

COTTON RESEARCH AND DEVELOPMENT CORPORATION

Section 1: Overview	177
1.1 Summary of agency contributions to outcomes.....	179
Section 2: Resources for 2007–08.....	180
2.1 Appropriations and other resources.....	180
2.2 Budget measures, 2007–08.....	181
2.3 Other resource information	181
Section 3: Outcomes	182
3.1 Summary of outputs and contribution to outcome	182
3.2 Outcome performance information	183
Section 4: Other reporting requirements.....	186
4.1 Purchaser–provider arrangements	186
4.2 Cost recovery arrangements.....	187
4.3 Australian Government indigenous expenditure.....	187
Section 5: Budgeted financial statements.....	188
5.1 Analysis of budgeted financial statements.....	188
5.2 Budgeted financial statements tables	189

COTTON RESEARCH AND DEVELOPMENT CORPORATION

Section 1: Overview

The Cotton Research and Development Corporation (CRDC) began operations on 1 October 1990 by way of a regulation made under section 8 of the *Primary Industries and Energy Research and Development Act 1989*. The CRDC is also subject to the *Commonwealth Authorities and Companies (CAC) Act 1997*.

The CRDC invests in a coordinated research and development programme that aims to increase the triple bottom line (economic, environmental and social) benefits which the cotton industry bestows to participants in the cotton industry as well as to the regional communities that serve and co-exist with the cotton industry, and then to the broader Australian economy. The CRDC also facilitates the dissemination, adoption and commercialisation of research and development (R&D) while ensuring substantial spill over of its activities benefit the larger Australian community.

The CRDC is accountable to the Australian people through the Australian Government and also to the cotton industry through its legislated representative industry organisation, the Australian Cotton Growers Research Association (ACGRA).

These stakeholders set broad research and development objectives, which the CRDC addresses through adherence to a five-year strategic R&D plan. This plan is a public document which the CRDC reviews on an annual basis. An Annual Operating Plan is derived from this continual review and serves to guide the CRDC on how its annual activities contribute to the Strategic Plan.

The CRDC is strongly committed to observing the need to keep all levels of government informed about the activities of the CRDC while identifying and communicating the factors that may affect its Outcome. Regular meetings take place between Australian Government personnel and the Board and staff of the CRDC. Regular written briefings are provided to Australian Government Ministers. The CRDC's directors and staff have frequent informal and formal meetings with members of ACGRA, and representatives regularly attend ACGRA formal meetings to ensure they are fully briefed on industry perspectives and priorities.

The Australian cotton industry is the second largest exporter of raw cotton in the world, while the export value to the Australian economy is normally in excess of \$1.0 billion. The industry in Australia provides substantial opportunities for economic growth for the nation through the 880 small-medium enterprises growing cotton and the estimated 10,000 people who work in businesses directly dependent on cotton

CRDC Budget Statement: Overview

production. The cotton production and pre-export segments of its distribution chain are largely decentralised. The industry has relatively intensive and consistent labour requirements to serve production, processing, transport and warehousing. This means the cotton industry at large has a significant and positive impact on the communities in and near the growing regions. The cotton industry is widely regarded as an employer of choice and, as such, attracts and nurtures a skills and capacity base that is of significance to rural and regional communities.

The key focus of the CRDC is to ensure a long-term future for the industry through a comprehensive triple bottom line approach to research, development and extension. To achieve its Outcome, the CRDC invests in a wide range of research projects covering all aspects of the production cycle, from field to fabric. The CRDC has introduced a two-stage process for its annual competitive funding round for research, development and extension projects.

Stage One of this process involves applicants submitting a Preliminary Research Proposal (PRP). If applicants are successful in the first round they are invited to submit a Full Research Proposal (FRP).

The industry's research advisory organisation, ACGRA, is an active body comprising all sectors of the industry, and CRDC relies on its advice to form investment decisions at both stages of the investment advice process.

The CRDC's Board also assesses and commissions research when gaps in the research programme are identified.

The availability of funds for investment in research is advertised in appropriate print media outlets, on the CRDC website and directly to existing and potential research partners such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO), state government departments, universities, cooperative research centres (CRCs) and other research and development corporations. The CRDC is a core partner in the Cotton Catchment Communities Cooperative Research Centre which commenced operations in October 2005. The CRDC has agreed to provide Cotton CRC with research and development activity valued up to \$4 million dollars per annum. Investment by CRDC in R&D attracts further in-kind support and thus leverages the CRDC funds beyond the value of its initial investment.

1.1 SUMMARY OF AGENCY CONTRIBUTIONS TO OUTCOMES

The products and services delivered by the CRDC (outputs, products and services) that contribute to achievement of its Outcome are summarised in Table 1.1.

Table 1.1: Contribution to Outcome

Outcome	Output groups
Outcome	
A more sustainable, profitable and competitive cotton industry, providing increased environmental, economic and social benefits to regional communities and the nation.	Output 1: Economic Output 2: Environmental Output 3: Social

Section 2: Resources for 2007–08

2.1 APPROPRIATIONS AND OTHER RESOURCES

Table 2.1 shows the CRDC's total resources from all origins for 2007–08.

Table 2.1: Total resources, 2007–08

Source	Total resources \$'000
Funds from industry sources	
– Levies	2,194
Funds from Australian Government	
– Matching government contributions	3,109
Funds from other sources	1,997
Total resources	7,300

Note: The Cotton Research and Development Corporation does not receive a direct departmental or administered appropriation from the government.

Table 2.2 provides details of other resources available to be used by the CRDC. These resources are approved for use and are included in Table 2.1.

The CRDC is jointly funded by an industry levy of \$2.25 per bale (227 kilograms ex-gin) and a matching contribution from the Australian Government, provided up to a maximum of 0.5 per cent of the gross value of production, or up to 50 per cent of expenditure, or not exceeding the contribution from grower levies. The estimated 2006–07 cotton crop size of 1.0 million bales will significantly decrease bale levy receipts for both 2006–07 and 2007–08, and current low cotton prices and a forecast crop size of 1.0 million bales for 2007–08 will continue to constrain both industry levy and Australian Government contributions. The government's general matching of industry contributions is expected to be limited to 0.5 per cent of the cotton industry's three year average Gross Value of Production (GVP). The setting and collection of the industry levy is enabled by the *Cotton Levy Act 1982* and the *Primary Industries Levies and Charges Collections Act 1991*.

Table 2.2: Other resources available to be used

Source	Estimated resources 2006–07 \$'000	Budget estimate 2007–08 \$'000
Interest	925	900
Royalties	950	762
Sale of goods and services	-	-
Other	363	335
Total resources	2,238	1,997
	2006–07	2007–08
Average staffing level (number)	11	12

2.2 BUDGET MEASURES, 2007–08

The CRDC is not affected by any 2007–08 Budget measure.

2.3 OTHER RESOURCE INFORMATION

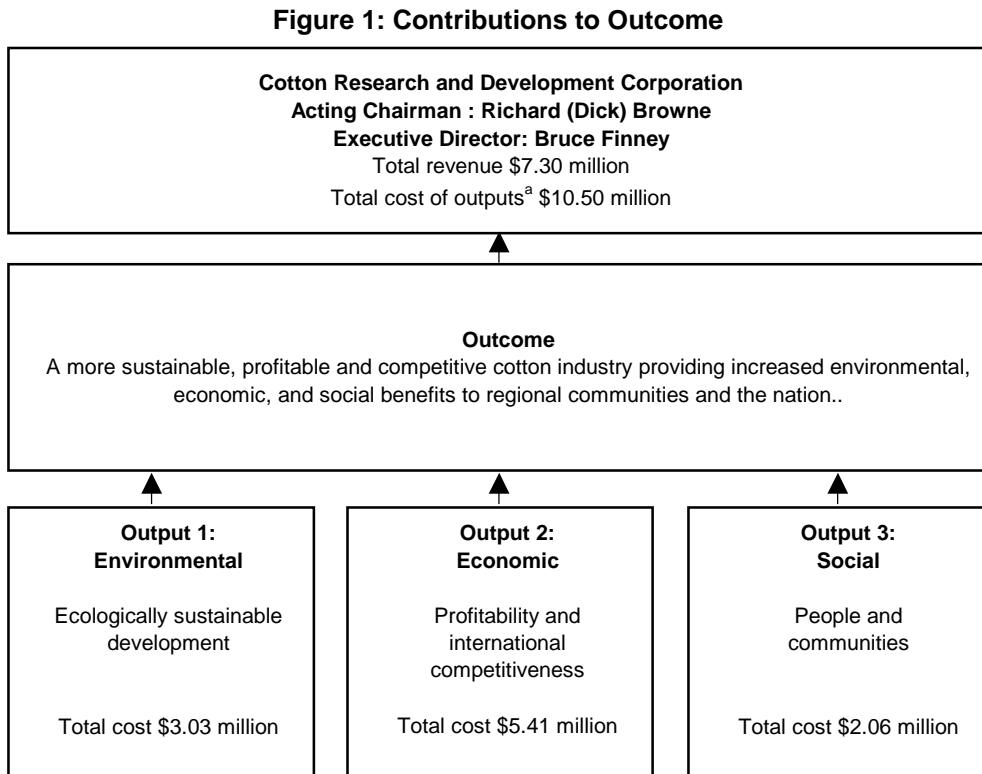
The CRDC has no administered funds, special appropriations or special accounts.

Section 3: Outcomes

This section summarises how the resources identified in Section 2 will be used to contribute to the Outcome of the CRDC. Key performance measures and performance evaluation activities are specified for each output. More detailed information on output attributes is maintained by agencies for internal management purposes.

3.1 SUMMARY OF OUTPUTS AND CONTRIBUTION TO OUTCOME

The relationship between activities of the CRDC and the Outcome is summarised in Figure 1.



a Total cost is shown rather than total price because the Corporation is primarily funded through industry levies rather than on the basis of the price of their outputs. It should be noted that the CRDC will use its accumulated reserves to fund the difference between total revenue and the total costs of outputs.

3.2 OUTCOME PERFORMANCE INFORMATION

3.2.1 Contributions to achievement of Outcome

The CRDC invests in research and development projects that are strategically consistent with both Australian Government and industry priorities and which contribute to the achievement of the Outcome, which is to achieve a more sustainable, profitable and competitive cotton industry that also provides benefits to regional communities and the nation.

3.2.2 Performance information for Outcome

The CRDC's objectives, targets to meet those objectives and tools for measuring achievement of the targets are shown in Table 3.1. In most cases the targets extend to the end of the CRDC's current strategic plan, which finishes in 2008. In each case, improvements are expected in 2007-08 as a proportionate part of the target.

Table 3.1: Performance information for Outcome

Effectiveness—overall achievement of Outcome	
A more sustainable, profitable and competitive cotton industry providing increased environmental, economic, and social benefits to regional communities and the nation.	
Outcome component	Effectiveness indicators
Environmental	
Ecologically Sustainable Development	<ul style="list-style-type: none"> continued improvement in resource and environmental management
Economic	
International Competitiveness	<ul style="list-style-type: none"> greater reductions in the cost of production compared with international competitors, with improved product quality
Social	
Creation and filling of jobs within the industry and cotton communities, specifically in research, management and supporting industries	<ul style="list-style-type: none"> viable regional communities enjoying the flow-on benefits of improved resource and environmental management
Performance information by output	
Output	Performance indicators
Output 1: Environmental	
Industry-wide adoption of improved integrated pest management systems	<ul style="list-style-type: none"> 50% reduction in 2004 quantities of insecticide use — measured by Cotton Consultants Australia (CCA) Annual Market Audit 20% reduction in 2004 quantities of residual herbicide use — measured by CCA Annual Market Audit continued decline in riverine contamination by herbicides used only by cotton growers — measured by Queensland Department of Natural Resources and Mines and New South Wales Department of Natural Resources water quality monitoring programme data

CRDC Budget Statement: Outcomes

Performance information by output	
Output	Performance indicators
Increased adoption of Best Management Practices (BMP) that meets legal requirements, industry benchmarks and catchment scale targets	<ul style="list-style-type: none"> continuing improvements in cotton production audited against BMP Minimum Certification Standards — measured by Cotton Australia Best Management Practices Audit Office Databank information
Improved water use efficiency (WUE)	<ul style="list-style-type: none"> 20% improvement in farm WUE on farms below the 2004 median — measured by Cotton CRC projects benchmarking water use efficiency on farms in New South Wales and Queensland
Output 2: Economic	
Improved yield, through improved management and breeding of higher-yielding, disease and insect tolerant cotton varieties	<ul style="list-style-type: none"> 10% improvement in cotton yield per hectare — measured by CSIRO Cotton Breeding Trial benchmark data
Improved cotton fibre quality that meets market and spinner needs	<ul style="list-style-type: none"> evidence of continuing improvements in defined parameters measured in mill benchmark surveys — measured by CSIRO TFT Cotton Mill Benchmark surveys
Increased profitability, with better whole farm management and innovative precision agricultural systems	<ul style="list-style-type: none"> evidence that prices for Australian cotton remain equal to or above those for competitive cotton growths, measured in 2005 and 2007 — measured by Cotton Outlook 'A Index' quotations evidence that profit margins are improving over time — measured by BOYCE/CRDC Cotton Comparative Analysis reports
Output 3: Social	
Improved skills and qualifications of people at all levels of the industry	<ul style="list-style-type: none"> at least 15 new post graduate students working in areas of high priority future need — measured by CRDC records at least 10 new post-doctoral positions working in areas of high current need — measured by CRDC records 80% of cotton growers having attended a relevant training course in OH&S, IPM or Water Management by 2008 — measured by Cotton Training Co-ordinator's records; Farmsafe Australia records; and CRDC Project Reports
Healthy and resilient communities in cotton producing regions	<ul style="list-style-type: none"> reduction in the cotton industry's environmental footprint (e.g., reduced pesticide use, improved water use efficiency, reduced greenhouse gas production) — measured by Cotton Consultants Australia (CCA) Annual Market Audit (of pesticide use); Cotton Australia BMP Audit Office Databank; CRDC project benchmarking cotton industry greenhouse gas production; Cotton Catchment Communities CRC (Cotton CRC) sub-programme information on nitrogen use (the principal producer of agricultural greenhouse gases) contribution to career opportunities in cotton producing regions — measured by Cotton CRC Programme 3 information at least a 10% reduction in cotton farm-related injuries — measured by Australian Agriculture Centre for Health and Safety data improved industry economic viability — measured by BOYCE/CRDC Cotton Comparative Analysis reports
Adoption of research outcomes that are leading to improved management practices	<ul style="list-style-type: none"> adoption evaluations conducted each year by members of the National Cotton Extension Team — measured by Extension Team Evaluation reports

Note: The Cotton Research and Development Corporation funds a comprehensive and integrated research and development programme, with research sub-programmes, and even individual projects, contributing to the achievement of more than one output. The price for each output is on a pro-rata basis and includes an allocation for corporate management and support costs.

3.2.3 Evaluations for Outcome

During 2007-08, CRDC will seek to implement recommendations from the Review of Disease R&D, which was conducted in 2006-07.

During 2007-08, CRDC is committed to working through the Research and Development Corporations Council of Chairs secretariat to develop and implement a standard framework for benefit-cost analysis for the evaluation and reporting of projects and programme outcomes.

Section 4: Other reporting requirements

4.1 PURCHASER–PROVIDER ARRANGEMENTS

The CRDC contracts R&D services from research providers across a number of Commonwealth, state, university and industry agencies. It also brokers and manages a range of collaborative programmes and joint projects. As part of its risk management framework the CRDC appoints reputable R&D service providers to deliver contractually specified outputs. Since each of these arrangements does not singularly impact upon the CRDC in meeting its Outcome, the details of each arrangement are not specified in the contract.

Responsibility

All compliance and reporting responsibilities are detailed in legally binding agreements between the CRDC and research providers.

Control arrangements

Research agreements entered into between the CRDC and R&D providers detail the purchaser–provider arrangements, including the services and outputs to be delivered and the agreed price. The CRDC has probity and accountability requirements for selection of R&D service providers.

Resourcing

All resourcing implications are detailed in research agreements, including agreed service charges.

Performance against outcomes of purchased outputs

These arrangements contribute to the CRDC producing its outputs and achieving its outcomes.

4.2 COST RECOVERY ARRANGEMENTS

The CRDC has no cost recovery arrangements. The CRDC's stakeholders are the recipients of the CRDC's outputs. As they contribute financially to the CRDC via industry levies and government contributions, publications are made available free of charge to them in both electronic and hard copy format. This is also the case for personnel involved in the CRDC's extension and education activities. To facilitate knowledge and adoption of research findings, publications can also be downloaded freely from the CRDC's website.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

The CRDC has no Australian Government indigenous expenditure.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The CRDC has forecast an operating deficit of \$3.2 million for 2007–08, which will be funded from existing cash reserves.

The operating deficit reflects revenue of \$7.30 million (2006–07 estimated actual: \$10.39 million) with 73 per cent being derived from industry levies and Commonwealth government contributions. The amount of levy and government contributions is heavily reliant upon crop production which is estimated to be only one million bales for the 2007–08 crop. Continuing low international cotton prices will also have a negative impact on the Gross Value of Production (GVP). The CRDC expects that this will activate the PIERD Act 0.5 per cent of GVP legislative trigger, thus also limiting the Australian Government contribution.

As levels of income are still well below the pre-drought average the CRDC's capacity to invest in R&D in recent years has had to be reduced. 2007–08 forecast expenditure is \$10.5 million down from the 2006–07 estimated actual of \$12.36 million. This level of expenditure will continue to be closely monitored to ensure that it remains appropriate.

In summary, budget deficits for the upcoming years will be funded by reserves held by the CRDC to buffer the impact of droughts, lower prices and other exceptional circumstances.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement (for the period ended 30 June)

	Estimated actual 2006–07 \$'000	Budget estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000	Forward estimate 2010–11 \$'000
INCOME					
Revenue					
Revenues from government	8,152	5,303	5,920	7,778	8,445
Interest	925	900	660	605	605
Rents	15	15	15	15	15
Royalties	950	762	871	654	435
Other	348	320	420	420	420
Total revenue	10,390	7,300	7,886	9,472	9,920
Total income	10,390	7,300	7,886	9,472	9,920
EXPENSE					
Employees	1,277	1,386	1,442	1,499	1,559
Suppliers	319	295	303	313	322
Grants	10,727	8,756	8,332	8,221	8,175
Depreciation and amortisation	37	62	60	53	48
Total expenses	12,360	10,499	10,137	10,086	10,104
Surplus (Deficit) before income tax	-	-	-	-	-
Income tax expense	-	-	-	-	-
Surplus (deficit) attributable to the Australian Government	(1,970)	(3,199)	(2,251)	(614)	(184)

Table 5.2: Budgeted departmental balance sheet (as at 30 June)

	Estimated actual 2006–07 \$'000	Budget estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000	Forward estimate 2010–11 \$'000
ASSETS					
Financial assets					
Cash and equivalents	12,720	9,860	7,794	7,200	7,044
Trade and other receivables	1,000	719	580	580	580
Other	300	300	250	250	250
Total financial assets	14,020	10,879	8,624	8,030	7,874
Non-financial assets					
Land and buildings	496	487	490	494	499
Infrastructure, plant and equipment	236	226	231	217	194
Total non-financial assets	732	713	721	711	693
Total assets	14,752	11,592	9,345	8,741	8,567
LIABILITIES					
Provisions					
Employees	200	220	230	240	250
Total provisions	200	220	230	240	250
Payables					
Suppliers	87	106	100	100	100
Grants	600	600	600	600	600
Total payables	687	706	700	700	700
Total liabilities	887	926	930	940	950
Net assets	13,865	10,666	8,415	7,801	7,617
EQUITY^a					
Reserves	135	135	135	135	135
Retained surpluses or accumulated deficits	13,730	10,531	8,280	7,666	7,482
Total equity	13,865	10,666	8,415	7,801	7,617
Current assets	14,021	10,879	8,624	8,030	7,874
Non-current assets	732	713	721	711	693
Current liabilities	687	706	700	700	700
Non-current liabilities	200	220	230	240	250

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

Table 5.3: Budgeted departmental statement of cash flows (for the period ended 30 June)

	Estimated actual 2006–07 \$'000	Budget estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000	Forward estimate 2010–11 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	8,410	5,754	5,970	7,779	8,445
Interest	600	900	710	605	605
Other	1,914	2,073	2,354	2,011	1,767
Total cash received	10,924	8,727	9,034	10,395	10,817
Cash used					
Employees	1,277	1,360	1,432	1,490	1,550
Suppliers	230	283	309	313	322
Grants	12,269	8,756	8,332	8,221	8,174
Other		1,146	958	923	897
Total cash used	13,776	11,545	11,031	10,947	10,943
Net cash from or (used by) operating activities	(2,852)	(2,818)	(1,997)	(552)	(126)
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	177	43	69	42	30
Total cash used	177	43	69	42	30
Net cash from or (used by) investing activities	(177)	(43)	(69)	(42)	(30)
Net increase or (decrease) in cash held	(3,029)	(2,861)	(2,066)	(594)	(156)
Cash at the beginning of the reporting period	15,750	12,721	9,860	7,794	7,200
Cash at the end of the reporting period	12,721	9,860	7,794	7,200	7,044

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget year 2007–08)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2007					
Balance carried forward from previous period	13,730	135	-	-	13,865
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	13,730	135	-	-	13,865
Income and expense					
Income and expenses recognised directly in equity:					
Gain/loss on revaluation of property	-	-	-	-	-
Sub-total income and expense	-	-	-	-	-
Surplus (deficit) for the period	(3,199)	-	-	-	(3,199)
Total income and expenses recognised directly in equity	(3,199)	-	-	-	(3,199)
Transactions with owners					
<i>Distribution to owners</i>					
<i>Contribution by owners</i>					
Sub-total transactions with owners	-	-	-	-	-
Transfers between equity components	-	-	-	-	-
Estimated closing balance as at 30 June 2008	10,531	135	-	-	10,666

Table 5.5: Departmental capital budget statement

	Estimated actual 2006–07 \$'000	Budget estimate 2007–08 \$'000	Forward estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000	Forward estimate 2010–11 \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	177	43	69	42	30
Total	177	43	69	42	30

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2007–08)

	Land	Buildings	Other infrastructure plant and equipment	Computer software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2007					
Gross book value	130	375	108	157	770
Accumulated depreciation	-	9	16	12	37
Opening net book value	130	366	92	145	733
Additions:					
by purchase	-	-	23	20	43
Depreciation/amortisation expense	-	9	20	33	62
Other movements	-	-	-	-	-
Disposals:					
other disposals	-	-	-	-	-
As at 30 June 2008					
Gross book value	130	375	131	177	813
Accumulated depreciation	-	18	36	45	99
Estimated closing net book value	130	357	95	132	714