

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 28 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 investment in, and delivery of, cotton 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 northern Australia, cotton is a major employer and contributor to the local, state and national economy. The industry generates significant wealth and provides an economic foundation to these regions and their communities, employing some 10,000 people. Cotton is Australia's fifth most valuable agricultural export commodity, generating an average of \$1.9 billion in export revenue annually.

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 2019-20 being the second year under CRDC's 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 \$20.2 million into cotton RD&E during 2019–20, 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 2019–20 as at April 2019

	<i>2018–19 Estimated actual \$'000</i>	2019–20 Estimate \$'000
Opening balance/cash reserves at 1 July	35,037	35,204
Funds from Government		
Special appropriations^(a)		
<i>Primary Industries Research and Development Act 1989 s.30(3) – Cotton R&D Corporation</i>	<i>19,646</i>	<i>11,678</i>
Total special appropriations	19,646	11,678
Total funds from Government	19,646	11,678
Funds from industry sources		
Levies ^(b)	9,170	5,839
<i>less amounts paid to the CRF</i>	<i>(9,170)</i>	<i>(5,839)</i>
Total funds from industry sources	-	-
Funds from industry sources		
Interest	704	600
Royalties	681	675
Other	4,929	1,814
Total funds from other sources	6,314	3,089
Total net resourcing for CRDC	60,997	49,971
	2018–19	2019–20
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 2019–20* and are summarised below.

Table 1.2: Cotton Research and Development Corporation 2019–20 Budget measures

Part 1: Measures announced since the 2018–19 Mid-Year Economic and Fiscal Outlook (MYEFO)

CRDC does not have any 2019–20 Budget measures.

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

CRDC does not have any 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 enhanced 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 for the Cotton Research and Development Corporation 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: <ul style="list-style-type: none">• Program 1.10: Agricultural Resources
Contribution to Outcome 1 made by linked program: <p>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.</p>

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.

Table 2.2.1 Budgeted expenses 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.

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 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>	9,155	5,839	6,815	8,705	8,705
Special appropriations – Industry Levies	9,170	5,839	6,815	8,705	8,705
Revenues from other independent sources	6,321	3,089	2,320	1,630	1,630
Reserves	1,461	5,446	3,991	2,230	-
Total expenses for program 1.1	26,107	20,213	19,941	21,270	19,040
Outcome 1 totals by resource type					
Revenue from Government					
Special appropriations	9,155	5,839	6,815	8,705	8,705
Special appropriations – Industry Levies	9,170	5,839	6,815	8,705	8,705
Revenues from other independent sources	6,321	3,089	2,320	1,630	1,630
Reserves	1,461	5,446	3,991	2,230	-
Total expenses for Outcome 1	26,107	20,213	19,941	21,270	19,040
	2018–19	2019–20			
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 2019–20 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
2018–19	<p>Increase productivity and profitability on cotton farms</p> <p>Improved yield and quality.</p>	Annual increase of 0.35 bales per hectare for irrigated cotton and 0.14 bales per hectare for dryland cotton.
	<p>Improve cotton farming sustainability and value chain competitiveness</p> <p>CRDC collaborates in global leadership for sustainability initiatives.</p>	Participates in six global initiatives.
	<p>Build adaptive capacity of the cotton industry</p> <p>Science and innovation capacity is strengthened and strategically fit for a digital future.</p>	10+ new/early career researchers supported through strategic career pathways.
	<p>Strengthening partnerships and adoption</p> <p>Partnerships are strengthened to engage multi-disciplinary and multi-institutional resources.</p>	40 per cent of annual RD&E investments are through cross sectoral partnerships.
	<p>Driving RD&E impact</p> <p>CRDC monitors and evaluates RD&E impact.</p>	One RD&E impact report per annum.
2019–20	As per 2018–19.	As per 2018–19.
2020–21 and beyond	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 2019–20 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 2.7 million bales in 2019–20.

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 a 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.

CRDC Budget Statements

To achieve the strategic priorities of the R&D plan for the period 2018–23, CRDC plans to invest a total of \$125.0 million for the five-year R&D plan. The current drought has reduced cotton production in most of the major cotton growing regions and will impact CRDC's revenue and ability to invest \$125 million over the 5 year R&D plan. The current forward estimate is for a total investment of \$106.6 million.

In 2019–20 CRDC has budgeted for a deficit of \$5.4 million based on revenues of \$14.8 million and RD&E expenditure of \$20.2 million.

Budgeted Balance Sheet

Reserves increased between 2010–11 and 2013–14 during years of high cotton production and decreased from 2014–15 to 2018–19 due to below average levels of cotton production. In 2019–20 CRDC estimates production will be 2.7 million bales, continuing the trend of below-average production.

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)**

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
EXPENSES					
Employee benefits	2,230	2,446	2,416	2,474	2,533
Supplier expenses	1,249	998	1,068	1,038	1,159
Grants	22,369	16,510	16,198	17,499	15,089
Depreciation and amortisation	259	259	259	259	259
Total expenses	26,107	20,213	19,941	21,270	19,040
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Interest	720	600	500	400	400
Royalties	681	675	940	980	980
Other Grants	4,420	1,314	630	-	-
Other	500	500	250	250	250
Total own-source revenue	6,321	3,089	2,320	1,630	1,630
Net cost of (contribution by) services	19,786	17,124	17,621	19,640	17,410
Revenue from Government ^(a)					
Commonwealth contribution	9,155	5,839	6,815	8,705	8,705
Industry contributions	9,170	5,839	6,815	8,705	8,705
Total revenue from Government	18,325	11,678	13,630	17,410	17,410
Surplus/(deficit) attributable to the Australian Government	(1,461)	(5,446)	(3,991)	(2,230)	-
Total comprehensive income/(loss) attributable to the Australian Government	(1,461)	(5,446)	(3,991)	(2,230)	-

(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)

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	2,204	1,747	1,604	996	935
Trade and other receivables	3,809	3,809	3,809	3,809	3,809
Investments in Shares	88	88	88	88	88
Investments	33,000	28,000	24,000	22,000	22,000
Total financial assets	39,101	33,644	29,501	26,893	26,832
Non-financial assets					
Land and buildings	760	795	830	865	900
Property, plant and equipment	706	667	719	1,082	1,043
Intangibles	380	395	460	440	505
Total non-financial assets	1,846	1,857	2,009	2,387	2,448
Total assets	40,947	35,501	31,510	29,280	29,280
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	491	491	491	491	491
Total provisions	491	491	491	491	491
Total liabilities	4,691	4,691	4,691	4,691	4,691
Net assets	36,256	30,810	26,819	24,589	24,589
EQUITY*					
Reserves	251	251	251	251	251
Retained surplus	36,005	30,559	26,568	24,338	24,338
Total Equity	36,256	30,810	26,819	24,589	24,589

*'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 2019–20)

	Retained earnings	Asset revaluation reserve	Total equity
	\$'000	\$'000	\$'000
Opening balance as at 1 July 2019			
Balance carried forward from previous period	36,005	251	36,256
Adjusted opening balance	36,005	251	36,256
Comprehensive income			
Surplus (deficit) for the period	(5,446)	-	(5,446)
Total comprehensive income	(5,446)	-	(5,446)
of which:			
Attributable to the Australian Government	(5,446)	-	(5,446)
Estimated closing balance as at 30 June 2020	30,559	251	30,810
Closing balance attributable to the Australian Government	30,559	251	30,810

Prepared on Australian Accounting Standards basis.

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

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Industry contributions	10,162	5,839	6,815	8,705	8,705
Revenue from Government	9,484	5,839	6,815	8,705	8,705
Interest	704	600	500	400	400
Net GST received	20	-	-	-	-
Other Grants	4,420	1,314	630	-	-
Other	1,170	1,175	1,190	1,230	1,230
Total cash received	25,960	14,767	15,950	19,040	19,040
Cash used					
Employees	2,190	2,446	2,416	2,474	2,533
Suppliers	1,234	998	1,068	1,038	1,159
Grants	21,532	16,510	16,198	17,499	15,089
Total cash used	24,956	19,954	19,682	21,011	18,781
Net cash from (used by) operating activities	1,004	(5,187)	(3,732)	(1,971)	259
INVESTING ACTIVITIES					
Cash received					
Investments	30,000	30,000	34,000	36,000	30,000
Total cash received	30,000	30,000	34,000	36,000	30,000
Cash used					
Purchase of property, plant and equipment	837	270	411	637	320
Purchase of investment	35,000	25,000	30,000	34,000	30,000
Total cash used	35,837	25,270	30,411	34,637	30,320
Net cash from (used by) investing activities	(5,837)	4,730	3,589	1,363	(320)
Net increase (decrease) in cash held	(4,833)	(457)	(143)	(608)	(61)
Cash and cash equivalents at the beginning of the reporting period	7,037	2,204	1,747	1,604	996
Cash and cash equivalents at the end of the reporting period	2,204	1,747	1,604	996	935

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ^(a)	837	270	411	637	320
TOTAL	837	270	411	637	320
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	837	270	411	637	320
Total cash used to acquire assets	837	270	411	637	320

(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 2019–20)

	Land \$'000	Buildings \$'000	Other property, plant and equipment \$'000	Computer software and intangibles \$'000	Total \$'000
As at 1 July 2019					
Gross book value	190	585	984	1,066	2,825
Accumulated depreciation/amortisation and impairment	-	(15)	(278)	(686)	(979)
Opening net book balance	190	570	706	380	1,846
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new or replacement assets					
By purchase – other	-	50	45	175	270
Total additions	-	50	45	175	270
Other movements					
Depreciation/amortisation expense	-	(15)	(84)	(160)	(259)
Total other movements	-	(15)	(84)	(160)	(259)
As at 30 June 2020					
Gross book value	190	635	1,029	1,241	3,095
Accumulated depreciation/amortisation and impairment	-	(30)	(362)	(846)	(1,238)
Closing net book balance	190	605	667	395	1,857

Prepared on Australian Accounting Standards basis.