

COTTON
RESEARCH AND DEVELOPMENT CORPORATION

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COTTON

RESEARCH AND DEVELOPMENT CORPORATION

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The Cotton Research and Development Corporation (CRDC) has been delivering outcomes in cotton research, development and extension (RD&E) on behalf of Australia's cotton growers and the Australian Government for over 27 years.

Established in October 1990 and operating under the *Primary Industries Research and Development Act 1989* (PIRD Act), CRDC exists to power the success of Australian cotton through world-leading RD&E. CRDC is based in Narrabri, NSW: the heart of one of Australia's major cotton-growing regions and home to the Australian Cotton Research Institute.

Cotton is a major contributor to the economic, environmental and social fabric of rural Australia. Predominately grown in New South Wales and Queensland, with expansion into Victoria and commercial trials in the Northern Territory, cotton is a major employer and contributor to the local, state and national economy. The industry's national exports generate an average of \$1.9 billion in annual revenue.

CRDC's role is to invest in RD&E on behalf of cotton growers and the government, with the outcomes boosting the productivity and profitability of industry. RD&E, and its resulting innovations, are a key driving force behind the cotton industry's continued success. CRDC's ultimate aim is to deliver increased economic, social and environmental benefits for the Australian cotton industry, and the wider community, by investing in knowledge, innovation and its adoption.

CRDC's investments are governed by a five-year strategic plan, with 2018-19 marking the first year under CRDC's new 2018-23 Strategic Plan. The new plan builds on the success of the preceding five-year plan and provides an ambitious roadmap for CRDC's investment.

CRDC's aim through the plan is to contribute to creating \$2 billion in additional gross value of cotton production for the benefit of Australian cotton growers and the wider community.

CRDC Budget Statements

The plan has five key areas of focus:

- Increasing productivity and profitability on Australian cotton farms;
- Improving cotton farming sustainability and value chain competitiveness;
- Building the adaptive capacity of the Australian cotton industry;
- Strengthening partnerships and adoption; and
- Driving RD&E impact.

To help achieve this, Australian cotton growers and the Australian Government will co-invest \$24.3 million into cotton RD&E during 2018–19, across 300 projects and in collaboration with over 100 research partners.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Cotton Research and Development Corporation – Resource Statement – Budget Estimates for 2018–19 as at May 2018

	<i>2017–18 Estimated actual \$'000</i>	2018–19 Estimate \$'000
Opening balance/cash reserves at 1 July	35,071	37,716
Funds from Government		
Special appropriations^(a)		
<i>Primary Industries Research and Development Act 1989 s.30(3) – Cotton R&D Corporation</i>	<i>19,218</i>	<i>17,840</i>
<i>Total special appropriations</i>	19,218	17,840
Total funds from Government	19,218	17,840
Funds from industry sources		
Levies ^(b)	9,610	8,920
<i>less amounts paid to the CRF</i>	<i>(9,610)</i>	<i>(8,920)</i>
<i>Total funds from industry sources</i>	-	-
Funds from industry sources		
Interest	798	720
Royalties	1,069	1,221
Other	4,823	3,150
<i>Total funds from other sources</i>	6,690	5,091
Total net resourcing for CRDC	60,979	60,647
	2017–18	2018–19
Average staffing level (number)	15	15

(a) CRDC is not directly appropriated as it is a corporate Commonwealth entity under the PGPA Act. Appropriations are made to the Department of Agriculture and Water Resources and then paid to CRDC and are considered departmental for all purposes.

(b) Levies imposed and collected under the following legislation: *Primary Industries Research and Development Act 1989* (PIRD Act), *Primary Industries (Excise) Levies Act 1999*, *Primary Industries Levies and Charges Collection Act 1991* and associated legislation.

CRF – Consolidated Revenue Fund

Prepared on a resourcing (i.e. appropriations available) basis.

Please note: All figures shown above are GST exclusive – these may not match figures in the cash flow statement.

1.3 BUDGET MEASURES

Budget measures in Part 1 relating to the Cotton Research and Development Corporation are detailed in *Budget Paper No. 2: Budget Measures 2018–19* and are summarised below.

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

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

CRDC does not have any 2018–19 Budget measures.

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

CRDC does not have any other measures not previously reported in a portfolio statement.

Section 2: Outcomes and planned performance

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programs which contribute to government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements – included in annual reports – to provide an entity's complete performance story.

The most recent corporate plan for the Cotton Research and Development Corporation can be found at: www.crdc.com.au/publications/crdc-strategic-plan.

The most recent annual performance statement can be found at: www.crdc.com.au/publications/crdc-annual-report.

2.1 BUDGETED EXPENSES AND PERFORMANCE FOR OUTCOME 1

Outcome 1: Adoption of innovation that leads to increased productivity, competitiveness and environmental sustainability through investment in research and development that benefits the Australian cotton industry and the wider community.

Linked programs

Department of Agriculture and Water Resources
Programs: Program 1.10: Agricultural Resources
Contribution to Outcome 1 made by linked program: The Cotton Research and Development Corporation works together with the Department of Agriculture and Water Resources to ensure a sustainable, productive and profitable cotton industry.

Table 2.1.1: Budgeted expenses for Outcome 1

This table shows how much the entity intends to spend (on an accrual basis) on achieving the outcome, broken down by program, as well as by Administered and Departmental funding sources.

Outcome 1: Adoption of innovation that leads to increased productivity, competitiveness and environmental sustainability through investment in research and development that benefits the Australian cotton industry and the wider community.					
	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
Program 1.1: Cotton Research and Development Corporation					
Revenue from Government					
Special appropriations					
<i>Primary Industries Research and Development Act 1989 s. 30(3) – Cotton R&D Corporation</i>	9,608	8,920	8,705	8,705	8,705
Special appropriations – Industry Levies	9,610	8,920	8,705	8,705	8,705
Revenues from other independent sources	6,690	5,091	5,033	4,993	4,938
Reserves	99	1,400	2,161	2,757	3,378
Total expenses for program 1.1	26,007	24,331	24,604	25,160	25,726
Outcome 1 totals by resource type					
Revenue from Government					
Special appropriations	9,608	8,920	8,705	8,705	8,705
Special appropriations – Industry Levies	9,610	8,920	8,705	8,705	8,705
Revenues from other independent sources	6,690	5,091	5,033	4,993	4,938
Reserves	99	1,400	2,161	2,757	3,378
Total expenses for Outcome 1	26,007	24,331	24,604	25,160	25,726
	2017–18	2018–19			
Average staffing level (number)	15	15			

2.1.2 Performance criteria for Outcome 1

Table 2.1.2 below details the performance criteria for each program associated with Outcome 1. It also summarises how each program is delivered and where 2017-18 Budget measures have created new programs or materially changed existing programs.

As an entity established under the PIRD Act, CRDC does not produce a Corporate Plan under the PGPA Act and is therefore exempt from the requirement to map purposes to outcomes.

Outcome 1: Adoption of innovation that leads to increased productivity, competitiveness and environmental sustainability through investment in research and development that benefits the Australian cotton industry and the wider community.	
Program 1.1: Cotton Research and Development Corporation	
Objectives	<p>Increase productivity and profitability on cotton farms</p> <p>Deliver RD&E for cotton producers to increase productivity, successfully protect crops from biotic threats and environmental stresses, adopt transformative technologies and innovate for improved profitability.</p>
	<p>Improve cotton farming sustainability and value chain competitiveness</p> <p>Deliver RD&E and innovation to create higher value uses for cotton and assist the industry achieve its ambition to be the highest yielding, finest, cleanest and most responsibly produced cotton in the world.</p>
	<p>Build adaptive capacity of the cotton industry</p> <p>Deliver RD&E to develop science and innovation capacity as well as new knowledge to strengthen adaptive capacity.</p>
	<p>Strengthening partnerships and adoption</p> <p>Deliver RD&E and innovation through collaborative partnerships to ensure adoption of best practice, new knowledge, products and services.</p>
	<p>Driving RD&E impact</p> <p>Deliver assessments of the impact of CRDC's RD&E investments that inform future investment direction and continuous improvement.</p>

Continued on following pages

Contributions to Outcome 1 (continued)

Program 1.1: Cotton Research and Development Corporation (continued)	
Delivery	<p>Increase productivity and profitability on cotton farms</p> <p>Strategically prioritise investment in basic, applied and blue-sky research collaboratively with research and cross-sectoral partners to develop new knowledge, practices and adapt transformative technologies for on-farm application that also protect industry from biotic threats and environmental stresses.</p>
	<p>Improve cotton farming sustainability and value chain competitiveness</p> <p>Strategically prioritise investment in basic, applied and blue-sky research collaboratively with research, industry and cross-sectoral partners to develop new knowledge, practices, processes, higher value products and innovative approaches to improve the sustainability of cotton farming and strengthen value chain competitiveness.</p>
	<p>Build adaptive capacity of the cotton industry</p> <p>Strategically prioritise investment in RD&E collaboratively with research, industry and cross-sectoral partners to develop new knowledge, futures thinking, science and innovation capability.</p>
	<p>Strengthening partnerships and adoption</p> <p>Strategically prioritise investment in the effective adoption of research by strengthening partnerships and collaboration, development of best practice and supporting innovation and commercialisation.</p>
	<p>Driving RD&E impact</p> <p>Strategically prioritise investment in research, data capture, analysis and reviews with stakeholders and partners to demonstrate that RD&E investments deliver impact.</p>

Continued on following pages

Contributions to Outcome 1 (continued)

Performance information		
Year	Performance criteria	Targets
2017–18	<p>Farmers – cotton is profitable and consistently farmers’ crop of choice</p> <p>Industry productivity growth per hectare per annum.</p>	<p>3.0 per cent per hectare per annum.</p> <p>Estimated achievement of 3.0 per cent average growth in yield per hectare per annum since 2013.</p>
	<p>Industry – the Australian cotton industry is the global leader in sustainable agriculture</p> <p>Industry reports to customer needs for sustainability indicators.</p>	<p>Achieved through responses to the 2014 Australian Grown Cotton Sustainability Report and Third Environmental Assessment.</p>
	<p>Customers – the Australian cotton industry captures the full value of its products</p> <p>Customers continue to demand Australian cotton products.</p>	<p>Double the premium for Australian cotton.</p> <p>The Australian cotton industry receives a premium for its product – at times double the premium paid for cotton from other countries – further RD&E investment is required to successfully sustain premiums.</p>
	<p>People – capable and connected people driving the cotton industry</p> <p>Implementation of the Cotton Industry Workforce Strategy.</p>	<p>Measured improvement in the capacity of farmers to attract, retain and develop people.</p> <p>Educational attainment in cotton is commensurate with regional Australia, with 28 per cent possessing post-school qualifications.</p>
	<p>Performance – measured performance of the Australian cotton industry and its RD&E drives continuous improvement</p> <p>Coverage of Best Management Practice systems across Australian cotton industry.</p>	<p>80 per cent of cotton farms participating. Estimated achievement of 75 per cent participation.</p>
2018–19	<p>Increase productivity and profitability on cotton farms</p> <p>Improved yield and quality.</p>	<p>Annual increase of 0.35 bales per hectare for irrigated cotton and 0.14 bales per hectare for dryland cotton.</p>

Continued on following page

Contributions to Outcome 1 (continued)

Performance information		
Year	Performance criteria	Targets
2018–19 (continued)	Improve cotton farming sustainability and value chain competitiveness CRDC collaborates in global leadership for sustainability initiatives.	Participates in six global initiatives.
	Build adaptive capacity of the cotton industry Science and innovation capacity is strengthened and strategically fit for a digital future.	10+ new/early career researchers supported through strategic career pathways.
	Strengthening partnerships and adoption Partnerships are strengthened to engage multi-disciplinary and multi-institutional resources.	40 per cent of annual RD&E investments are through cross sectoral partnerships.
	Driving RD&E impact CRDC monitors and evaluates RD&E impact.	One RD&E impact report per annum.
2019–20 and beyond	Increase productivity and profitability on cotton farms As per 2018–19.	As per 2018–19.
	Improve cotton farming sustainability and value chain competitiveness As per 2018–19.	As per 2018–19.
	Build adaptive capacity of the cotton industry As per 2018–19.	20+ new/early career researchers supported through strategic career pathways.
	Strengthening partnerships and adoption As per 2018–19.	As per 2018–19.
	Driving RD&E impact As per 2018–19.	As per 2018–19.

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2018–19 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences between entity resourcing and financial statements

The resourcing statement is prepared on a cash basis. The financial statements are prepared on an accrual basis. Differences between the resourcing and financial statements represent timing differences between revenue recognition and cash received.

3.1.2 Explanatory notes and analysis of budgeted financial statements

Budgeted Comprehensive Income Statement

Variability in CRDC's revenue and expenditure is a result of significant fluctuations in the production of Australian cotton each year. Cotton production has been as low as 560,000 bales in 2008, as high as 5.4 million bales in 2012 and is estimated to be 3.9 million bales in 2018–19.

Revenue from industry levies, matching contributions from the Australian Government and royalties are determined by the level of cotton production and represent more than 83 per cent of total revenue. Since 2008–09 CRDC's revenue has fluctuated between \$7.7 million and \$31.4 million per annum.

The impact of the highly variable revenue stream on CRDC's investment in RD&E is minimised by managing cash reserves. During periods of high revenue CRDC builds up reserves by operating in surplus. During periods of low revenue CRDC draws on reserves by operating under approved deficits. This financial strategy allows CRDC to maintain a more consistent level of RD&E expenditure each year.

Matching contributions from the Australian Government are determined by either the value of industry levies collected or 0.5 per cent of the cotton industry's three year average gross value of production. Which limit will apply depends on the price of cotton, timing of the harvest and ginning and the variability of the crop size. Royalties from the sale of domestic and international planting seed, interest on investments, external grant revenue and research project refunds make up the balance of the CRDC's income.

Budgeted Comprehensive Income Statement (continued)

To achieve the strategic priorities of the R&D plan for the period 2013–18, CRDC has invested a total of \$115.4 million for the five-year R&D plan.

In 2018–19 CRDC has budgeted for a deficit of \$1.4 million based on revenues of \$22.9 million and RD&E expenditure of \$24.3 million.

Budgeted Balance Sheet

Reserves increased during 2010–11 to 2013–14 which were years of high cotton production and decreased during 2014–15 to 2016–17 due to below average levels of cotton production. In 2018–19 CRDC estimates production will be 3.9 million bales.

CRDC plans to use its reserves to maintain research expenditure at a consistent level in future years when crop levels are below historical averages. The balance of expenditure and reserves will be closely monitored to ensure that reserves remain at an appropriate level.

3.2 BUDGETED FINANCIAL STATEMENTS TABLES

**Table 3.1 Comprehensive income statement (showing net cost of services)
(for the period ended 30 June)**

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
EXPENSES					
Employee benefits	2,104	2,449	2,497	2,546	2,607
Supplier expenses	1,528	1,238	1,077	1,150	1,252
Grants	22,051	20,342	20,728	21,162	21,565
Depreciation and amortisation	324	302	302	302	302
Total expenses	26,007	24,331	24,604	25,160	25,726
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Interest	798	720	660	620	565
Rental income	5	-	-	-	-
Royalties	1,069	1,221	1,223	1,223	1,223
Other Grants	4,412	2,900	2,900	2,900	2,900
Other	406	250	250	250	250
Total own-source revenue	6,690	5,091	5,033	4,993	4,938
Net cost of (contribution by) services	19,317	19,240	19,571	20,167	20,788
Revenue from Government ^(a)					
Commonwealth contribution	9,608	8,920	8,705	8,705	8,705
Industry contributions	9,610	8,920	8,705	8,705	8,705
Total revenue from Government	19,218	17,840	17,410	17,410	17,410
Surplus/(deficit) attributable to the Australian Government	(99)	(1,400)	(2,161)	(2,757)	(3,378)
Total comprehensive income/(loss) attributable to the Australian Government	(99)	(1,400)	(2,161)	(2,757)	(3,378)

(a) Revenue from Government includes a Commonwealth contribution under the PIRD Act and levies collected from industry by the Department of Agriculture and Water Resources for R&D activities.

Prepared on Australian Accounting Standards basis.

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	6,716	5,112	3,883	5,139	5,423
Trade and other receivables	2,910	2,911	2,910	2,909	2,909
Investments	31,000	31,000	30,000	26,000	22,000
Total financial assets	40,626	39,023	36,793	34,048	30,332
Non-financial assets					
Land and buildings	831	861	891	921	951
Property, plant and equipment	359	547	511	554	747
Intangibles	267	252	327	242	357
Total non-financial assets	1,457	1,660	1,729	1,717	2,055
Total assets	42,083	40,683	38,522	35,765	32,387
LIABILITIES					
Payables					
Suppliers	200	200	200	200	200
Grants	4,000	4,000	4,000	4,000	4,000
Total payables	4,200	4,200	4,200	4,200	4,200
Provisions					
Employee provisions	447	447	447	447	447
Total provisions	447	447	447	447	447
Total liabilities	4,647	4,647	4,647	4,647	4,647
Net assets	37,436	36,036	33,875	31,118	27,740
EQUITY*					
Reserves	255	255	255	255	255
Retained surplus	37,181	35,781	33,620	30,863	27,485
Total Equity	37,436	36,036	33,875	31,118	27,740

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

Prepared on Australian Accounting Standards basis.

Table 3.3: Departmental statement of changes in equity — summary of movement (budget year 2018–19)

	Retained earnings	Asset revaluation reserve	Total equity
	\$'000	\$'000	\$'000
Opening balance as at 1 July 2018			
Balance carried forward from previous period	37,181	255	37,436
Adjusted opening balance	37,181	255	37,436
Comprehensive income			
Surplus (deficit) for the period	(1,400)	-	(1,400)
Total comprehensive income	(1,400)	-	(1,400)
of which:			
Attributable to the Australian Government	(1,400)	-	(1,400)
Estimated closing balance as at 30 June 2019	35,781	255	36,036
Closing balance attributable to the Australian Government	35,781	255	36,036

Prepared on Australian Accounting Standards basis.

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

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Industry contributions	10,524	8,920	8,705	8,705	8,705
Revenue from Government	10,726	8,920	8,705	8,705	8,705
Interest	640	720	660	620	565
Net GST received	1,916	1,772	1,781	1,823	1,910
Other Grants	4,853	3,190	3,190	3,190	3,190
Other	1,670	1,618	1,620	1,620	1,620
Total cash received	30,329	25,140	24,661	24,663	24,695
Cash used					
Employees	2,064	2,449	2,497	2,546	2,607
Suppliers	1,698	1,414	1,222	1,293	1,442
Grants	23,141	22,376	22,801	23,278	23,722
Total cash used	26,903	26,239	26,520	27,117	27,771
Net cash from (used by) operating activities	3,426	(1,099)	(1,859)	(2,454)	(3,076)
INVESTING ACTIVITIES					
Cash received					
Investments	46,000	42,000	45,000	42,000	37,000
Total cash received	46,000	42,000	45,000	42,000	37,000
Cash used					
Purchase of property, plant and equipment	781	505	370	290	640
Purchase of investment	57,000	42,000	44,000	38,000	33,000
Total cash used	57,781	42,505	44,370	38,290	33,640
Net cash from (used by) investing activities	(11,781)	(505)	630	3,710	3,360
Net increase (decrease) in cash held	(8,355)	(1,604)	(1,229)	1,256	284
Cash and cash equivalents at the beginning of the reporting period	15,071	6,716	5,112	3,883	5,139
Cash and cash equivalents at the end of the reporting period	6,716	5,112	3,883	5,139	5,423

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ^(a)	781	505	370	290	640
TOTAL	781	505	370	290	640
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	781	505	370	290	640
Total cash used to acquire assets	781	505	370	290	640

(a) Includes the following sources of funding:
– internally developed assets.

Consistent with information contained in the Statement of Asset Movements and the Budgeted Statement of Cash Flows.

Table 3.6: Statement of asset movements (Budget year 2018–19)

	Land \$'000	Buildings \$'000	Other property, plant and equipment \$'000	Computer software and intangibles \$'000	Total \$'000
As at 1 July 2018					
Gross book value	190	688	591	796	2,265
Accumulated depreciation/amortisation and impairment	-	(47)	(232)	(529)	(808)
Opening net book balance	190	641	359	267	1,457
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new or replacement assets					
By purchase – other	-	50	290	165	505
Total additions	-	50	290	165	505
Other movements					
Depreciation/amortisation expense	-	(20)	(102)	(180)	(302)
Total other movements	-	(20)	(102)	(180)	(302)
As at 30 June 2019					
Gross book value	190	738	881	961	2,770
Accumulated depreciation/amortisation and impairment	-	(67)	(334)	(709)	(1,110)
Closing net book balance	190	671	547	252	1,660

Prepared on Australian Accounting Standards basis.