



# **Sugar Research Australia Limited (SRA)**

## **SUBMISSION**

To

The Senate Standing Committee on Rural and Regional  
Affairs and Transport References

On

Industry structures and systems governing the imposition  
and disbursement of marketing and research and  
development (R&D) levies in the agricultural sector

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## Executive Summary

1. Sugar Research Australia Limited (SRA) thanks the Rural and Regional Affairs and Transport References Committee for their invitation to provide a submission to their inquiry into the industry structures and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector.
2. In 2012 a poll of Australian sugarcane growers and millers ('Sugar Poll') resulted in a majority vote with 84 per cent of growers and 99 per cent of millers voting to endorse the implementation of a statutory levy to establish and fund a company, limited by guarantee under the *Corporations Act 2001* (Cth), to undertake Research, Development and Extension (RD&E) activities for the benefit of the Australian sugar industry<sup>1</sup>.
3. To this end, SRA was established and declared as the Industry Services Body for the Australian sugar industry under the *Sugar Research and Development Services Act 2013* (Cth). The Sugar Poll also resulted in the endorsement for the implementation of a statutory levy to fund RD&E investment through SRA. SRA is not a marketing or trading organisation.
4. In this submission, SRA provides comment on the current Sugarcane Levy model and associated processes from the standpoint of SRA's role as the Industry Services Body for the Australian sugar industry.
5. SRA is keen to take this opportunity to express its support for a levy framework that ensures transparency and accountability to Levy Payers, as well as engagement and consultation with Levy Payers in RD&E investment decisions.
6. Levy Payers and government investors are actively engaged in the setting of priorities for RD&E investment in the sugar industry and in monitoring and reviewing the delivery of beneficial outcomes to both the industry and the broader community.
7. Under the Sugarcane Levy model, which was implemented in 2013, any changes to the quantum of levy to be paid can only be made with the agreement of the majority of Levy Payers voting in a Sugar Poll.
8. Since SRA's inception just over a year ago, SRA has committed itself to applying the industry levy towards a robust and transparent RD&E investment framework that meets industry needs and priorities and deliver benefits that will contribute to the profitability, productivity and sustainability of the Australian sugar industry.
9. In consultation with our Members, Levy Payers, industry representative bodies and government, SRA has developed a five-year Strategic Plan to address industry and government priorities through targeted RD&E investment within eight key areas of focus. The Strategic Plan is supported through Annual Operational Plans which outline the RD&E investment portfolio for the current year.
10. Throughout the life of the Strategic Plan, SRA will actively engage and consult with our Levy Payers, Members, Delegates, industry representative bodies,

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<sup>1</sup> For the purposes of this submission, the Australian sugar industry (the industry) means those sugarcane growing and milling businesses paying the Sugarcane Levy.

government, partners, collaborators and other organisations, where appropriate. This will ensure that our RD&E activities and investment portfolio remain relevant and responsive to new and emerging issues and opportunities.

11. SRA's Member Delegates play a pivotal role in terms of providing insight regarding industry issues and priorities, as well as acting as an important conduit for communication and consultation between SRA and our Members.
12. Levy Payers can currently monitor and review SRA's performance against the delivery of objectives and outcomes laid down in the Strategic Plan, and associated Annual Operational Plans, via SRA's website, various industry communiques, industry consultation activities and annual reports.
13. SRA is also in the process of establishing a comprehensive monitoring and evaluation framework that will enable SRA to more directly assess, monitor and report to industry on the progress of delivering on its Strategic Plan. Once established, SRA will provide industry with an annual Performance Scorecard highlighting SRA's overall RD&E performance and return on Levy Payer investment.
14. Under the Sugarcane Levy model, SRA is also obligated every three years to commission a comprehensive independent Performance Review, with the first review due to be completed by February 2017. On consideration of the findings of the Performance Review, the SRA Board and/or SRA's Member Delegates may recommend changes to the levy which will then be required to be taken to a Sugar Poll. A Sugar Poll will then be undertaken whereby all Levy Payers will be provided the opportunity to vote to change the amount of the levy.
15. In short, the Sugarcane Levy Payers are centric to the strategic and operational decision-making of SRA.
16. SRA's governance, planning and RD&E investment processes are based on the principles of being customer- and outcome- focused, consultative and collaborative. In doing so, SRA ensures compliance with enabling legislative and overarching governance principles and guidelines pertaining to the implementation, administration and management of the Sugarcane Levy. In particular, SRA ensures that:
  - Levy Payers are consulted with and get to have a say in where their levy monies are spent in terms of RD&E;
  - Levy Payers' RD&E needs and priorities are understood and provide the context for SRA's strategic and operational planning and decision-making;
  - SRA is transparent in its undertakings and RD&E investments;
  - SRA reports to Levy Payers and industry representative bodies on progress and performance of RD&E; and
  - Levy Payers hold the power to decide on any change to the quantum of Sugarcane Levy, including a change to make it zero.
17. With the recent significant reform of the RD&E framework in the Australian sugar industry and the resultant democratically-centred and consultative levy structure, the industry undoubtedly has one of the most current and contemporary levy structures under the *National Primary Industries RD&E Framework*.

## Background

### Australian sugar industry

18. The Australian sugar industry is located predominantly along the eastern coastline of Queensland and northern New South Wales and consists of approximately 4,000 sugarcane growing businesses, supplying 24 mills owned by eight milling companies.
19. A total of just over 30.5 million tonnes of sugarcane was crushed during the 2013 season, resulting in more than four million tonnes of sugar being produced and generating \$2,000 million<sup>2</sup> in revenue for the industry. Looking forward, the industry is expecting to produce in the vicinity of 32 million tonnes of sugarcane in 2014 (as at time of writing this submission), with a view to working towards achieving an annual production target of 36 million tonnes per annum.
20. The Australian Sugar Industry Alliance (ASA) is the peak industry representative body for the Australian sugarcane industry, representing the majority of sugarcane growers and millers.
21. CANEGROWERS is the primary industry representative body for Australia's sugarcane growers, representing approximately 80 per cent of growers, whilst the Australian Sugar Milling Council (ASMC) is the industry representative body for the milling sector representing six of the eight milling companies operating in Australia.
22. The Australian Cane Farmers Association (ACFA), which has a long-standing history in representing the interests of sugarcane growers, is also considered to be a key industry representative body for the Australian sugar industry.
23. SRA is the Industry Services Body for the Australian sugar industry.
24. SRA is regionally based with close proximity to all current sugarcane growing and milling areas.

### Sugar Poll 2012 and the establishment of SRA

25. The current Australian Sugarcane Levy model has been in place for less than two years.
26. The model, which is based on statutory levy payments from sugarcane growing businesses and milling companies being used to fund SRA as the Industry Services Body, was established as a result of extensive effort by ASA to streamline and modernise the industry's RD&E arrangements.
27. The intent of the ASA driven reform, was to address long-standing issues with respect to research performance in relation to investment, alignment of RD&E activity with industry priorities and balance of industry contributions<sup>3</sup>.
28. At the heart of the reform agenda was the intent to streamline the RD&E activities of the three industry-backed organisations (Sugar Research

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<sup>2</sup> Includes sugar, electricity and molasses. Source: ASMC.

<sup>3</sup> Establishing an Industry Owned Company 'Sugar Research Australia' – Initial proposal to the Minister for Agriculture, Forestry and Fisheries, Australian Sugar Industry Alliance, February 2012, p.3.

Development Corporation, BSES and Sugar Research Limited) into one industry-owned company (IOC), Sugar Research Australia, which was to be funded by a statutory levy to be paid equally by sugarcane growers and millers.

29. On the back of extensive industry consultation and due diligence, ASA conducted a poll, in August 2012 (the 'Sugar Poll 2012'), of 4,441 sugarcane growing businesses and eight milling companies, asking whether they agreed to the forming of SRA and to a statutory levy of 70 cents a tonne of cane delivered, to be split equally between growers and millers.
30. The poll was conducted in accordance with the *Levy Principles and Guidelines*<sup>4</sup> and under the oversight of the Australian Electoral Commission and resulted in over 77 per cent of growing businesses and all eight milling companies returning their voting papers. Of these, 84 per cent of growing businesses and seven of the eight milling companies (representing 99 per cent of tonnes processed in 2011) voted Yes.
31. Following the resounding success of the Sugar Poll 2012, ASA was successful in its application to the Commonwealth Government to implement the necessary policy and legislative arrangements to provide for the implementation of the new statutory levy and the declaration of SRA as the Industry Services Body.
32. Sugar Research Australia Limited was subsequently established as an industry-owned company limited by guarantee under the *Corporations Act 2001* (Cth) on 1 July 2013 and declared on 5 August 2013 as the Industry Services Body for the Australian sugar industry under the *Sugar Research and Development Services Act 2013* (Cth).

### **Role and structure of SRA**

33. As the Industry Services Body, SRA is responsible for the direct provision of RD&E as well as the ongoing management and investment of funds received from industry Levy Payers and government, to both meet the needs and priorities of the industry and deliver benefit to the industry and for the wider public good.
34. In doing so, SRA operates under the objects laid down in clause 5.1 of the company's Constitution<sup>5</sup>. Table 1 details these objects.

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<sup>4</sup> *Levy Principles and Guidelines*, Department of Agriculture, Fisheries and Forestry, 2009.

<sup>5</sup> *Constitution Sugar Research Australia Limited*, May 2013, p.7.

([http://www.sugarresearch.com.au/icms\\_docs/163908\\_Sugar\\_Research\\_Australia\\_Constitution\\_May\\_2013.pdf](http://www.sugarresearch.com.au/icms_docs/163908_Sugar_Research_Australia_Constitution_May_2013.pdf))

**Table 1 Objects of the company**

<p><b>5.1 Objects</b></p> <p>The objects of Sugar Research Australia are to contribute to the development of the Australian Sugar Industry (all Sugarcane Levy Payers) and to the community in general by:</p> <ul style="list-style-type: none"><li>(a) delivering cost effective Research and Development services to the Australian sugar industry to enhance its viability, competitiveness and sustainability;</li><li>(b) receiving funds from the Commonwealth of Australia, being proceeds from the Sugarcane Levy and contributions by the government to Research and Development in relation to the sugar industry and accounting to the government and the Parliament of the Commonwealth of Australia and Members and Levy Payers for expenditure of such funds;</li><li>(c) seeking and receiving funds from other persons for Research and Development Activities for the benefit of Australian Sugar Industry participants and accounting for expenditure of such funds;</li><li>(d) managing funds the Company receives and any risks related to expenditure and funding;</li><li>(e) consulting with, and being accountable to, Company stakeholders to achieve planned objectives and outcomes;</li><li>(f) investigating and evaluating requirements for Research and Development and innovation and research-based services in relation to the Australian Sugar Industry;</li><li>(g) supporting and developing research capacity through a contestable funding framework that provides for a diverse range of Research and Development service providers;</li><li>(h) carrying out, co-ordinating and providing funding for Research and Development Activities in relation to the Australian Sugar Industry;</li><li>(i) facilitating dissemination, extension, adoption and commercialisation of results of Research and Development Activities;</li><li>(j) managing, developing, utilising, extending and opening access to intellectual property from Research and Development Activities, and to receive proceeds, if any, of such activity; and</li><li>(k) Undertaking other associated activities that are required to achieve the Company objects.</li></ul>
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35. Unlike other IOCs, SRA is both a funder and provider of RD&E. In addition to facilitating and investing in targeted RD&E that addresses industry priorities, SRA has its own team of researchers and development officers who carry out work that builds the capacity and security of the industry, including the important functions of plant breeding, biosecurity, analysis and extension.

36. It is also important to note that, unlike some other IOCs, SRA's Constitution and Statutory Funding Agreement<sup>6</sup> (SFA), that SRA has entered into with the Commonwealth Government, explicitly prohibit SRA from:

- engaging in agri-political activities;

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<sup>6</sup> *Statutory Funding Agreement 2013-2017* between the Commonwealth of Australia represented by the Department of Agriculture, Fisheries and Forestry and Sugar Research Australia Limited.



- acting as an industry representative organisation; and
- acting as a marketing or trading organisation.

### SRA funding and investment

37. SRA's main sources of funds, to support both SRA's core RD&E activities and RD&E investments, come from the statutory Sugarcane Levy paid by sugarcane growers and millers, matching contributions from the Commonwealth Government and investments from the Queensland Government. SRA also receives minor income from other sources, such as royalties for the use of intellectual property and payments for the provision of SRA services (e.g. scientific testing and analysis). Table 2 details the total income received by SRA during 2013/14 and the amounts from each funding source.

Table 2 Income by funding source

Income source	2013/14 \$ ('000)
Industry contribution (levy payments)	19,542
Commonwealth matching contribution	6,692
Queensland Government contribution	4,031
Collaboration income <sup>7</sup>	1,971
Sale of cane	519
Other income <sup>8</sup>	640
	33,395

38. With respect to managing and investing funds from Levy Payers and government matching funds, SRA has entered into a SFA with the Commonwealth Government. The SFA establishes the terms on which the Commonwealth remits the levy payments to SRA and the terms for the Commonwealth matching contributions to SRA.
39. It should be noted that under the SFA, the matching payments from the Commonwealth are to match industry contributions (levy payments) dollar for dollar to a maximum or cap of 0.5 per cent of the gross value of sugarcane produced in Australia in the financial year, provided conditions of the SFA are met.

<sup>7</sup> Collaboration income is the contributions received from third parties where SRA is collaborating with them to achieve project objectives.

<sup>8</sup> Other income includes lease and rental income, sundry income and profit on sale of assets.

## Response to Inquiry Terms of Reference

### a) an audit of reports, inquiries and reviews relevant to this inquiry

40. Given the establishment of the Sugarcane Levy and SRA, as the Industry Services Body, have only occurred within the last eighteen months, the following documents provide current context for this submission and are recommended as references for the Inquiry.
- *Establishing an Industry Owned Company 'Sugar Research Australia' with a new statutory levy*, Application Volume 1 – Application to the Minister for Agriculture, Fisheries and Forestry, September 2012, Australian Sugar Industry Alliance (<http://sugarpoll.com.au/wp-content/uploads/2012/09/1.-ASA-SRA-Application-vol-1-20.9.12-f.pdf>);
  - *Constitution of Sugar Research Australia Limited*, May 2013 ([http://www.sugarresearch.com.au/icms\\_docs/177807\\_Sugar\\_Research\\_Australia\\_Constitution\\_May\\_2013.pdf](http://www.sugarresearch.com.au/icms_docs/177807_Sugar_Research_Australia_Constitution_May_2013.pdf)); and
  - *Statutory Funding Agreement 2013-2017* between the Commonwealth of Australia and Sugar Research Australia Limited ([http://www.sugarresearch.com.au/icms\\_docs/163906\\_Statutory\\_Funding\\_Agreement\\_2013-17.pdf](http://www.sugarresearch.com.au/icms_docs/163906_Statutory_Funding_Agreement_2013-17.pdf)).

### b) the basis on which levies are imposed, collected and used

41. As stated above, the Australian sugar industry, through the work and commitment of ASA, drove the reform of the industry-funded RD&E activities in 2012 and voted in the overwhelming majority for the establishment of the current Sugarcane Levy model and quantum of levy.
42. In accordance with the *Levy Principles and Guidelines*, the Sugarcane Levy is underpinned by equitable arrangements for the imposition of the levy, the distribution of benefits from the levy and the allocation of votes in a ballot to change the levy.

#### Imposition of levy

43. The Sugarcane Levy is a statutory levy imposed on sugarcane growing businesses and sugarcane milling companies under the *Primary Industries (Excise) Levies Act 1999* (Cth).
44. The current Sugarcane Levy came into force on 1 July 2013 and is payable on sugarcane if it is:
- sold by a growing business to a processing or milling company; or
  - grown by a processing or milling company and processed by the same company; or
  - processed by a processing or milling company on behalf of the owner of the sugarcane.
45. The Sugarcane Levy is an R&D levy only. Marketing is not included as a component of the Sugarcane Levy nor is it provided for as a separate levy.
46. As decided by a majority vote of sugarcane growing businesses and milling companies in the Sugar Poll 2012, the current Sugarcane Levy is calculated on

the basis of 70 cents for each tonne of sugarcane delivered for processing in a year, paid equally by growers and millers at 35cents a tonne each.

47. No exemptions apply to the Sugarcane Levy.

#### Collection of levy

48. The collection of levies is provided for under the *Primary Industries (Excise) Levies Act 1999* and the *Primary Industries Levies and Charges Collection Act 1991* (Cth).
49. The *Sugar Research and Development Services Act 2013* (Cth) is the enabling legislation under which SRA is declared the Industry Services Body for the Australian sugar industry.
50. As the Industry Services Body, SRA is the recipient of the Sugarcane Levy payments however the payments are not paid directly from Levy Payers to SRA. The levy payments are paid to the Commonwealth Department of Agriculture – Levies which is responsible for ensuring all R&D payments<sup>9</sup> ('levy payments') are collected and remitted to SRA.
51. The processors of the sugarcane (milling companies) are responsible for forwarding the levy payments, for themselves and on behalf of the growing businesses who have supplied to them, to the Department of Agriculture – Levies.
52. The mills calculate the levy payments when processing the yearly harvests. Each mill pays the 70 cents per tonne to the Department of Agriculture – Levies and deducts 35 cents per tonne from sugarcane payments being provided to the grower businesses.

#### Use of levy

53. Section 5 of the *Sugar Research and Development Services Act 2013* (Cth) states the levy payments and Commonwealth Government matching payments received by SRA are to be used for two purposes only – firstly, for R&D benefiting the Australian sugar industry and secondly, for payments to the Commonwealth for administrative expenses relating to the collection of the levy payments.
54. With respect to the first purpose, the objects of SRA's Constitution (as detailed above) clearly define how the levy payments received by SRA are to be used for carrying-out, coordinating and investing in RD&E activities that address industry needs and priorities and beneficially impact the productivity, profitability and sustainability of the Australian sugar industry.
55. The use of levy funds are also prescribed under the SFA which requires SRA to apply levy funds to RD&E activities that address industry and government priorities, align with SRA's Strategic and Annual Operational Plans and benefit the Australian sugar industry and the Australian community generally.
56. To this end, SRA has established a *2013/14-2017/18 Strategic Plan*, in close consultation with Levy Payers, industry representatives and government, and a *2013/14 Annual Operational Plan*. These key planning documents address

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<sup>9</sup> 'R&D payments' is the term used in the enabling legislation and refers to the levy monies collected by the Department of Agriculture.

SRA’s investment in and delivery of targeted RD&E to meet industry and government priorities.

57. On the basis of the sentiment, expressed needs and priorities identified by our Levy Payers, industry representative bodies and government during the strategic planning development process, a suite of eight key focus areas for RD&E has been established to direct SRA’s investment in RD&E.
58. To further ensure industry and government priorities are addressed appropriately, priority weightings have been set, in consultation with our industry representative bodies, and are applied to the key areas of focus for RD&E investment. Table 3 details the industry-responsive key focus areas and their respective priority weightings, as set in SRA’s Strategic Plan.

Table 3 Key focus areas and priority weightings for RD&E investment

Key focus areas	Priority weighting
1. Optimally-adapted varieties, plant breeding and release	45%
2. Soil health and nutrient management	5–10%
3. Pest, disease and weed management	5–10%
4. Farming systems and production management	15–20%
5. Milling efficiency and technology	10–15%
6. Product diversification and value addition	5–10%
7. Knowledge and technology transfer and adoption	1–5%
8. Capability development, attraction and retention	1–5%

59. The key focus areas not only form the crux of SRA’s Strategic Plan, but also underpin SRA’s Annual Operational Plan and business processes.
60. An independent Research Funding Panel has been appointed by the SRA Board to manage SRA’s contestable<sup>10</sup> RD&E investment process and ensure that only high-quality RD&E projects that fit within the key focus areas, address industry and government priorities and will deliver beneficial outcomes to the sugar industry are funded.

**c) competing pressures for finite R&D funds**

61. SRA is committed to ensuring it invests, manages and participates in a balanced portfolio of RD&E activities that are appropriate to the industry, whilst providing the best possible return on the limited investment funds available to it.

<sup>10</sup> As SRA is both a funder and provider of RD&E, its investment expenditure is split between a ‘contestable funding pool’ and SRA’s own RD&E activities, which focus mainly on plant breeding, biosecurity, analysis and extension. In addition to these core activities, SRA researchers also submit project proposals for investment under the ‘contestable funding pool’.

62. Investment criteria are therefore set to ensure SRA's RD&E investment are aligned to industry and government priorities and the key focus areas (agreed to with industry) in SRA's Strategic Plan.
  63. The investment funds provided to SRA (via the levy monies, Commonwealth matching funds, Queensland Government contributions and other income) are not sufficient to cover investment in all projects that are proposed to SRA and that meet SRA's investment criteria.
  64. SRA's independent skills-based Research Funding Panel has therefore been established to ensure transparent and robust review of all RD&E projects to be funded from SRA's contestable pool of industry levy and government funds. In this way, all projects are selected for investment based on merit and alignment with industry and government priorities. That is, projects are selected where the best research outcome can be achieved for the investment.
- d) the opportunities levy payers have to influence the investment of the levies**
65. Sugarcane Levy Payers play a significant role in determining where levy monies should be invested by SRA.
  66. There are a number of ways that Levy Payers have the opportunity to influence the investment of the levy monies. These include opportunities available to the broad Levy Payer base or, more specifically and directly, to those Levy Payers who have become Members of SRA.
  67. The primary mechanism for Levy Payers to have direct influence on priorities for RD&E investment is through the development of SRA's Strategic Plans.
  68. In following the strategic planning requirements set down in SRA's Constitution and SFA, SRA has established a highly consultative planning process that includes direct input from our Levy Payers and industry representative bodies in establishing the priority areas of focus for RD&E investment.

#### Setting RD&E priorities and strategic planning input

69. Under both the Constitution and the SFA, SRA is required to consult regularly with our Levy Payers and industry representative bodies, particularly in relation to setting priorities for investment in RD&E and strategic planning.
70. The development of SRA's inaugural *2013/14-2017/18 Strategic Plan* was underpinned by a large-scale industry consultation program whereby our Levy Payers, industry representative bodies, government and other industry stakeholders were invited to put forward their perspective on the opportunities, challenges and RD&E priorities that SRA should focus on during the next five years.
71. The comprehensive consultation program included regional forums, an on-line survey, written submissions and industry representative bodies' review and feedback on the draft Strategic Plan.
72. SRA held regional forum sessions in all major sugarcane growing regions - from Ballina in New South Wales to Gordonvale in far north Queensland. At these sessions, Levy Payers were asked to identify, discuss and rank (in order

of importance) the issues and priorities they wanted to see addressed through RD&E.

73. In addition to the regional forums with Levy Payers, SRA held a research forum with RD&E providers (including CSIRO, universities and private sector organisations) and sponsored a forum, held in Townsville, for young industry participants. Many of these young industry participants are Levy Payers themselves or will be Levy Payers in the future and presented SRA with clear and strong views on the areas they believed investment in RD&E would benefit the industry both now and in the future.
74. Following the industry forums, SRA worked closely with our industry representative bodies and government stakeholders in the drafting of the Strategic Plan to ensure the key RD&E focus areas laid down in the Strategic Plan appropriately addressed the industry and government priorities raised during the industry consultation program.
75. At the time the Strategic Plan was launched in April 2014, our industry representative bodies released media statements and published articles expressing their support for SRA's Strategic Plan and the positive direction RD&E investment was taking in terms of supporting industry growth, profitability and sustainability.
76. Throughout the life of the Strategic Plan, SRA will actively engage and consult with our Levy Payers and industry representative bodies to ensure that SRA's RD&E activities and investment portfolio remain relevant and responsive to new and emerging industry issues, priorities and opportunities.
77. SRA's commitment to responding to emergent priorities and calls for assistance from Levy Payers has already been demonstrated in just its first year of operations, whereby a substantial research program was established to target the incursion of Yellow Canopy Syndrome which is having detrimental impacts within growing and milling communities in northern Queensland.
78. Whilst the primary opportunity for Levy Payers to influence the investment of levy monies is through the identification of industry priorities in the consultative and collaborative strategic planning process, there are a number of other mechanisms that have been established to capture Levy Payer input and feedback in the selection of individual RD&E programs that will receive funding.
79. These mechanisms include the establishment of SRA Member Delegates<sup>11</sup>, an independent skills-based Research Funding Panel and industry advisory committees.

#### Delegates

80. SRA's Constitution provides for the nomination and election of Member Delegates to represent Members on certain matters. The Delegates are pivotal to the membership related governance processes of SRA, both in terms of providing insight regarding SRA's strategic and operational activities, as well as

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<sup>11</sup> Under section 13 of SRA's Constitution, Delegates are elected representatives for a group of SRA Members. Delegates consider and vote on matters including, but not limited to, Performance Reviews and the Sugarcane Levy.

acting as an important communication and consultation link between SRA and its Members.

81. The Delegates were elected by SRA Members in early 2014 and the inaugural meeting of Delegates was held on 22 May 2014.
82. SRA is actively engaging with Delegates and leverage their relationship with SRA's Members to seek feedback on SRA Members' views on industry trends, priorities, challenges and opportunities that can inform SRA's RD&E investment decisions.

#### Research Funding Panel and Industry Advisory Committees

83. The Research Funding Panel is responsible for maximising the investment return from SRA's contestable RD&E funding program. Appointed by the SRA Board, the Research Funding Panel's role is to ensure that SRA's RD&E investment is targeted towards projects that are feasible, have a high likelihood of success, address industry and government priorities and produce real research outcomes.
84. The Research Funding Panel is supported by the Production Research Advisory Committee (PRAC) and the Milling Research Advisory Committee (MRAC), who play a key role in prioritising and advising on the recommendation for potential new research investments across the growing and milling sectors respectively.
85. PRAC membership comprises of grower Levy Payers and MRAC membership comprises of management and technical officers from milling Levy Payers.

#### **e) the opportunities levy payers have to approve and reapprove the imposition of levies**

86. Sugarcane Levy Payers can only approve and reapprove the imposition of levies and/or change the quantum of levies by way of a majority positive vote attained through a formal Sugar Poll.
87. A Sugar Poll is to be conducted whereupon the SRA Board and/or SRA Member Delegates recommend a change be made to the Sugarcane Levy on the basis of an independent Performance Review.
88. A Performance Review must therefore precede any review of the Sugarcane Levy.

#### Performance Review

89. Under clause 18.4 of the Constitution and section 13 of the SFA, SRA is required to commission a comprehensive independent Performance Review at the end of the third year from SRA's commencement (i.e. by July 2016), with subsequent Performance Reviews to be commissioned every third year thereafter.
90. The Performance Review must take into account:
  - the performance of SRA in meeting its obligations under the Constitution and SFA;

- the development and implementation of SRA's Strategic and Operational Plans and the efficiency and effectiveness in meeting the priorities, targets and budgets set out in those plans; and
  - delivery of benefits to the industry foreshadowed by the Strategic and Operational Plans.
91. The Performance Reviews are to be utilised by the industry in assessing the need for a change to the quantum of the levy.
92. As per clause 18.5(b) of the Constitution, the findings from a Performance Review, along with the SRA Board's response to the review, including any recommendation for a levy change, are to be presented to a meeting of the SRA Delegates.
93. If a levy change is recommended as a consequence of the Performance Review, and is supported by the Delegates, the change must be taken to a Sugar Poll, which is to be conducted in accordance with the *Levy Principles and Guidelines*.
94. The Constitution also provides that if the SRA Board considers there is a special case for a change in the Sugarcane Levy at another time, this should also be presented to a meeting of the Delegates. This ensures that future reviews of the Sugarcane Levy can be responsive to critical industry needs, where necessary, rather than being tied to a predetermined timeframe.
95. As required under the Constitution and the *Levy Principles and Guidelines*, a Sugar Poll instigated by the SRA Board or the Delegates must include three levy options, one of which is to be a zero levy.

#### Voting to set the levy amount

96. Sugar Polls involve all Levy Payers in voting.
97. The Sugar Polls are not administered under an automated voting system.
98. SRA currently does not have direct access to Levy Payer details from the milling companies (due to restrictions under the *Privacy Act 1988* (Cth)) nor does SRA receive information from the Department of Agriculture – Levies pertaining to individual Levy Payers and their respective levy payments. SRA therefore cannot, of its own accord, identify all Levy Payers, nor can it identify the amount of sugarcane produced or processed by Levy Payers, for the purpose of undertaking a Sugar Poll. SRA can only identify those Levy Payers who have registered for membership of SRA.
99. The lack of direct access to Levy Payer details is a significant issue for SRA, particularly as it has specific implications for SRA's ability to:
- effectively consult with all Levy Payers on the appropriate investment of their levy payments;
  - identify Levy Payers for voting in Sugar Polls; and
  - identify new and current Levy Payers for issuing of Plant Breeder's Rights Licenses.
100. In undertaking our initial membership drive, SRA engaged the assistance of ASMC to seek our milling members' cooperation in providing an independent mailing house with Levy Payer contact details, thereby ensuring that all Levy



Payers could be invited to apply for SRA membership. SRA will continue to use similar arrangements as required.

101. Future Sugar Polls will be conducted under the auspices of the Australian Electoral Commission.
  102. As per SRA's Constitution, voting in any future Sugar Poll is to use the four bases used in the Sugar Poll 2012 with a target of 50 per cent positive votes on each basis (growing business ABN, tonnes; milling companies, tonnes).
  103. This voting calculation methodology, whereby the numbers of businesses are balanced with the tonnes of cane grown or processed, gives weight to the smaller entities in the industry whilst recognising the amount of levy paid by individual businesses.
- f) the transformation of R&D and marketing into increased returns at the farm gate, including the effectiveness of extension systems**
104. With respect to delivering outcomes to the sugar industry, the SRA Board has clearly articulated to our industry representative bodies that SRA is an enabler and contributor only towards outcomes. SRA cannot deliver the outcomes on its own – the continuing cooperation and collaboration of the sugar industry and SRA's RD&E partners is also required.
  105. SRA recognises that in order to successfully deliver outcomes and facilitate improvements across the sugar industry value chain, an integrated approach to developing RD&E solutions and maximising value for the industry is required.
  106. SRA's *2013/14-2017/18 Strategic Plan* is based on the premise that the realisation of benefits relies on the uptake of industry R&D outputs and knowledge and the translation of these outputs into practice. To this end, SRA is working towards embedding a strategic and operational framework that supports an integrated and participatory approach to developing, translating and transferring research and technology.
  107. This participatory framework promotes the involvement of Levy Payers and other industry stakeholders, where appropriate, in the planning, development and implementation phases of individual RD&E projects, and in ongoing liaison and evaluation regarding the outcomes of the RD&E.
  108. In preparing research proposals for consideration by SRA's Research Funding Panel, researchers are required to have regard to an appropriate pathway to adoption.
  109. SRA's success as the Industry Services Body for the Australian sugar industry is as much measured by its ability to identify research opportunities that will drive the profitability of our grower and miller Levy Payers as it is by the adoption of the technologies identified through this research on farms and in the mills. In recognition of this the SRA board commissioned an internal review of the extension landscape in the sugar industry in April 2014, seeking to optimise adoption of new technologies within our Levy Payers' respective businesses.
  110. The review has looked beyond extension and extension systems per se to consider how the adoption of new technologies can be maximised on farms and in sugar mills, as without adoption the value of research is lost to industry.

In other words, there is a clear recognition that extension without adoption adds no value at the farm gate or in sugar mills.

111. In conducting the review, SRA has been cognisant that, as the government appointed Industry Services Body, SRA has a key function in providing leadership and coordination that optimises extension investment across the entire industry. This is especially important in the sugar industry as the extension landscape is fragmented, with investment being made by growers and millers in numerous organisations. These Investments are in addition to any investment being made by government and the natural resources management sector.
112. In undertaking the review, extensive industry consultation has taken place on multiple occasions with our industry nominated Delegates, extension providers and industry representative bodies, including CANEGROWERS, ASMC and ACFA.
113. Having consulted with industry, SRA has sought to identify opportunities (both through investment and through leadership and coordination) that, if fulfilled, will increase adoption and hence increase returns at the farm gate. These opportunities include: investing in industry capability and capacity; grower-driven research and extension; provider research; and on-farm demonstration activity.
114. As a newly formed entity, SRA is presently establishing a monitoring and evaluation framework that seeks to benchmark current practice and monitor the effectiveness of industry-based extension activity in enhancing the uptake of new technologies that increase returns at the farm gate. In doing this, SRA's Levy Payers will be able to determine the value being added by the extension sector through the investment of their levy payments.
115. SRA already utilises a variety of tools to monitor the effectiveness of electronic-based extension systems, including the number of web visits, logins and click-through rates from e-newsletters and downloads. This information is used to inform extension strategy and future direction.

**g) collaboration on research to benefit multiple industry and research sectors**

116. In addressing the priorities of Sugarcane Levy Payers, industry representative bodies and government investors, and meeting the objectives of SRA's Strategic Plan, SRA places significant importance on working with industry, partners, collaborators, government and other organisations to leverage synergies and enhance capability.
117. SRA actively undertakes cross-sectoral collaboration and investment with other IOCs and Research and Development Corporations to benefit the Australian sugar industry and the broader Australian community.
118. These collaborations are an important way to achieve greater outcomes from investments than would otherwise have been achieved alone.
119. The improved communication and coordination within these activities helps to better disseminate R&D activities and outcomes across different industries and improves the prospects of future collaboration.

120. As required under the SFA, SRA currently invests in and collaborates on cross-sectoral RD&E in the following strategy areas within the *National Primary Industries RD&E Framework*<sup>12</sup>:

- Biofuels and Bioenergy;
- Climate Change Research Strategy for Primary Industries;
- Managing Climate Variability;
- Water Use in Agriculture;
- Plant Biosecurity; and
- Soils.

121. SRA also participates in the following cross-sectoral investment programs:

- National Working Party for Pesticide Application; and
- improved access to Agvet chemicals for agricultural industries.

122. SRA recognises there is a growing need for more collaboration among researchers and research organisations in the interests of leveraging Levy Payer and government investments and achieving productivity growth in an increasingly resource-constrained and competitive RD&E environment.

123. To this end, SRA will continue to build on its close working relationships with other research organisations, including universities, CSIRO and international sugar-related institutes.

#### **h) industry governance arrangements, consultation and reporting frameworks**

##### Governance arrangements

124. The legislative and corporate governance framework for the establishment and administration of the Sugarcane Levy and SRA consists primarily of the:

- *Corporations Act 2001* (Cth);
- *Primary Industries (Excise) Levies Act 1999* (Cth);
- *Primary Industries Levies and Charges Collection Act 1991* (Cth);
- *Sugar Research and Development Services Act 2013* (Cth);
- *Levy Principles and Guidelines*;
- *National Primary Industries RD&E Framework and Guidelines*, administered by the Commonwealth Department of Agriculture;
- *Statutory Funding Agreement 2013-2017* between the Commonwealth of Australia and Sugar Research Australia Limited, 5 August 2013
- *Constitution of Sugar Research Australia Limited*, May 2013;
- *SRA Board Charter*; and
- *SRA Research Funding Panel Charter*.

125. SRA is the Industry Services Body as declared for the purposes of the *Sugar Research and Development Services Act 2013* (Cth). As the Industry Services Body, SRA is the recipient of the Sugarcane Levy monies and is responsible for investing these monies in RD&E to meet the needs and priorities of the Australian sugar industry, government and the broader Australian community, and in accordance with SRA's industry-driven Strategic Plan.

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<sup>12</sup> *National Primary Industries RD&E Framework and Guidelines*, Department of Agriculture.

126. SRA is not only accountable to our Levy Payers for the RD&E investment that is made on their behalf but also to government, both the Commonwealth and Queensland, as significant investors in sugarcane RD&E.
127. SRA is party to a SFA with the Commonwealth of Australia represented by the Department of Agriculture. The current SFA is for the period 2013 to 2017.
128. The SFA sets out the governance, strategic and operational requirements of SRA in undertaking its role as the Industry Services Body and, more generally, as an IOC.

### Members

129. As an IOC limited by guarantee under the *Corporations Act 2001* (Cth), SRA is required to have Members and is responsible and accountable to these Members.
130. SRA's Constitution sets out the membership registration, consultation and voting requirements and mechanisms.
131. All Sugarcane Levy Payers are entitled to membership of SRA however membership is not automatically assigned to Levy Payers. Under the requirements of the *Corporations Act 2001* (Cth), Levy Payers must register to become Members of SRA.
132. SRA has two types of Members – Group G for growers and Group M for millers. Where the Member is a company or other organisation, an individual must be appointed to represent the organisation and exercise its rights. That person is known as the Member Representative.
133. Members can directly engage with SRA in a number of ways, including being permitted to vote at general meetings, nominating for election to the Director Selection Committee and nominating or being nominated as a Delegate.
134. Only Members, if they are an individual, or Member Representatives, if they are a company or other organisation, are entitled to vote at general meetings.
135. Since its establishment in August 2013, SRA has been working closely with our industry representative bodies to encourage all Levy Payers to become Members of SRA so that they can play an active role in determining the future of their industry-owned company.
136. As at the time of writing this submission, SRA has 2,254 Group G Members, representing over 50 per cent of grower Levy Payers, and eight Group M Members, representing 100 per cent of miller Levy Payers. SRA will continue to actively promote membership, with the assistance of our industry representative bodies.
137. As an IOC, SRA's focus is on providing RD&E that will benefit our Levy Payers. As such, SRA values the opinions and input of our Levy Payers and is committed to ensuring they are directly involved in key aspects of the company, such as contributing to setting RD&E priorities and voting on important matters.

138. To date, SRA has not held any general meetings. As such, SRA has yet to assess the participation or take-up of our Members in exercising their voting entitlements.
139. SRA's inaugural Annual General Meeting is scheduled to be held on 22 October 2014.

SRA Member voting structure

140. SRA Members' voting entitlements are determined under SRA's Constitution and the *Corporations Act 2001* (Cth).
141. A resolution put to a vote at a General Meeting must be decided on either a show of hands or by a poll.
142. A poll may be demanded by the Chair or by five or more Member Representatives present or by Members holding five per cent of votes that may be cast on the resolution.
143. On a show of hands, each Member Representative (or proxy) has one vote.
144. On a poll, only Member Representatives (or proxies) present at the General Meeting are entitled to vote, unless the Board has approved other means (e.g. electronic) for the casting and recording of votes on any resolution put to a General Meeting.
145. The voting system ensures equitable representation for both grower and miller Members.
146. In conducting a vote of SRA Members at a General Meeting, the votes of Group G and Group M Members are to be counted separately and on each of the following bases:
- a) Group G Member Representative (or proxy) – is entitled to cast one vote;
  - b) Group M Member Representative (or proxy) – is entitled to cast the number of votes shown in the Voting Register as allocated to it for the relevant calendar year. Votes are to be calculated on two separate bases:
    - i. one vote per mill company; and
    - ii. one vote per whole tonne of Sugarcane delivered to the processing plant(s) of a mill company in the prior calendar year.
147. With respect to any Ordinary Resolution, at least 50 per cent of Group G Members and at least 50 per cent of Group M Members must vote in favour of the resolution in order to pass the resolution.
148. To pass a Special Resolution, at least 75 per cent of Group G Members and 75 per cent of Group M Members must vote in favour of the resolution.
149. The Chair of the General Meeting does not have a casting vote. If an equal number of votes is cast for and against a resolution, the question is decided in the negative.

## Delegates

150. As detailed above, SRA's Constitution provides for the nomination and election of Group G and Group M Member Representatives as Delegates. The Delegates are pivotal to the membership related governance processes of SRA, both in terms of providing insight regarding SRA's strategic and operational activities, as well as acting as an important communication and consultation link between SRA and our Members.
151. The primary role of Delegates, as prescribed under SRA's Constitution, is to attend Delegates meetings, as scheduled by SRA, for the purpose of considering matters relating to: SRA Performance Reviews and the Sugarcane Levy; and voting to elect SRA's Director Selection Committee members.
152. The nomination and election process for Delegates was completed in early 2014, culminating with the appointment of 23 Group G Delegates and 12 Group M Delegates.
153. The inaugural Delegate meeting was held on 22 May 2014.
154. SRA has since utilised the Delegates to provide input into the development of SRA's performance monitoring and evaluation framework.
155. SRA will continue to actively engage with Delegates and leverage their relationship with SRA's Members to seek feedback on SRA Members' views on industry trends, priorities, challenges and opportunities that can inform SRA's RD&E investment decisions.

## Consultation

156. As mentioned above, both SRA's Constitution and SFA require SRA to consult regularly with industry, industry representative bodies and government on strategic planning and priorities for investment in RD&E activities.
157. SRA also regularly communicates, consults and engages with our Levy Payers and our industry representative bodies on various other matters.
158. As mentioned above, SRA does not have direct access to our Levy Payer details from the milling companies (due to restrictions under the *Privacy Act 1988* (Cth)) nor does SRA receive information from the Department of Agriculture - Levies pertaining to individual Levy Payers. As such, SRA cannot identify all Levy Payers.
159. To counter this and ensure a broad-based representation of our Levy Payers is included in industry consultation activities, SRA utilises a range of communication and consultation mechanisms, including:
  - direct-mail (using Levy Payer details provided directly by mills to an independent mailing-house);
  - email to SRA Members;
  - on-line via SRA's website;
  - fortnightly SRA newsletters;
  - industry representative bodies' websites, communiqués and publications;
  - quarterly industry publications;
  - regional media outlets;
  - regional workshops, forums and on-farm consultation;

- industry field days, grower conferences and milling engineering and processing conferences; and
  - SRA's Annual Report.
160. SRA has established close working relationships with our industry representative bodies to foster and support ongoing awareness, consultation and engagement with as many of our Levy Payers as possible.
161. SRA has standing arrangements with our industry representative bodies to include updates and notices in the bodies' respective industry publications and newsletters.
162. SRA Management has regular engagement with our Levy Payers, industry representative bodies, regional industry boards and other industry stakeholders.
163. SRA Management and Board also regularly attend industry representative bodies' Board Meetings.
164. The SRA Board also regularly conducts Board Meetings in sugarcane growing and milling regions and incorporates visits and meetings with our Members, Levy Payers, industry representative bodies and regional industry boards into the schedule for these regional Board Meetings.
165. SRA regional officers, including researchers, technicians and development/extension officers, also have ongoing day-to-day contact with our Levy Payers, industry representative bodies and regional industry boards.
166. SRA's role with respect to extension and adoption is to facilitate interaction and knowledge exchange between SRA and our Levy Payers, Members, Delegates, industry representative bodies and other stakeholders, including Productivity Services Groups and extension providers. Thereby supporting the adoption of innovative R&D findings, practical outcomes and new technologies that will enable the industry to optimise its productivity, profitability and sustainability.
167. In doing so, SRA will provide the industry with various products and services, including publications, decision-support tools, workshops and events, across different mediums.
168. In short, SRA is committed to establishing effective mechanisms to encourage consultation, knowledge exchange and collaboration between all industry participants to support the adoption of R&D innovations that will contribute to the delivery of beneficial outcomes for the industry.

#### Accountability and reporting

169. Under the governance arrangements laid down in the Constitution and SFA, SRA operates an annual cycle of planning and accountability at all levels of the organisation. The cycle includes interlocking processes of strategic and operational planning, budgeting, implementation, evaluation, performance review and accountability to our Levy Payers and government investors.
170. SRA reports on the performance of its RD&E activities both internally and externally to our Members, Levy Payers, industry representative bodies,

government and the broader community via a number of reporting mechanisms. The key reporting mechanisms currently include:

- Internal – Project Milestone Reporting and Management; Audit and Risk Committee and Board Reports; and commissioned project evaluations; and
- External – research highlights published on SRA’s website; SRA updates in industry representative bodies’ publications and newsletters; SRA updates to industry forums, conferences and on-farm ‘shed’ meetings; SRA presentations to our industry representative bodies’ Board Meetings; SRA presentations to Commonwealth and Queensland Government officers; and SRA’s Annual Report.

171. In addition to these current mechanisms, SRA is also in the process of establishing a comprehensive and robust performance monitoring and evaluation framework that is consistent with industry and government expectations. The framework will enable SRA to report on progress of RD&E investment activities and demonstrate the impact the RD&E has had in terms of delivering benefits and valued return on investment to our Levy Payers and the Commonwealth and Queensland Governments.
172. Under the framework, SRA will also undertake and report on the outcomes of regular cost benefit based evaluations of a selection of RD&E projects to assess the benefits and return on investment that these projects have provided to our Levy Payers and government.
173. The intent is to monitor and regularly report on SRA’s performance and the outcomes of RD&E investments to our Levy Payers by way of a published performance snapshot or ‘scorecard’.
174. The development of the framework is expected to be finalised in October 2014, with a view to publishing the first performance scorecard in December 2014.
175. As required under the SFA and as mentioned above, SRA must also commission an independent Performance Review every three years, with the findings of these reviews being reported to our Levy Payers and used as the basis for determining whether a change in the quantum of the Sugarcane Levy is required.

**i) any other related matter**

176. SRA has no comment under this item of the Terms of Reference.



## Glossary of acronyms and defined terms

ACFA	Australian Cane Farmers Association
ASA	Australian Sugar Industry Alliance
ASMC	Australian Sugar Milling Council
Cth	Commonwealth
Group G	Grower members
Group M	Miller members
IOC	Industry Owned Company
MRAC	Milling Research Advisory Committee
PRAC	Production Research Advisory Committee
R&D	Research and Development
RD&E	Research Development and Extension
SFA	Statutory Funding Agreement
SRA	Sugar Research Australia Limited