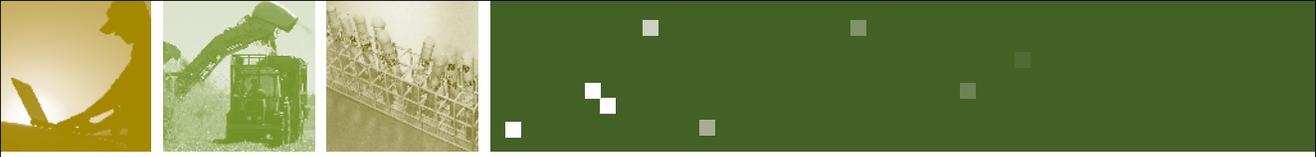
The goal of the sugarcane industry in each region or mill area is to maximise its overall prosperity and long-term sustainability. At the broadest level, that prosperity is derived from income received for products that are exported from the region - sugar products, molasses, electricity, ethanol, etc. These exports need to be produced through profitable, safe and environmentally responsible practices in harmony with community expectations. It is vital, therefore, that the overall system or industry value chain that produces these products is sustainable, operates at optimum efficiency and productivity, and that the contribution of the individual sectors of farming, harvesting, transport and milling is directed at the overall goal.



Fortunately, there have been numerous developments within the industry over recent years that set the scene for increased prosperity at the regional or mill area level. For example, the industry has been largely deregulated so that regions and mill areas are now more directly responsible for their own destiny than they have ever been. Harvest and transport scheduling is being optimised. New farming systems that improve soil health and hence crop productivity are being adopted. New payment systems for harvesting and for sugarcane delivered to the mill are being developed and implemented. New technologies (e.g. NIR, satellite imagery, GPS) are being applied.

All regions and mill areas operate within the same broad external environment which is characterised by competitive world markets for their products, declining terms of trade, highly variable sugar prices, variable climates, and difficulties in accessing capital for infrastructure improvements. Similarly, all will have to deal with emerging problems and challenges associated with factors such as climate change, pressures from urbanisation, competition for resources (e.g. land, water, and skilled labour), and increasingly stringent environmental regulations.

However, the impact of the issues and the capacity to deal with them will vary between regions and mill areas, sometimes widely. For example, climate change may increase the severity of cyclones in the northern regions and urbanisation pressures will be more severe near major centres of population. Each region or mill area therefore faces a unique set of circumstances. Each will have to devise its own strategies to remain competitive. Thus, regions and mill areas may differ in the ways they structure their value chain, modify their farming systems, increase their efficiency of production and overall productivity, develop their product mix and marketing strategy, and respond to their community's social and environmental expectations.



The task of R&D in the Regional Futures Arena is to assist mill areas and regions to meet these challenges. It will support the rapid implementation of systems that improve productivity, efficiency of production, business performance and sustainability of operations within each industry sector, and it will support development and implementation of improvements across the entire value chain in the region or mill area. All research and its implementation, however, involves people. The technical and the human aspects have to work together if there is to be beneficial change. R&D conducted in the Regional Futures Arena, therefore, will be strongly interlinked with that in the People Development Arena.

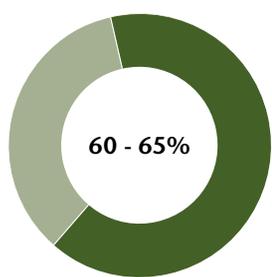
R&D conducted in the Regional Futures Arena will mainly involve the implementation and/or integration of existing technologies or close-to-market emerging technologies (Horizon 1 and 2 R&D, see page 20). It will generally be participative and industry-driven, and use systems approaches to ensure that all aspects of the system or value chain are considered. It will be outcome focussed and deliver enhanced economic, environmental and social performance. Projects may be directed either at issues in a single region or mill area or in multiple regions/mill areas.

R&D conducted in this Arena will address the National Priorities of Promoting and Maintaining Good Health; an Environmentally Sustainable Australia; and Safeguarding Australia. R&D will also address the Rural R&D Priorities of Productivity and Adding Value; Supply Chain and Markets; Natural Resource Management; Climate Variability and Climate Change; and Biosecurity.

It is planned that between 60 and 65 per cent of SRDC's funds will be invested in the Regional Futures Arena.



Proportion of SRDC funds allocated to the Regional Futures Arena



Technical and human aspects have to work together to achieve change.

Emerging Technologies

The Australian sugarcane industry has always recognised the need to innovate and to keep abreast of technological developments in other fields in order to remain internationally competitive. For example, computer-controlled milling processes, simulation modelling and optimisation of the operation of the value chain, and the use of satellite imagery and GPS are well-established. However, new or frontier technologies are continually being invented and developed in other industries and fields of endeavour and the rate of progress is extremely rapid. Examples include robotics, nanotechnology, biotechnology, diagnostics and surveillance technologies, information system technologies, processing and operations technologies, imagery and sensing technologies at all scales from macro- (satellite) to micro, and data processing, modelling and communication technologies.

The role of R&D in the Emerging Technologies Arena, therefore, is to monitor developments in these fields and to seek out, evaluate, and conduct adaptive research on those technologies which have potential application in the sugarcane industry in the 5 to 15-year time frame. R&D conducted here is strategic research that is characterised by large potential benefits but relatively long time scales for impact and higher risks of failure.

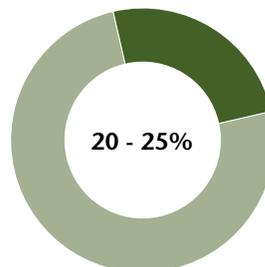
Strategic R&D is already under way in adapting a number of these technologies (particularly biotechnology and imagery and communication technologies) to the requirements of the Australian sugarcane industry. This R&D needs to continue at an accelerated pace. Many other technologies, however, remain to be explored. Moreover, other technologies and opportunities will undoubtedly emerge, even during the life of this R&D Plan, so SRDC will remain receptive to new ideas and creative translation or adaptation of new technologies that have potential to benefit the industry in the medium to long term.

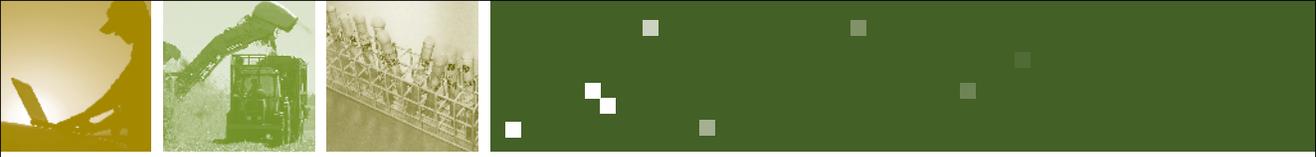
R&D conducted in this arena will mainly involve strategic research on existing technologies or implementation of more-distant-from-market emerging technologies (primarily Horizon 3 R&D). While directed in the longer term at delivering improved economic, environmental and/or social outcomes, individual R&D projects conducted in this arena will not generally deliver benefits in the short term.

R&D conducted in the Emerging Technologies Arena will address the National Priority of Frontier Technologies for Building and Transforming Australian Industries and the supporting Rural R&D Priority of Technology. It is planned that between 20 and 25 per cent of SRDC's funds will be invested in the Emerging Technologies Arena.



Proportion of SRDC funds allocated to the Emerging Technologies Arena

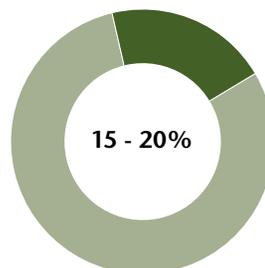




People Development

People are a critical element in achieving the goal of a profitable and sustainable Australian sugarcane industry. Every research opportunity to improve industry profitability and sustainability has both a technical element and a people element. Hence, there is a social or people dimension in every challenge and opportunity outlined in this R&D Plan. The industry's internal and external environment is a highly complex and rapidly evolving one with biological, technical, environmental, financial, managerial, and social dimensions. Industry people must, therefore, develop greater capacity to lead or embrace change in order to deal appropriately with this complex environment and to achieve the goal of improved profitability and sustainability. R&D activities in this People Development Arena will assist in achieving this goal.

Proportion of SRDC funds allocated to the People Development Arena.



The industry has made great progress in the last five years in acknowledging the need for change and in preparing for it. Industry has been deregulated so that regions and mill areas are now more responsive and responsible for their own destiny. It has studied its main competitors and started to absorb the implications of their structure and development plans. It has a better understanding of the industry value chain and recognises the importance and benefits of greater collaboration between industry sectors. It has recognised the value of seeking more active involvement of young people and women in moving forward and has participated in the development of new ways of learning from each other and from people in other industries.

However, change is both inevitable and ongoing, so we must learn to adapt to it. Much remains to be done in developing the industry's most important resource – its people, and exciting new opportunities abound. New ways of continuous learning from like-groups within the industry need to be evaluated and utilised - a process that is referred to as building "bonding" capital. The attitudes, policies and modes of operation of successful industries and organisations outside the sugarcane industry also need to be studied and appropriate changes made within the industry - a process referred to as building "bridging" capital. New ways of co-operating across the value chain need to be explored and implemented and participative R&D and the associated action learning approach needs to be more widely used throughout the industry. New participatory action research processes and ways of partnering within industry sectors need to be evaluated and promoted.

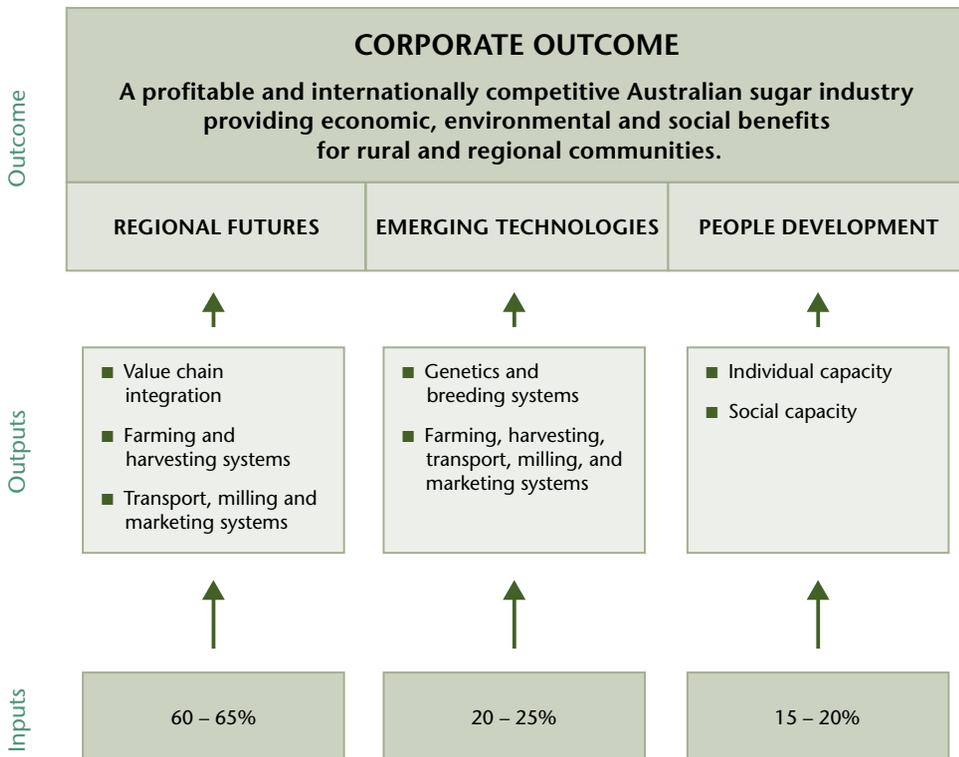
Much of the R&D in People Development will be closely linked with, and support, the R&D conducted in the Regional Futures Arena. It will address the supporting Rural R&D Priority of Innovation Skills, and indirectly contribute towards all National and Rural Research and Development priorities.

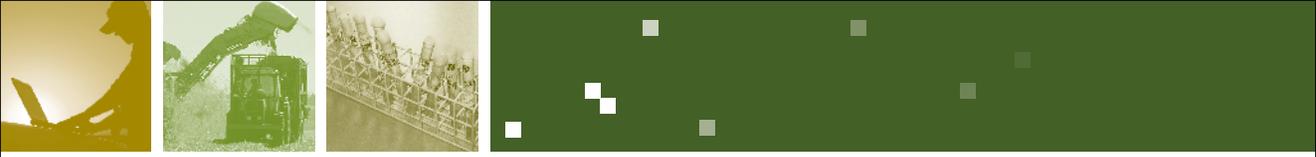
It is planned that between 15 and 20 per cent of SRDC's funds will be invested in this Arena.

Corporate Strategy

SRDC will base its R&D investment portfolio on these three Investment Arenas to achieve its Corporate Outcome, and to accommodate the changes in emphasis outlined earlier. Within each Investment Arena, research activities will be grouped according to themes of R&D investment.

In Outcome-Output-Input terms, the approach is as follows:

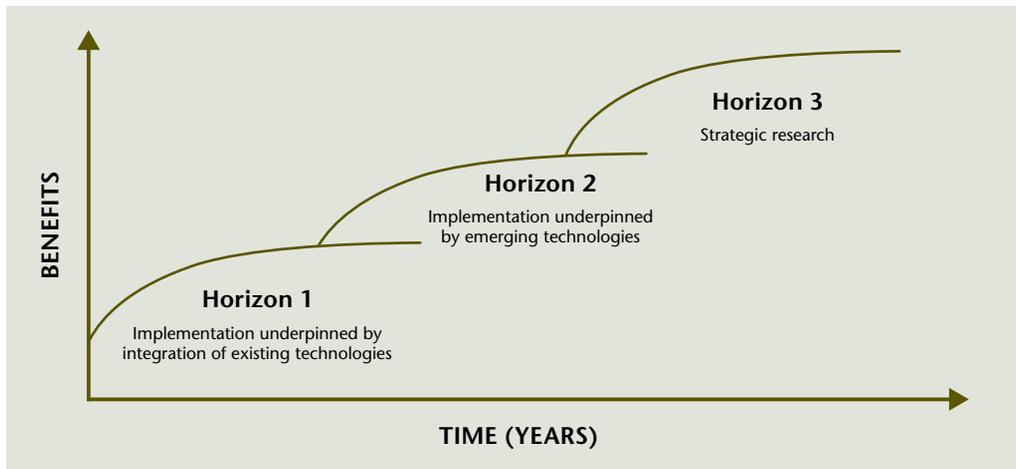




A Matter of Balance

In shaping its R&D portfolio, SRDC seeks to balance between shorter-term applied research and longer-term strategic research, between low-risk low-benefit and high-risk high-benefit research, and across Investment Arenas.

This balance is best illustrated by thinking in terms of investment horizons as shown in the following chart.



In Horizon 1 R&D, existing technologies are further developed or integrated, so the timescale is short and the risks of not achieving benefits are relatively low, but with moderate benefits. In Horizon 2 R&D, near-to-market or existing enabling technologies are implemented, but the timescale is intermediate as are the risks of not achieving benefits. The potential benefits, however, can be substantially higher than those from Horizon 1 R&D. In Horizon 3 R&D, strategic research on emerging technologies that is many years from practical application is conducted. While the risks of not achieving benefits are very high, so are the potential benefits.

In the three R&D Arenas outlined in this plan, the *Regional Futures* Arena consists of R&D from Horizons 1 and 2; the *Emerging Technologies* Arena consists primarily of R&D from Horizon 3; while the *People Development* Arena consists of R&D from Horizons 1 and 2.

In this plan, there have been two significant shifts in the balance of resource allocation. The proportion of funding for Horizon 3 R&D in the *Emerging Technologies* Investment Arena will increase to 20 to 25 per cent compared to 15-20 per cent in the R&D Plan 2003-2008. The proportion of investment in the *People Development* Investment Arena will increase to 15-20 per cent compared to 10-15 per cent in the Industry Capacity Program in the R&D Plan 2003-2008. However, the majority of R&D investment will continue to target the implementation of innovative farming, harvesting, transport, milling and marketing systems in the *Regional Futures* Investment Arena with 60-65 per cent resource allocation.

SRDC also strives to achieve an appropriate balance of its investments across the National Research Priorities outlined by the Australian Government in 2002. Over the next five years, the balance across National Priorities and Investment Arenas is planned to be as shown in the following table.

Planned Distribution of SRDC Investments across National Priorities and Investment Arenas					
Ranges, as a per cent of total SRDC resources					
	An environmentally sustainable Australia	Promoting and maintaining good health (strengthening Australia's social and economic fabric)	Frontier technologies for building and transforming Australian industries	Safeguarding Australia	Total
Regional Futures	20-25	25-30	0	5-10	60-65
Emerging Technologies	0-5	0	20-25	0	20-25
People Development	0-5	0-5	10-15	0	15-20
Total	25-30	25-30	35-40	5-10	100

“SRDC also strives to achieve an appropriate balance of its investments across the National Research Priorities outlined by the Australian Government.”

OUTCOMES AND KEY DELIVERABLES

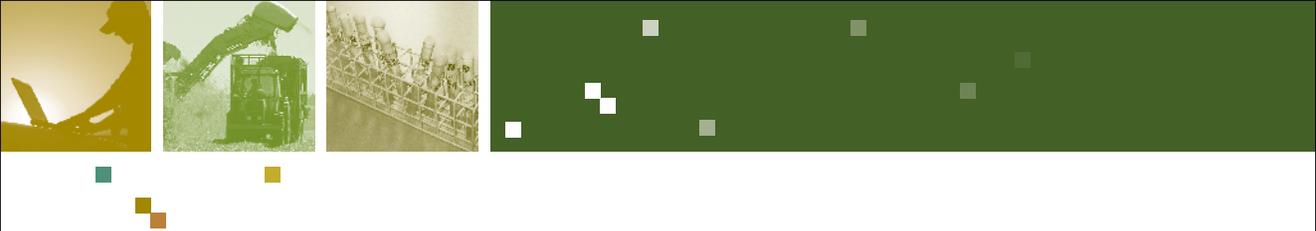
In taking a strategic view of the needs and opportunities for R&D investment, SRDC will deliver the following Outcomes and Key Deliverables during the term of this plan. The Key Deliverables will be achieved using the strategies outlined later.

Regional Futures Arena	Emerging Technologies Arena	People Development Arena
<p>Arena Outcome:</p> <p>Implementation of innovative farming, harvesting, transport, milling and marketing systems tailored to the needs and opportunities of each region</p>	<p>Arena Outcome:</p> <p>Rapid translation of relevant emerging technologies that will enhance the industry's competitive edge in the global marketplace</p>	<p>Arena Outcome:</p> <p>Development of individuals and networks across the sugarcane industry that enhance the capacity for continuous improvement</p>
<p>Key Deliverables</p> <p>Value Chain Integration</p> <ul style="list-style-type: none"> Improved value chain operations and payment systems in all regions/mill areas Better utilisation of the capital invested by growers, harvesters, and millers Enhanced industry preparedness for climate change, biosecurity risks and the introduction of GM varieties Improved environmental stewardship across the industry value chain Improved health and safety of industry people and their families <p>Farming and Harvesting Systems</p> <ul style="list-style-type: none"> Improved risk management for incursions of exotic pests, diseases, and weeds Improved management of soil and water resources Improved business management of on-farm operations Better harvesting equipment and practices that reduce losses of sugarcane and sugar Recognition of the benefits from ecosystem services provided by the industry <p>Transport, Milling and Marketing Systems</p> <ul style="list-style-type: none"> Reduced operational and maintenance costs New value-adding opportunities from the processing of sugarcane New opportunities for marketing sugar and other products 	<p>Key Deliverables</p> <p>Genetics and Breeding Systems</p> <ul style="list-style-type: none"> Improved breeding systems and evaluation approaches, for traits that accelerate genetic gain, and deliver new varieties faster Diagnostic technologies for screening for enhanced disease and stress resistance Enhanced breeding approaches based on improved understanding of the processes of sugar accumulation Genetic modification of the sugar cane plant for increased industry profitability <p>Farming, Harvesting, Transport, Milling and Marketing Systems</p> <ul style="list-style-type: none"> Improved monitoring technologies and data flow between grower, harvester and miller that improve cane quality and overall efficiency of the value chain Improved processing technologies for making sugar and other products from sugarcane and caneland crops Technologies to exploit new opportunities in the energy economy 	<p>Key Deliverables</p> <p>Individual Capacity</p> <ul style="list-style-type: none"> Improved capability of individuals across the industry for positive, innovative and effective leadership Improved capacity of individuals to change, learn, and innovate <p>Social Capacity</p> <ul style="list-style-type: none"> Improved industry capacity to collaborate and innovate with people within the industry Improved industry structures and processes that enhance its ability to compete internationally Improved industry capacity to learn and innovate from people outside the industry Improved capacity of regional industry participants to partner with researchers in identifying, addressing and delivering R&D outcomes

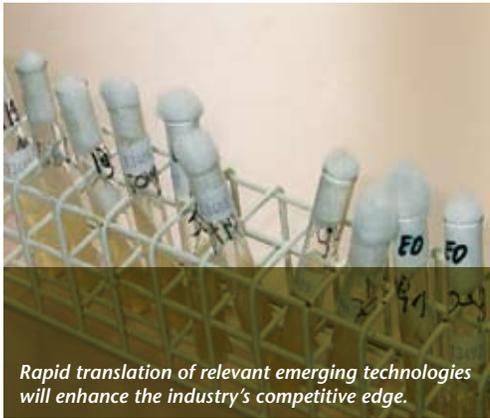
Arena R&D Strategies

SRDC will support R&D that uses strategies such as those outlined below to address the Arena Outcomes.

Regional Futures Investment Arena		
VALUE CHAIN INTEGRATION	<p>Key Deliverables</p> <ul style="list-style-type: none"> Improved value chain operations and payment systems in all regions/mill areas Better utilisation of the capital invested by growers, harvesters, and millers Enhanced industry preparedness for climate change, biosecurity risks and the introduction of GM varieties Improved environmental stewardship across the industry value chain Improved health and safety of industry people and their families 	<p>Strategies</p> <ul style="list-style-type: none"> Improve business performance in the operation of the value chain in each region/mill area by implementing appropriate changes (e.g. new cooperative arrangements, optimised harvesting and transport operations) Develop more effective relationships among industry participants that improve the functioning of regional value chains based on the notion of “cooperating to compete” Promote regional application of information & communication technologies (ICT) to improve transparency and decision-making Investigate and implement new structures, systems and processes for capturing economies of scale throughout the value chain Explore the opportunities and risks of climate change for the industry value chain and develop appropriate responses Investigate the delivery and impact of carbon trading on the sugarcane value chain and on regional economies Manage risks across the value chain associated with biosecurity incidents Develop and promote industry, community, and market acceptance of the commercial use of genetically modified (GM) varieties Engage with the community and regional bodies to improve the industry’s environmental performance, and seek appropriate recognition for that improvement Develop and promote practices that improve the health and safety of industry participants Scope and pilot the role for robotics to improve the safety and efficiency of operations across the value chain
FARMING AND HARVESTING SYSTEMS	<p>Key Deliverables</p> <ul style="list-style-type: none"> Improved risk management for incursions of exotic pests, diseases, and weeds Improved management of soil and water resources Improved business management of on-farm operations Better harvesting equipment and practices that reduce losses of sugarcane and sugar Recognition of the benefits from ecosystem services provided by the industry 	<p>Strategies</p> <ul style="list-style-type: none"> Develop incursion plans and decision support systems to better manage threats from exotic pests, diseases and weeds Develop and implement farming systems with improved physical, chemical, and biological soil health that are adapted to each region Develop and implement better systems for growers to manage variety selection, pests and diseases, weeds, rotations, trash, inputs, timing of operations, and labour and capital Develop and implement systems for better managing the variability over space and time in climate, soils, and micro-environments Develop and implement ways to monitor and reduce cane and sugar loss during harvesting Understand and document the ecosystem services provided by sugarcane farming and explore opportunities for deriving further economic, environmental and social benefits from them
TRANSPORT, MILLING AND MARKETING SYSTEMS	<p>Key Deliverables</p> <ul style="list-style-type: none"> Reduced operational and maintenance costs New value-adding opportunities from the processing of sugarcane New opportunities for marketing sugar and other products 	<p>Strategies</p> <ul style="list-style-type: none"> Develop and implement innovative processes and practices that optimise transport operations, reduce energy use, reduce downtime, and improve sucrose recovery Develop and implement improved processes for obtaining higher-value products from sugarcane including new sugars and novel biomaterials, and from mill processing by-products including bagasse, ash, dunder and mill mud Evaluate the benefits and risks of different marketing systems for an expanded product range from sugarcane that are adapted to each region



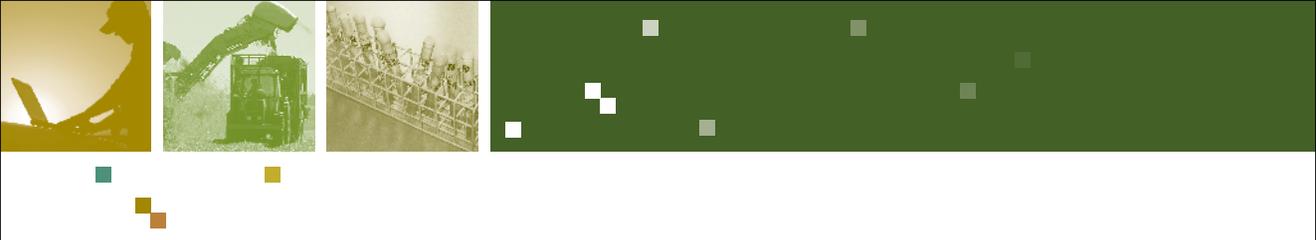
EMERGING TECHNOLOGIES INVESTMENT ARENA		
GENETICS BREEDING SYSTEMS	Key Deliverables <ul style="list-style-type: none"> Improved breeding systems and evaluation approaches, for traits that accelerate genetic gain, and deliver new varieties faster Diagnostic technologies for screening for enhanced disease and stress resistance Enhanced breeding approaches based on improved understanding of the processes of sugar accumulation Genetic modification of the sugarcane plant for increased industry profitability 	Strategies <ul style="list-style-type: none"> Develop technologies that integrate conventional and biotechnology approaches to improve the efficiency of selection and the speed of delivery of new varieties Develop technologies for evaluating sugarcane germplasm for resistance to biological and environmental stresses Enhance knowledge of the physiology of dry matter production, its partitioning, and resource utilisation in the sugarcane plant, and its application Investigate and develop gene technology approaches for enhancing sugarcane productivity including higher sucrose or bioenergy contents, or biofactory products
	FARMING, HARVESTING, TRANSPORT, MILLING AND MARKETING SYSTEMS	Key Deliverables <ul style="list-style-type: none"> Improved monitoring technologies and data flow between grower, harvester and miller that improve cane quality and overall efficiency of the value chain Improved processing technologies for making sugar and other products from sugarcane and canelands crops Technologies to exploit new opportunities in the energy economy



Rapid translation of relevant emerging technologies will enhance the industry's competitive edge.

PEOPLE DEVELOPMENT INVESTMENT ARENA		
INDIVIDUAL CAPACITY	Key Deliverables <ul style="list-style-type: none"> Improved capability of individuals across the industry for positive, innovative and effective leadership Improved capacity of individuals to change, learn, and innovate 	Strategies <ul style="list-style-type: none"> Promote the development of innovative thinking, a proactive approach, and an ethos of continuous improvement throughout the industry Support the development of innovative, collaborative, outcome-focused leaders Build the human capacity for high-quality R&D in all three Investment Arenas
	Key Deliverables <ul style="list-style-type: none"> Improved industry capacity to collaborate and innovate with people within the industry Improved industry structures and processes that enhance its ability to compete internationally Improved industry capacity to learn and innovate from people outside the industry Improved capacity of regional industry participants to partner with researchers in identifying, addressing and delivering R&D outcomes 	Strategies <ul style="list-style-type: none"> Identify and foster opportunities to develop more collaborative relationships that improve the functioning of industry organisations within and across sectors Increase the involvement of young people and women throughout the industry value chain Create "learning" environments that enable people to apply what they have learnt within and across regions/mill areas in order to instill a culture of continuous improvement Foster greater appreciation of the benefits of a diversity of advice from beyond the sugarcane industry, and implement appropriate responses Apply successful strategies used by bodies outside the sugarcane industry to aspects of people development, including leadership training, succession planning, performance management, and collaboration Enhance the performance of the R&D system through systems analysis, action learning, monitoring and evaluation





MONITORING AND EVALUATION

Investment Arena level

During the term of this R&D Plan, SRDC will monitor and evaluate its performance in achieving the three principal Investment Arena outcomes, namely:

- *Implementation of innovative farming, harvesting, transport, milling and marketing systems tailored to the needs and opportunities of each region*
- *Rapid translation of relevant emerging technologies to enhance the industry's competitive edge in the global marketplace*
- *Development of individuals and networks across the sugarcane industry that enhance capacity for continuous improvement*

The achievement of, or significant progress towards achieving, the more specific Key Deliverables shown in previous Tables will be monitored and reported annually. An important activity in the first year of the plan will be establishing baseline measures at the Investment Arena level. Performance will be progressively reported against these baseline measures during the term of the plan.

INVESTMENT ARENA	KEY PERFORMANCE INDICATORS	MEASURES
Regional Futures	Enhanced structure and functioning of regional sugarcane industry value chains	Demonstration of improved integration of the industry value chain within regions delivering increased profitability and more efficient use of capital based on environmentally responsible and safe business practices
	Enhanced resource utilisation in the farming and harvesting sectors	Implementation of improved farming and harvesting systems that increase revenue and reduce input costs, and concurrently are environmentally and socially sustainable
	Enhanced processes and product range in the transport, milling and marketing sectors	Implementation of more productive and cost-effective transport, milling and marketing systems in harmony with the environment and societal expectations
Emerging Technologies	Enhanced approaches for sugarcane genetic improvement	Technologies developed that accelerate the delivery of improved varieties for sugar production and value-added products
	Enhanced technological innovation across the sugarcane industry	Technologies developed that improve business performance across different sectors of the sugarcane industry
People Development	Enhanced effectiveness of individuals contributing to the sugarcane industry	Demonstration of improved capability and capacity of sugarcane industry participants to learn, change, collaborate, lead and innovate to advance the sugarcane industry
	Enhanced effectiveness of partnerships and networks contributing to the sugarcane industry	Demonstration of improved capability and capacity of regional groups, networks, and industry sectors and researchers to collaborate and innovate to beneficially change the operation of the industry

During the course of the plan, reports, case studies, benefit-cost analyses, and surveys will be conducted to document and illustrate these achievements against baseline data. Achievements will be assessed in terms of both private good (economic) benefits and public good (environmental and social) benefits. This will form the basis of documenting return on R&D investment and guiding future investment targets. At the end of this plan, these will be drawn on and aggregated to provide the evidence for the Measures that are associated with each Key Performance Indicator in each Arena (see Table on previous page).

Project level

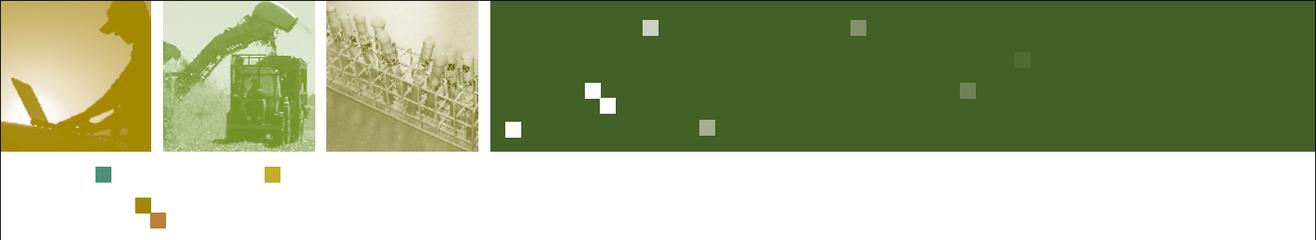
Evaluations of achievement at the Investment Arena level will be supported by monitoring and evaluation at the individual Project level, in terms of delivery against agreed outputs and outcomes. At this level, much of the base data for monitoring and evaluation against the KPIs will be generated. Each Project will be required to conduct a baseline evaluation and assess its performance in terms of outputs and outcomes delivered against that baseline, and to clearly enunciate the pathway to delivering these outputs and outcomes and thereby achieving impact.

Corporate level

In evaluating its own performance as an R&D investment corporation, SRDC will, in addition, consider its performance against the following three overarching questions:

- Are SRDC's R&D investments well targeted and responsive to priority needs?
- Is SRDC delivering on industry priorities and the Australian Government's national and rural industry priorities?
- Is SRDC continually improving the management of its R&D portfolio by learning, experimenting, and influencing beneficial change?

The processes that SRDC uses in addressing these questions include an annual Review of SRDC Performance by the Board; regular annual consultations on SRDC results and performance with the Representative Bodies; annual workshops in all regions in the Australian sugarcane industry; and evaluations by the Board of the effectiveness of various groups and types of projects.



CORPORATE FUNCTIONS

Legislative Framework

SRDC was established under the *Primary Industries and Energy Research and Development Act 1989* (the PIERD Act) on 1 October 1990. As an Australian Government Statutory Authority it is also subject to the *Commonwealth Authorities and Companies Act 1997* (the CAC Act).

The objects of the PIERD Act are to make provision for the funding and administration of research and development relating to primary industries with a view to:

- increasing the economic, environmental or social benefits to members of primary industries and to the community in general by improving the production, processing, storage, transport or marketing of the products of primary industries;
- achieving the sustainable use and sustainable management of natural resources;
- making more effective use of the resources and skills available in the community in general, and in the scientific community in particular; and
- improving accountability for expenditure upon research and development activities in relation to primary industries.

The PIERD Act establishes the following functions for SRDC:

- to investigate and evaluate the requirements of the sugarcane industry for R&D, and on the basis of that investigation and evaluation, to prepare an R&D plan, and to review and revise the plan;
- to prepare an annual operational plan for each financial year;
- to coordinate or fund the carrying out of R&D activities that are consistent with the annual operational plan prepared by the Corporation and in force at the time;
- to monitor, evaluate and report to the Parliament, the Minister and its representative organisations on R&D activities that are coordinated or funded, wholly or partly, by the Corporation;
- to assess and report to the Parliament, the Minister and its representative organisations on the impact, on the primary industry or class of primary industries in respect of which the Corporation was established, or R&D activities that are coordinated or funded, wholly or partly, by the Corporation;
- to facilitate the dissemination, adoption and commercialisation of the results of research and development for the sugarcane industry; and
- such other functions as are conferred on the Corporation by this Act or any other Act.

Objectives of SRDC

- The objectives of SRDC are directly related to the objects of the PIERD Act. They are:
 - To improve the competitive position and cost efficiency of the Australian sugarcane industry;
 - To achieve sustainable use and sustainable management of the natural resource base of the sugarcane industry;
 - To apply industry, scientific and community resources more effectively to R&D in the sugarcane industry, and
 - To manage SRDC resources efficiently and to improve the accountability for expenditure on R&D for the sugarcane industry.

Funding of SRDC

Funding of SRDC is by levies from industry, with matching Australian Government contributions up to 0.5 per cent of the gross value of production (GVP). Levies are imposed under Schedule 24 of the *Primary Industries (Excise) Levies Act 1999* and collected under the *Primary Industries Levies and Charges Collection Act 1991*. Since 2002, the levy has been \$0.14 per tonne of sugarcane crushed, divided equally between growers and millers.

Industry Representative Organisations

The PIERD Act prescribes the following representative organisations of SRDC:

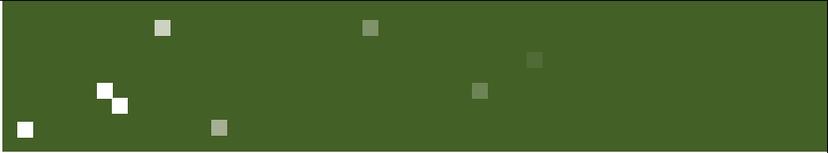
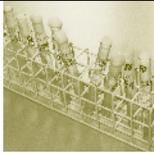
- Australian Cane Growers' Council Limited;
- Australian Cane Farmers' Association Limited;
- Australian Sugar Milling Council Proprietary Limited.

SRDC is accountable to both the Australian Government and these representative organisations. SRDC meets formally with the representative organisations three times each year to discuss SRDC activities, statutory reporting, levy arrangements as requested, R&D priorities and any other matters of mutual interest.

Responsible Minister

SRDC is responsible to the Federal Parliament through the Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry. The Parliamentary Secretary:

- Approves the five-year R&D Plan and the annual operational plan;
- Appoints Directors, other than the Chair, and the Executive Director, of SRDC on the recommendation of the Sugar Research and Development Corporation Selection Committee, and
- Appoints the Chairperson of SRDC.



Corporate Governance Framework

The SRDC Board sets the Corporation's strategic direction and delegates responsibility for day to day management to the Executive Director. The Board is committed to governance systems that enhance performance and ensure that SRDC is operating according to accountability provisions of the PIERD Act and the CAC Act.

Leadership

SRDC operates under the direction of a Board which is responsible for developing the Corporation's policies, governing its operation and monitoring its performance. The Executive Director leads the SRDC management team and is accountable to the Board for day to day operation of the Corporation. The Board has two committees – an Audit Committee to provide advice on accounting, financial reporting, compliance practices and risk management, and a Scholarship Committee which provides advice to the Board on policies relating to scholarships and the awarding of scholarships.

The key Board functions are:

- establishing goals and setting strategic direction;
- developing and approving a five year R&D Plan, an Annual Operational Plan , a Portfolio Budget Statement, and producing an Annual Report.;
- establishing policies and approving procedures for the operation of SRDC;
- ensuring that risk assessment and management frameworks are in place to minimise business and financial risk;
- ensuring that R&D resources are allocated to address priority issues effectively;
- ensuring compliance with applicable laws and provisions of the CAC Act;
- ensuring that Directors and staff maintain the highest ethical standards in accordance with the Code of Conduct;
- appointing, appraising, and setting the level of remuneration for the Executive Director; and
- evaluating its own performance and that of its committees and SRDC management against agreed indicators.

“The five year R&D Plan defines SRDC’s core business, indicates broad priorities for R&D and defines the corporate strategy to achieve its outputs and outcome.”



Planning and Reporting

The five year R&D Plan defines SRDC's core business, indicates broad priorities for R&D and defines the corporate strategy to achieve its outputs and outcome.

The Annual Operational Plan (AOP) specifies the broad groupings of R&D activities that SRDC proposes to fund during the financial year together with an estimate of income and expenditure. The AOP must be submitted to the responsible Minister for approval and a copy forwarded to each of SRDC's representative bodies.

The SRDC Portfolio Budget Statement summarises SRDC's outcome, outputs, performance information and financial position each year. It is consistent with the five year R&D Plan and the AOP and is tabled in Parliament.

The SRDC Annual Report gives particulars of R&D activities funded during the year (inputs), and a review of how SRDC has performed in relation to the objects of the PIERD Act, the SRDC R&D Plan and its corporate outputs and outcome. The Annual Report must be submitted to the responsible Minister for tabling in Parliament and provided to each of SRDC's representative bodies.

Accountability

As required by Sections 15 and 16 of the CAC Act, the Chair of SRDC advises the responsible Minister in writing of significant events affecting the operation of the Corporation, and the general operations of the Corporation. It is SRDC policy for the Chair and Executive Director to also consult personally with the Minister twice yearly, and to write to the Minister after each Board meeting outlining key decisions taken.

The Chair and Executive Director meet three times each year, in March, July and November, with the executive of SRDC's three representative bodies to discuss SRDC's Annual Operational Plan and Annual Report and investment needs and priorities.

Management

The SRDC Business Process Management System folds active quality assurance into daily management. It is an essential tool in managing risk and controlling fraud and its annual audit is overseen by the Audit Committee.



Financial Control

SRDC maintains accounts and records of transactions in accordance with accepted accounting principles. Financial statements are prepared in accordance with Schedule 1 of the CAC Act and Australian Equivalents to International Financial Reporting Standards.

Risk Management

SRDC's risk management system is detailed in its Risk Management and Fraud Control Plans. These cover all activities from portfolio to project level including transactions with external providers and contractors.

Monitoring

This SRDC R&D Plan 2007-2012 outlines strategies and performance measures that provide a framework for monitoring activities and measuring corporate performance.





Investing in Sugarcane Industry Innovation



SRDC is proud to use paper which contains
60 per cent bagasse for this publication.



Investing in Sugarcane Industry Innovation

