



AUSTRALIAN COTTON COMPARATIVE ANALYSIS

2006 CROP



Australian Government
Cotton Research and
Development Corporation



Cotton Catchment Communities CRC



BOYCE
CHARTERED ACCOUNTANTS

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DEAR GROWER



We are pleased to present to you the Australian Cotton Comparative Analysis.

The Comparative Analysis is a joint initiative between Cotton Catchment Communities CRC, Cotton Research & Development Corporation and BOYCE Chartered Accountants to produce the industry benchmark for the economics of cotton growing in Australia.

The sample of participants this year again captures a representation from the different valleys. It is our aim to increase the sample as we move forward with the analysis.

While the report focuses on the 2006 crop, it also presents trends that have been measured against more than 10 years of data.

The report has been posted on the CRDC web page (www.crdc.com.au) and the Cotton Catchment Communities CRC web page (www.cotton.crc.org.au) and can be downloaded onto your individual computers as required.

We look forward to discussing the report with you.

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1

INTRODUCTION TO
THE AUSTRALIAN
COTTON COMPARATIVE
ANALYSIS 2006 CROP

1. INTRODUCTION

The 2006 Australian Cotton Comparative Analysis (ACCA) is the sixth report produced by Boyce Chartered Accountants in conjunction with the Cotton Research & Development Corporation (CRDC) / Cotton Catchment Communities CRC.

In this report, we present an analytical review of the 2006 results, a comparison with prior years and comments on emerging trends.

Feedback from participants and growers has been very positive. The clear message in this and previous reports has been the required focus on yield as opposed to cost reduction or price enhancement. In the 2005 report we highlighted that, due to drought in the 2003 and 2004 years, the reduction in area grown on each farm during these years caused a significant increase in the per hectare non direct costs such as depreciation, interest, wages, repairs and maintenance, and channel spraying. When reviewing the ten year schedules, this needs to be taken into account. To state the obvious, water makes a world of difference. Again in the 2006 year the area of cotton grown has been significantly effected by water shortages (but not quite to the extent of 2003 and 2004).

The industry has been hit by the unreliability of water in the past few years. It is worthwhile to stress that, in drought years, a grower may not be included in this analysis as they may not have grown a crop under normal irrigation practices. If you assume that the figures would not have shown good profits in that year, then the 5 and 10 year average figures should not be used as an indicator for industry profitability.

As a general statement, the 10 year average figures should not be used when analyzing the profitability of the industry as a whole without making an allowance for the drought years where the figures on non irrigated farms will not be included in the report.

OUR SAMPLE

- As in previous years, the analysis includes the results of farmers who were able to plant, grow and pick their crop using close to normal irrigation practices. In the sample there may be some growers who had to stretch their water or were unable to give part of their crop a final water. The total number of hectares in the sample decreased again due to a decrease in the availability of water throughout many of the cotton growing areas of Australia. The average hectares planted per participant decreased from 1,027 hectares in 2005 to 889 hectares in 2006.
- It is important to note that the analysis does not show the health of the cotton industry. Where a cotton grower grew skip or solid cotton that did not receive the full water, or grew no cotton at all, these figures are excluded from the analysis. In most, if not all cases, these alternate crops would have returned a reduced profit in comparison to growing fully irrigated cotton. Therefore, although the grower may have made a healthy per hectare profit on the hectares grown, the net profit of the total farm would have been significantly less than if the grower was able to have normal production.



1. INTRODUCTION

- While recognising marketing as an important part of management, growers and interested parties were concerned that participants in the top 20% may be there only due to receiving a high cotton price and not as a result of good farming practices. Alternatively, good cotton growers, due to adverse currency, lint and basis positions, may have been excluded from the top 20%.

As many growers review their operation against the top 20% to look for areas of improvement, it was suggested that the top 20% and bottom 20% be selected using an average price. We have therefore selected the top 20% and bottom 20% by substituting the price that the grower received with a price of \$375. This was the average net price for all participants. Using this average price, the participants with the highest and lowest operating profits per hectare were noted for inclusion in the top and bottom 20%.

Even though the average price was used to select the participants in the top and bottom 20%, the growers' actual figures are reported in this analysis.

THE NEED TO BENCHMARK

Financial analysis using comparative statistics helps farmers identify relative strengths and weaknesses. Accompanying budgets and long term business plans will then focus on ways to overcome weaknesses and build on strengths. In other words, this comparative analysis is a management tool to implement change and to identify where effort should be directed on a day to day basis.

Obviously, this analysis does not provide all the answers. It is a benchmark or a standard to strive for. It is up to management to develop and implement specific action plans, based on their improved knowledge, to reach new goals set.

These reliable, independent figures are the starting point for farmers to develop "best practice".

We encourage participants in this survey to discuss their results with us and to clarify any queries, so everyone can develop a better understanding of the industry.

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REPORT ON THE

2006 CROP

2. REPORT ON THE 2006 CROP

2.1 THE 2006 CROP – ANALYTICAL REVIEW

2.1.1 INTRODUCTION

After the excellent yields achieved in 2005, the 2006 crop will be remembered as being a tough and disappointing year. High temperatures in November, December and January and a shortage of water resulted in lower yields and higher micronaire. For some growers, the lack of water to finish the crop meant that yields of only 7 bales to the hectare were achieved.

Some of the farms in the McIntyre and Gwydir valleys had sufficient water to grow close to their full production. However, the Macquarie valley continued to suffer from the drought and only had enough water to grow a small portion of their area.

The decrease in the water allocation and the amount of water held in on farm storages at the start of the year had a significant effect on the number of growers in the sample and those who did participate had reduced plantings.

For the average grower, the total income per hectare (\$3,767) was \$603 less than the 2005 year (\$4,370). This is mainly due to a \$56 decrease in price per bale as well as a reduction in the yield of 0.11 bales/ha.

When you review the average expenses for the past ten years, the 2006 crop expenses have increased significantly on the prior year - \$3,352 in 2006 compared to \$2,949 in 2005. There were large variances in many of the numbers when compared to the prior year. Some of the increase is due to a reduction in the economies of scale and the effect that this has on fixed and semi-fixed expenses, however, many of the direct growing costs also increased dramatically. The main increases were in Chemicals – Insecticide (\$94/ha), Fertiliser (\$114/ha), Fuel and oil (\$94/ha) and Water charges and purchases (\$75/ha).

This year we have again included trend lines in some of the graphs presented. Interesting trends from 1997 to 2006 have emerged including the following:

- The net price per bale is decreasing, \$460 to \$440/bale – 4% decrease
- The yield per hectare is increasing, 7.4 bales/ha to 9.3 bales/ha – 26% increase
- The average operating profit per hectare for the average grower is decreasing
- The gap between the operating profit per hectare for the top 20% and the average grower is widening.

The drought has distorted the 2003, 2004 and this years' data. Accordingly, when using this analysis to assist with a review of your own operations and with the preparation of budgets, we recommend that you look at the 2005 year and the 2002 and prior years' data because these were the last "normal" years.



2. REPORT ON THE 2006 CROP

5 YEAR AVERAGE TO 2006

We believe the message of the five year average is important and, as we didn't want it distorted by the 2003 and 2004 drought figures, we have reported the five year average to 2006 as being the 2000 to 2006 years, excluding 2003 and 2004 years.

2.1.2. KEY PERFORMANCE INDICATORS

1. YIELD (BALES / HA)

	AVERAGE	TOP 20%	DIFF
2006	9.92	10.48	0.56
2005	10.03	11.66	1.63
2004	8.45	8.81	0.36
2003	8.10	9.88	1.78
2002	8.41	9.72	1.31
5 year average to 2006	8.87	10.05	1.18

- ? What is your water use efficiency in terms of bales per megalitre?
- ? Do your employees know your yield expectations?
- ? Have you reviewed your strategies depending on the availability of water?

2. VALUE (\$ / BALE)

	AVERAGE	TOP 20%	DIFF
2006	\$374	\$379	\$5
2005	\$431	\$403	(\$28)
2004	\$541	\$525	(\$16)
2003	\$494	\$497	\$3
2002	\$424	\$381	(\$43)
5 year average to 2006	\$420	\$412	(\$8)

- The average cash price for the 12 months was \$372. The average and the top 20% achieved only slightly better than the average cash price with many growers being caught out with adverse options and futures positions and holding cotton when they would have been better off selling (easy in hindsight).
- ? What strategies do you have in place to combat adverse currency and futures?
- ? How do you forward market with increasing water uncertainty?
- ? Do you understand all the strategies that are available?
- ? Has the worry and risk of your marketing strategy been worth the benefit you have gained?



2. REPORT ON THE 2006 CROP

3. OPERATING COSTS (\$ / HA)

	AVERAGE	TOP 20%	DIFF
2006	\$3,352	\$2,471	\$881
2005	\$2,949	\$2,447	\$502
2004	\$4,000	\$3,388	\$612
2003	\$3,402	\$3,226	\$176
2002	\$2,805	\$2,583	\$222
5 year average to 2006	\$2,938	\$2,571	\$367

- Of the total increase in costs on the previous year of \$403/ha, there were increases in most categories with insecticide \$94, fertiliser \$114 and water charges and purchases \$75 making up the major differences. All the fixed type costs increased as growers had less area on which to spread these costs.
 - There was a large range with the operating costs of fully irrigated cotton varying between \$2,300/ha and \$5,000/ha (before finance costs). This was due to low cost growers having more water while other growers only had a small portion of their area planted due to less water.
 - The average operating costs for the “low cost growers” was \$2,560 compared to \$2,130/ha in 2005.
 - Cartage was the only area where the top 20% of growers spent significantly more than the average growers.
- ? What steps can you take in a “normal year” to keep your operating costs below \$2,600/ha?
- ? Are you monitoring the costs which are much higher than the average?
- ? Have you investigated group purchasing arrangements?
- ? Does your strategy in relation to fixed costs need to change to minimise losses in low water years?
- ? Should you be using more contractors so that in low water years you don't have the fixed costs?



2. REPORT ON THE 2006 CROP

4. COST OF PRODUCTION (\$ / BALE)

	AVERAGE	TOP 20%	DIFF
2006	\$338	\$236	\$102
2005	\$294	\$210	\$84
2004	\$474	\$385	\$89
2003	\$420	\$327	\$93
2002	\$334	\$266	\$68
5 year average to 2006	\$333	\$258	\$75

- A low cost of production per bale is the most significant feature of the top 20%. This is achieved by producing more bales of cotton from the same cost base. In the 2006 year this was achieved by the top 20% as they grew a high yield per hectare (10.05 bales/ha) and grew cotton on a larger area of their farm. This enabled them to spread the fixed and semi fixed costs over a greater area.
 - Long-term average figures for the top producers prove that it is possible to achieve a benchmark cost of production in the \$260 to \$310 per bale range in a “normal” insecticide and water year.
 - With the extra yield of 0.25 - 0.5 bales per hectare, costs change very little.
- ? Are you continually focusing on your cost of production per bale?
- ? What are the top 20% doing?

5. COMPARISON OF VALLEYS

Below is a comparison of statistics for each valley.

	Gwydir	McIntyre	Macquarie
Gross income (\$/ha)	\$3,854	\$3,662	\$4,120
Insecticides and Bollgard (\$/ha)	\$337	\$196	\$374
Wages (\$/ha)	\$440	\$266	\$275
Operating costs (\$/ha)	\$4,051	\$2,892	\$3,319
Operating profit (\$/ha)	(\$18)	\$81	\$78
Hectares grown	845	1,245	365
Yield / ha	10.70	9.39	10.26

- The sample size this year for the Emerald, Namoi, and Walgett valleys was not large enough to be included separately in the analysis.



2. REPORT ON THE 2006 CROP

6. LABOUR (HECTARES PER PERSON)

	AVERAGE	TOP 20%	DIFF
2006	185	291	104
2005	173	242	68
2004	133	182	49
2003	147	151	4
2002	199	228	29
5 year average to 2006	184	224	40

- The number of green hectares per person has increased on the previous year.
 - The lack of skilled labour continues to be a major concern for the cotton industry when water becomes available.
 - Long term averages reveal that the top 20% are achieving better labour usage results, due mainly to economies of scale.
 - A number of farms are looking to outsource various operations based on priority agreements with contractors.
 - The number of hectares per person often reduces when there is a decrease in hectares grown.
 - Having the right balance between own labour and contractors is a definite advantage in a low water year.
- ? Are there some farm operations that could be outsourced while maintaining timeliness of operations?



2. REPORT ON THE 2006 CROP

7. AVAILABLE TRACTOR HORSE POWER (HORSE POWER / 500 HA)

	AVERAGE	TOP 20%	DIFF
2006	409	555	(146)
2005	556	568	(12)
2004	660	461	199
2003	690	938	(248)
2002	339	425	(86)
5 year average to 2006	423	438	(15)

- Comments made for labour are also applicable for available tractor horsepower.
 - Having the correct equipment to get the operations done on time is the most important consideration. On the other hand, over capitalisation impacts on several cost centres that can increase costs, i.e. labour and R & M.
 - Having a proportion of contractors is a definite advantage in a low water year.
- ? Are you fully utilising all machinery that you currently own or can you free up some capital by selling excess plant?
- ? What security are you using for the financing of your machinery?

8. AVAILABLE PICKING CAPACITY (PICKER HEADS / 500 HA)

	AVERAGE	TOP 20%	DIFF
2006	2.44	2.53	(0.09)
2005	2.95	5.16	(2.21)
2004	4.02	3.48	0.54
2003	2.61	5.74	(3.13)
2002	1.70	2.86	(1.14)
5 year average to 2006	2.26	2.72	(0.46)

- The number of picker heads decreased significantly this year as a direct result of the mix of farmers in each years sample.
 - The number of pickers a grower owns doesn't appear to be a significant factor in them being in the top 20%.
- ? Do you have the capacity to pick your crop in 21 days (using your own pickers or having reliable contractors)?
- ? Have you analysed the full cost of owning pickers?
- ? What does it cost you not to pick within 21 days?
- ? What does it cost to have pickers in the shed, not being fully utilised?



2. REPORT ON THE 2006 CROP

9. ROTATION

	AVERAGE	TOP 20%	DIFF
2006	69%	76%	6%
2005	76%	50%	(26%)
2004	76%	77%	1%
2003	41%	34%	(7%)
2002	33%	28%	(5%)
5 year average to 2006	51%	42%	(9%)

- Water has been the major determining factor in the amount of rotation.
- Growers are very aware of the benefits of a sustainable fallow program.
- Short-term financial analysis does not prove that rotation is beneficial. Additional factors need to be considered when deciding how much country to rotate – management, agronomic, environmental, and long fallow syndrome.

? What is the balance between rotation and short term profits?

2.1.3 FIVE YEAR AVERAGES TO 2006

As noted in the introduction, we believe the message of the five year average is important, and so we have compared five year average figures for the average farmer and the top 20% for the period 2000 to the 2006 year, excluding the 2003 and 2004 figures.

What makes the top 20% so much better than average?

In the five selected years, the top 20% of farmers made 196% more profit (after interest) than the average (\$1,315/ha compared to \$445/ha).

The difference is attributed to the following factors:

Land productivity (yield)	58%	or	\$502
Direct cost savings - excluding			
Wages - Proprietors (fine tuning)	43%	or	\$377
Interest savings (less debt)	(1%)	or	(\$9)
	<u>100%</u>		<u>\$870</u>

The message from these figures is that with better land productivity (measured by higher yields) being the major feature of the top performers, farmers should, if they wish to improve their performance significantly, concentrate on growing their revenue rather than searching for dramatic cost cutting measures.



2. REPORT ON THE 2006 CROP

2.1.4 OTHER OBSERVATIONS

Over the years, many “rules of thumb” have been developed and quoted by farmers, financiers and accountants:

- Cotton farmers are, in principle, debt free if, at year-end, their equity in cotton pools covers their total borrowings.
- No more than 60% of current crop proceeds should be tipped forward for tax purposes using pooling arrangements (whilst not developing country).

If the decision to tip more cotton forward is made, ensure that effective tax planning is carried out if you roll into a low water year.

- The contingent tax liability associated with crop proceeds tipped forward (pools) should always be calculated and brought to account at year end when measuring your wealth.
- Debt should not exceed 150% of average gross farm income (100% when interest rates are above 12%).
- High wage costs and machinery horsepower are a quick indicator of overall high costs of operations.
- Don't underestimate the value of knowledge, within your industry and worldwide. It can be difficult to keep up to date on the latest practices, but falling behind can cost you considerable amounts of money.
- Because of the high fixed and semi fixed costs in this industry, it is becoming increasingly important to be able to grow enough area every year to cover these costs.

2.1.5. FEATURES OF THE TOP PERFORMERS

Over the past fifteen years, many cotton farmers have been able to achieve top-class results, even in years when seasonal or financial circumstances were less than favourable.

Outlined below are some of the distinguishing characteristics and features of successful cotton growers:

- **Controlled operating costs**

Operating costs (before interest) for farmers have averaged \$2,938/ha for the past five years. With fine-tuning, the best farmers have been able to keep their operating costs under control without sacrificing yield, while still adequately maintaining all assets. The performance of the “low cost” farmers operating at their optimum scale over the past five years proves that a target for operating costs of \$2,200 to \$2,600/ha is achievable in a normal year. These figures translate to operating costs per bale of \$280 to \$350.



2. REPORT ON THE 2006 CROP

- **Consistent marketing strategies**

There are a large number of marketing alternatives available to cotton farmers. The strategies adopted by individual farmers depend on:

- a. Individual outlook on risk
- b. World-wide economic outlook
- c. Taxation implications
- d. Cash flow implications
- e. Water availability
- f. Level of knowledge on how to use the complex alternatives.

To date, the perfect marketing strategy has proved to be elusive. Farmers need to make marketing decisions with the aim of maximising their crop income and remembering that a net return in excess of \$475/bale should produce a sizeable profit.

The top farmers know their cost of production per bale. They then base marketing decisions on that cost and work on yield to increase their profit.

- **Productive labour**

Top-class results cannot be produced without having a top-class team of employees who are efficient, focused, motivated and stable. The best farms ensure that employees are kept informed, are trained to do their job properly and are given responsibility and an opportunity to participate in on-farm decision making. It is also essential that employees are properly remunerated and take their holidays every year. The most efficient farms are operating with one permanent person for every 220 hectares.

- **Reliable machinery**

All good farmers appreciate the importance of timing, so they ensure that they own or have access to sufficient reliable machinery to carry out all operations efficiently and on time. For farmers who decide to own tractors to carry out all field operations, capacity of 450 to 500 engine horsepower per 500 hectares is generally required. The ideal picking capacity for farms is subject to a great deal of debate, with many efficient operators concluding that the whole picking operation should be carried out by contractors. The best farmers aim to complete their picking operation within 21 days.



2. REPORT ON THE 2006 CROP

- Sustainable **farming** techniques (rotation)

Many of the benefits of a stringent rotation program are not quantifiable in the short term, and the benefits that are quantifiable are often disguised by other variables that can effect yield in any season. The cotton industry is relatively young in Australia and the fertility of soils in some areas has not been depleted sufficiently to create a sense of urgency amongst farmers. However, growers are rotating to address the issues of disease and to allow for the re-levelling of fields.

If farmers are going to maintain a sustainable cotton production system, maintain high yields, and achieve high levels of profitability in the long term, the issue of rotation needs to be addressed urgently.

Obviously, the idea is to aim for a 1:1 rotation in the long term, with new fields initially being farmed for three to four years, before going into a 3:1 rotation, 2:1 rotation, then a year in-year out, 1:1 program.

The top performers are continually looking at varied crops for rotation. These decisions are being made for agronomic and financial reasons. Industry awareness is required to learn from these operators.

- Water use efficiency

As limited water availability obligates growers to use their allocation efficiently, growers are now paying closer attention to measuring water use efficiency. The timing of when water is applied appears critical in the production of a high yielding crops. As water becomes even more limited, the science behind the timing of watering and understanding each variety's reaction to the timing of water will become even more crucial.

- Conservative levels of debt

Many farmers are carrying large amounts of debt, with debt levels of 40% to 50% being common. By adopting sound, sustainable practices, the best farmers have been able to generate a significant cash surplus to repay borrowings. The best farmers are in an enviable position of being able to survive in tough times, and in some circumstances expand the scale of their operations. It must be remembered that debt can only be repaid out of a cash surplus after allowing for taxation, drawings and capital purchases, or from the sale of other assets. Over the last 15 years there has been significant capital gain for the holders of water licences. This has allowed debt levels to increase while maintaining the debt to equity margin. We do not believe that capital gain can continue at the same rate, and the future reduction in the debt to equity margin will need to be out of profits, not capital gain.



2. REPORT ON THE 2006 CROP

Our current low interest rate environment should encourage growers to look at protecting their borrowings through interest rate management. Financiers are offering many varied products that provide this protection.

Farmers are considered to be in a solid financial position (category A) if their debts are covered by the value of equity in cotton pools at 30 June.

- **Efficient financial management**

Good farmers keep their financial affairs up to date and under control by utilising computerised office tools.

Annual budgets are prepared by the top performers on a conservative basis, with realistic yet challenging targets. Performance is then monitored monthly, comparing actual results with the previously prepared budget. With up-to-date management reports, top performers are able to analyse performance and fine tune operations on a regular basis. They also keep their financiers well informed at all times.

- **Timing**

The best farms carry out all operations “on time”. Fields are ready to plant as soon as the season permits, machinery is always ready to carry out the next task and team members always know what they have to do a week or a month ahead. Waterings are never late. Being “on time” is a result of good planning and good communication and leads to increased yields.

- **Planning and long term vision**

At the heart of every good operation is a person with vision; vision of where the business is going on a day-to-day basis, on an annual basis, and on a long-term basis (10 years plus). The best farmers always seem to have time on their hands because they have clearly defined goals. They have communicated those goals to their team members, then take on the role of a coach, guiding and encouraging their team who carry out the day-to-day activities.

- **High yields**

High yields are the reward for getting all aspects of a farming operation right. No single farming technique, method of operation or management decision is going to have a significant impact. Top performers do all the little things thoroughly and on time, and as a consequence “reap the rewards”.

The best farmers consistently achieve yields in excess of 9.5 bales/ha year after year (assuming adequate water availability). Total farm averages of greater than 10.0 bales/ha have been achieved and are now a realistic goal, especially using the excellent cotton varieties that are continually being developed.



2. REPORT ON THE 2006 CROP

2.2 RETURN ON ASSETS

2.2.1 WHAT RETURN ON ASSETS AM I GETTING?

With costs continuing to rise, current low cotton prices, land and water at record levels (in proportion to return) and a lot of discussion regarding where capital growth of the industry will come from, growers must continue to look at the return on assets of a cotton farm.

Although a long term view is essential, if the industry is in for a period of sustained reduced return on assets, and potentially low capital growth, growers must continually look at alternative investments (allowing for risk) to assess what is the real return of a cotton farm.

As a general statement, the 10 year average figures should not be used when analyzing the return on assets of the industry as a whole without making an allowance for the drought years, where the figures on non-irrigated areas will not be included in the report.

Trend lines indicate that the top 20% profit is relatively flat and the average growers' profits are trending down. This is through a period where we have seen the price of water increase dramatically.

In the 2005 ACCA we encouraged the goals of maintaining a strong valuation base, avoiding capitalisation of interest, and continuing to measure the ongoing return on assets. Any erosion in the return of assets can only be for a short period of time.

How do I calculate my simple return on assets (ROA)?

The simple ROA is calculated by dividing your operating profit per hectare (before interest) by the value of a fully developed, protected and licenced hectare.

We have included a worksheet to calculate your individual ROA. The process is easy to follow and is as below:-

- i) From the farm operating profit/(loss) per ha spreadsheet find your yield and price per bale. Match these up to calculate your operating profit (before interest) based on costs of \$2,900/ha.
- ii) Find the profit closest to your farm along the base of the return on assets based on various profits and land variations spreadsheets.
- iii) Select a value per developed, licenced and protected hectare. (You may want to add a value per hectare based on your machinery investment e.g. \$1,500,000 machinery divided by 1,500 hectares increases your investment by \$1,000/ha).
- iv) Match the two up and calculate your simple return on assets.



2. REPORT ON THE 2006 CROP

RETURN ON ASSETS CALCULATOR 2006

Farm operating profit/(loss) per hectare based on alternative yields and prices - before interest.

	1,060	1,170	1,280	1,390	1,500	1,610	1,720	1,830	1,940	2,050	2,160	2,270	2,380	2,490	2,600	2,710	2,820	2,930	3,040	3,150	3,260	3,370
550	1,060	1,170	1,280	1,390	1,500	1,610	1,720	1,830	1,940	2,050	2,160	2,270	2,380	2,490	2,600	2,710	2,820	2,930	3,040	3,150	3,260	3,370
540	988	1,096	1,204	1,312	1,420	1,528	1,636	1,744	1,852	1,960	2,068	2,176	2,284	2,392	2,500	2,608	2,716	2,824	2,932	3,040	3,148	3,256
530	916	1,022	1,128	1,234	1,340	1,446	1,552	1,658	1,764	1,870	1,976	2,082	2,188	2,294	2,400	2,506	2,612	2,718	2,824	2,930	3,036	3,142
520	844	948	1,052	1,156	1,260	1,364	1,468	1,572	1,676	1,780	1,884	1,988	2,092	2,196	2,300	2,404	2,508	2,612	2,716	2,820	2,924	3,028
510	772	874	976	1,078	1,180	1,282	1,384	1,486	1,588	1,690	1,792	1,894	1,996	2,098	2,200	2,302	2,404	2,506	2,608	2,710	2,812	2,914
500	700	800	900	1,000	1,100	1,200	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	2,300	2,400	2,500	2,600	2,700	2,800
490	628	726	824	922	1,020	1,118	1,216	1,314	1,412	1,510	1,608	1,706	1,804	1,902	2,000	2,098	2,196	2,294	2,392	2,490	2,588	2,686
480	556	652	748	844	940	1,036	1,132	1,228	1,324	1,420	1,516	1,612	1,708	1,804	1,900	1,996	2,092	2,188	2,284	2,380	2,476	2,572
470	484	578	672	766	860	954	1,048	1,142	1,236	1,330	1,424	1,518	1,612	1,706	1,800	1,894	1,988	2,082	2,176	2,270	2,364	2,458
460	412	504	596	688	780	872	964	1,056	1,148	1,240	1,332	1,424	1,516	1,608	1,700	1,792	1,884	1,976	2,068	2,160	2,252	2,344
450	340	430	520	610	700	790	880	970	1,060	1,150	1,240	1,330	1,420	1,510	1,600	1,690	1,780	1,870	1,960	2,050	2,140	2,230
440	268	356	444	532	620	708	796	884	972	1,060	1,148	1,236	1,324	1,412	1,500	1,588	1,676	1,764	1,852	1,940	2,028	2,116
430	196	282	368	454	540	626	712	798	884	970	1,056	1,142	1,228	1,314	1,400	1,486	1,572	1,658	1,744	1,830	1,916	2,002
420	124	208	292	376	460	544	628	712	796	880	964	1,048	1,132	1,216	1,300	1,384	1,468	1,552	1,636	1,720	1,804	1,888
410	52	134	216	298	380	462	544	626	708	790	872	954	1,036	1,118	1,200	1,282	1,364	1,446	1,528	1,610	1,692	1,774
400	(20)	(60)	(140)	(220)	(300)	(380)	(460)	(540)	(620)	(700)	(780)	(860)	(940)	(1,020)	(1,100)	(1,180)	(1,260)	(1,340)	(1,420)	(1,500)	(1,580)	(1,660)
390	(92)	(14)	(64)	(142)	(220)	(298)	(376)	(454)	(532)	(610)	(688)	(766)	(844)	(922)	(1,000)	(1,078)	(1,156)	(1,234)	(1,312)	(1,390)	(1,468)	(1,546)
380	(164)	(88)	(12)	(64)	(140)	(216)	(292)	(368)	(444)	(520)	(596)	(672)	(748)	(824)	(900)	(976)	(1,052)	(1,128)	(1,204)	(1,280)	(1,356)	(1,432)
370	(236)	(162)	(88)	(14)	(60)	(134)	(208)	(282)	(356)	(430)	(504)	(578)	(652)	(726)	(800)	(874)	(948)	(1,022)	(1,096)	(1,170)	(1,244)	(1,318)
360	(308)	(236)	(164)	(92)	(20)	(52)	(124)	(196)	(268)	(340)	(412)	(484)	(556)	(628)	(700)	(772)	(844)	(916)	(988)	(1,060)	(1,132)	(1,204)
350	(380)	(310)	(240)	(170)	(100)	(30)	(40)	(110)	(180)	(250)	(320)	(390)	(460)	(530)	(600)	(670)	(740)	(810)	(880)	(950)	(1,020)	(1,090)
340	(452)	(384)	(316)	(248)	(180)	(112)	(44)	(24)	(92)	(160)	(228)	(296)	(364)	(432)	(500)	(568)	(636)	(704)	(772)	(840)	(908)	(976)
330	(524)	(458)	(392)	(326)	(260)	(194)	(128)	(62)	(4)	(70)	(136)	(202)	(268)	(334)	(400)	(466)	(532)	(598)	(664)	(730)	(796)	(862)

AVE YIELD PER HECTARE

\$/BALE (COST PER HA USED: 2950)

STEPS

1. Pick your price per bale & yield / ha.
2. Match them up & get your profit per hectare based on growing costs of \$2,950.
3. Find your closest profit range on the bottom of the next graph.

2. REPORT ON THE 2006 CROP

RETURN ON ASSETS BASED ON VARIOUS PROFITS & LAND VALUATIONS

This calculator will be posted on the CRDC webpage & will allow you to change certain variables which best suit your circumstances.

STEPS	VALUE/HA	100	300	500	600	700	800	900	1,000	1,100	1,200	1,300	1,400	1,500	1,700	1,900	2,000	2,200	2,400	2,600	2,800	3,000	3,200
\$18,000	0.6%	1.7%	2.8%	3.3%	3.9%	4.4%	5.0%	5.6%	6.1%	6.7%	7.2%	7.8%	8.3%	8.9%	9.4%	10.6%	11.1%	12.2%	13.3%	14.4%	15.6%	16.7%	17.8%
\$17,500	0.6%	1.7%	2.9%	3.4%	4.0%	4.6%	5.1%	5.7%	6.3%	6.9%	7.4%	8.0%	8.6%	9.2%	9.7%	10.9%	11.4%	12.6%	13.7%	14.9%	16.0%	17.1%	18.3%
\$17,000	0.6%	1.8%	2.9%	3.5%	4.1%	4.7%	5.3%	5.9%	6.5%	7.1%	7.6%	8.2%	8.8%	9.4%	10.0%	11.2%	11.8%	12.9%	14.1%	15.3%	16.5%	17.6%	18.8%
\$16,500	0.6%	1.8%	3.0%	3.6%	4.2%	4.8%	5.5%	6.1%	6.7%	7.3%	7.9%	8.5%	9.1%	9.7%	10.3%	11.5%	12.1%	13.3%	14.5%	15.8%	17.0%	18.2%	19.4%
\$16,000	0.6%	1.9%	3.1%	3.8%	4.4%	5.0%	5.6%	6.3%	6.9%	7.5%	8.1%	8.8%	9.4%	10.0%	10.6%	11.9%	12.5%	13.8%	15.0%	16.3%	17.5%	18.8%	20.0%
\$15,500	0.6%	1.9%	3.2%	3.9%	4.5%	5.2%	5.8%	6.5%	7.1%	7.7%	8.4%	9.0%	9.7%	10.3%	11.0%	12.3%	12.9%	14.2%	15.5%	16.8%	18.1%	19.4%	20.6%
\$15,000	0.7%	2.0%	3.3%	4.0%	4.7%	5.3%	6.0%	6.7%	7.3%	8.0%	8.7%	9.3%	10.0%	10.7%	11.3%	12.7%	13.3%	14.7%	16.0%	17.3%	18.7%	20.0%	21.3%
\$14,500	0.7%	2.1%	3.4%	4.1%	4.8%	5.5%	6.2%	6.9%	7.6%	8.3%	9.0%	9.7%	10.3%	11.0%	11.7%	13.1%	13.8%	15.2%	16.6%	17.9%	19.3%	20.7%	22.1%
\$14,000	0.7%	2.1%	3.6%	4.3%	5.0%	5.7%	6.4%	7.1%	7.9%	8.6%	9.3%	10.0%	10.7%	11.4%	12.1%	13.6%	14.3%	15.7%	17.1%	18.6%	20.0%	21.4%	22.9%
\$13,500	0.7%	2.2%	3.7%	4.4%	5.2%	5.9%	6.7%	7.4%	8.1%	8.9%	9.6%	10.4%	11.1%	11.8%	12.6%	14.1%	14.8%	16.3%	17.8%	19.3%	20.7%	22.2%	23.7%
\$13,000	0.8%	2.3%	3.8%	4.6%	5.4%	6.2%	6.9%	7.7%	8.5%	9.2%	10.0%	10.8%	11.5%	12.2%	13.1%	14.6%	15.4%	16.9%	18.5%	20.0%	21.5%	23.1%	24.6%
\$12,500	0.8%	2.4%	4.0%	4.8%	5.6%	6.4%	7.2%	8.0%	8.8%	9.6%	10.4%	11.2%	12.0%	12.8%	13.6%	15.2%	16.0%	17.6%	19.2%	20.8%	22.4%	24.0%	25.6%
\$12,000	0.8%	2.5%	4.2%	5.0%	5.8%	6.7%	7.5%	8.3%	9.2%	10.0%	10.8%	11.7%	12.5%	13.3%	14.2%	15.8%	16.7%	18.3%	20.0%	21.7%	23.3%	25.0%	26.7%
\$11,500	0.9%	2.6%	4.3%	5.2%	6.1%	7.0%	7.8%	8.7%	9.6%	10.4%	11.3%	12.2%	13.0%	13.8%	14.8%	16.5%	17.4%	19.1%	20.9%	22.6%	24.3%	26.1%	27.8%
\$11,000	0.9%	2.7%	4.5%	5.5%	6.4%	7.3%	8.2%	9.1%	10.0%	10.9%	11.8%	12.7%	13.6%	14.5%	15.5%	17.3%	18.2%	20.0%	21.8%	23.6%	25.5%	27.3%	29.1%
\$10,500	1.0%	2.9%	4.8%	5.7%	6.7%	7.6%	8.6%	9.5%	10.5%	11.4%	12.4%	13.3%	14.3%	15.2%	16.2%	18.1%	19.0%	21.0%	22.9%	24.8%	26.7%	28.6%	30.5%
\$10,000	1.0%	3.0%	5.0%	6.0%	7.0%	8.0%	9.0%	10.0%	11.0%	12.0%	13.0%	14.0%	15.0%	16.0%	17.0%	19.0%	20.0%	22.0%	24.0%	26.0%	28.0%	30.0%	32.0%
\$9,500	1.1%	3.2%	5.3%	6.3%	7.4%	8.4%	9.5%	10.5%	11.6%	12.6%	13.7%	14.7%	15.8%	16.7%	17.9%	20.0%	21.1%	23.2%	25.3%	27.4%	29.5%	31.6%	33.7%
\$9,000	1.1%	3.3%	5.6%	6.7%	7.8%	8.9%	10.0%	11.1%	12.2%	13.3%	14.4%	15.6%	16.7%	17.8%	18.9%	21.1%	22.2%	24.4%	26.7%	28.9%	31.1%	33.3%	35.6%
\$8,500	1.2%	3.5%	5.9%	7.1%	8.2%	9.4%	10.6%	11.8%	12.9%	14.1%	15.3%	16.5%	17.6%	18.8%	20.0%	22.4%	23.5%	25.9%	28.2%	30.6%	32.9%	35.3%	37.6%
\$8,000	1.3%	3.8%	6.3%	7.5%	8.8%	10.0%	11.3%	12.5%	13.8%	15.0%	16.3%	17.5%	18.8%	20.0%	21.3%	23.8%	25.0%	27.5%	30.0%	32.5%	35.0%	37.5%	40.0%

PROFIT PER HECTARE FROM PREVIOUS WORKSHEET

2. REPORT ON THE 2006 CROP

2.2.2 WHY MEASURE ROA?

- In isolation ROA provides you with a measure to better assess alternative investments. Any one year's ROA should not serve as the yardstick to base decisions such as entry or exit of the industry.
- ROA does not include any increase in the value of your assets. If, in a year, you achieve 7% ROA and the value of your assets increase by 5% then your total return is 12%.

Linked directly to this is the fact that you now have a higher asset value, and next year if you achieve the same profit your ROA will be lower.

- Use the calculator to predict what your future returns may be.

e.g. Assume a profit of \$800/ha against today's valuation of \$10,000 ha – 8% return

Now use the same profit against an increased market rate of \$15,000/ha – 5.3% return

To achieve an 8% return against a \$15,000/ha valuation you need to reach a profit of \$1,200/ha.

- The cotton yield remains the greatest variable when looking forward or doing current comparisons between growers. As discussed in this and prior reports, land productivity (yield) contributes to the majority of the difference between the top 20% and the average. What difference does yield make on ROA?

e.g. 2006 average of the past 5 years' profit of \$445/ha against \$10,000/ha – 4.5% return

2006 top 20% of the past 5 years' profit of \$1,251/ha against \$10,000/ha – 12.5% return (Yield differential of 1.18bales/ha).

- ROA needs to be balanced against such factors as risk, sustainability and reinvestment. If an individual has as their main aim to increase the ROA, this may have a negative impact on sustainability, as they may not reinvest through redevelopment and take other sustainable actions.
- There is a direct link between ROA and yield. The drive continues to be to increase yield which should increase profits and ROA. The need to balance this aim and long-term sustainability becomes the challenge facing the industry.



2. REPORT ON THE 2006 CROP

2.3 CONCLUSION

The drought across all the cotton growing areas continues to impact greatly on the cotton industry. The 2006 year was a step backward compared to the 2005 year, although for most growers it was not as bad as the 2003 and 2004 years. The gross income was down due to both a reduced yield and a greatly reduced price. The average price has dropped 31% in the last two years. The yield was down on the 2005 year but up on the 2004 year. For the average growers, the per hectare costs increased 14% on the 2005 year, due partly to an increase in direct costs but also due to an increase in fixed and semi fixed costs being spread over a small area. The combination of the above meant that it was the worst operating profit result since 1999. After interest, the average grower made a loss of \$95 per hectare.

The growers who were not as severely effected by the drought, and therefore able to grow a greater area of their farm, had a reasonable result, although it was down on the 2005 year. Operating profit of \$1,664 in 2006 compared to \$2,282 in 2005.

There are still many cotton growing areas that continue to be affected by the drought, particularly those in the Namoi, Emerald and Walgett/Bourke valleys who did not submit their figures as they either grew a mixture of solid and skip row, or no cotton at all.

Again we stress that the analysis is not a measure of the health of the industry but a means of comparing your farm to the average and top 20% with the aim of improving your own performance.

Although we have not attempted to analyse in detail the return on assets from a capital growth perspective, we have noted that, in the past, many growers have obtained a large increase in their net assets from the increase in the value of land and licences, rather than the accumulation of profits. All farmers need to understand what it takes to be in the top 20% and strive to ensure their business implements the necessary changes to achieve this objective.

This report has continued to measure the components that give farmers a stronger financial bottom line. The industry continues to reinvest in BMP, sustainability programs and in the communities in which it operates.



2. REPORT ON THE 2006 CROP

Everyone acknowledges that productivity (yield) is the major feature of the top performers in a “normal” year. This report and the 2004 report highlighted that in a low water year, the percentage of cotton grown on a farm has a significant effect on who is in the top 20% as the fixed and semi fixed costs over-shadow the yield difference. As the industry goes forward after this drought, it can again begin to focus on sustainable measures to improve long term yields. Improvements in operating techniques and gene technology are continuing to contribute to improved yields. Maintaining a focus on sustainability and improved productivity will create a stronger industry.

The major short term issues in the industry that require focus by growers are fixed costs associated with water insecurity, price of lint, the cost of fuel and labour when the valleys return to full water.



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3

COMPARATIVE

STATISTICS

3. COMPARATIVE STATISTICS

3.1 PARTICIPANTS

3.1.1 COMPARISON OF PARTICIPANTS INFORMATION TO THE ANALYSIS

	YOUR FARM (TOTAL)	YOUR FARM	ALL FARMS	TOP 20%	BOTTOM 20%	LOW COST	GROWERS (>1,500HA)	YOUR VALLEY
INCOME								
Cotton proceeds - Lint			3,788	4,065	3,710	3,754	3,506	
Cotton proceeds - Seed			436	434	408	382	410	
Ginning			(479)	(491)	(445)	(444)	(458)	
Levies			(33)	(36)	(34)	(26)	(27)	
Cotton proceeds - Hail claims			55	163	47	103	36	
			3,767	4,135	3,686	3,769	3,467	
EXPENSES								
Administration			41	36	36	29	38	
Cartage			105	161	69	123	107	
Chemical application			158	144	160	130	146	
Chemicals - Herbicides			109	70	140	60	101	
Chemicals - Insecticides			292	293	238	281	333	
Chemicals - Defoliant			57	61	62	52	56	
Chemicals - Other			3	2	3	2	1	
Chipping			66	50	63	71	76	
Consultants			59	62	60	55	57	
Contract picking			180	57	320	124	162	
Contract farming & ripping			89	85	139	91	65	
Cotton picking sundries			11	10	5	12	8	
Electricity			21	15	17	9	16	
Fertiliser			356	262	400	312	355	
Fuel & oil			323	224	355	242	297	
Hire of plant			3	8	1	6	1	
Insurance			144	71	176	121	162	
Leasing, depreciation & hire purchase charges			199	142	187	126	172	
Licence fee - Bollgard			150	65	215	107	134	
Licence fee - Roundup ready			25	16	44	11	15	
Motor vehicle expenses			22	16	44	11	15	
R & M - Farming plant			135	105	133	115	128	
R & M - Pumps and earthworks			101	45	194	59	90	
Seed			77	75	98	68	71	
Water charges			188	28	563	21	181	
Wages - Employees			327	246	329	245	298	
Wages - Proprietors			38	54	44	36	21	
Other farm overheads			73	45	86	44	78	
			3,352	2,448	4,181	2,563	3,184	
OPERATING PROFIT/(LOSS)			415	1,687	(495)	1,206	283	
ADD:								
Wages - Proprietors			38	54	44	36	21	
FARM OPERATING PROFIT/(LOSS)			453	1,741	(451)	1,242	304	

3. COMPARATIVE STATISTICS

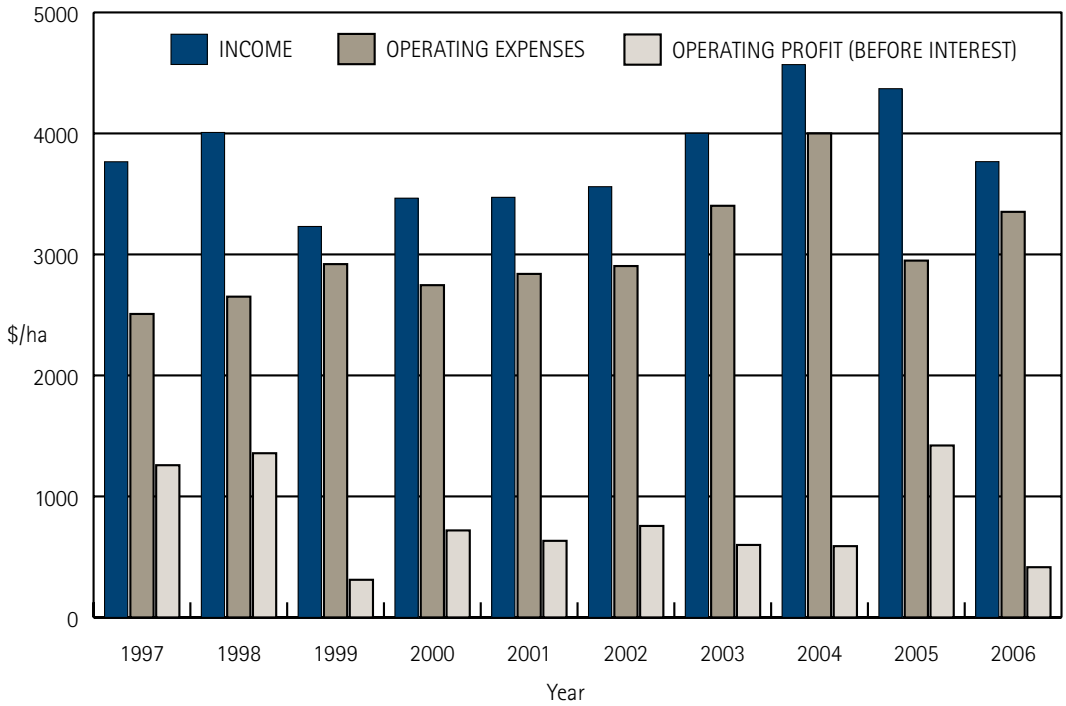
3.1.1 COMPARISON OF PARTICIPANTS INFORMATION TO THE ANALYSIS CONT.

	YOUR FARM (TOTAL)	YOUR FARM	ALL FARMS	TOP 20%	BOTTOM 20%	LOW COST	GROWERS (>1,500HA)	YOUR VALLEY
DEDUCT								
Interest and bank charges			544	429	784	379	519	
Interest - Crop terms			4	10	3	7	0	
			548	439	787	386	519	
FARM NET PROFIT/(LOSS)			(\$95)	\$1,302	(\$1,238)	\$856	(\$215)	
CROP RESULTS								
Hectares of cotton grown			936.02	921.24	640.18	1,453.60	2,137.31	
Total yield			9,285.42	9,656.56	5,799.32	14,042.00	20,554.40	
Yield per hectare			9.92	10.48	9.06	9.66	9.62	
Value per bale			\$374.23	\$378.96	\$401.74	\$379.55	\$356.84	
Cost of production per bale			\$337.82	\$235.67	\$458.06	\$264.95	\$330.16	
Operating profit/(loss) per bale			\$41.94	\$158.80	(\$51.17)	\$125.28	\$30.39	
No. of bales per hectare required to cover operating expenses			8.95	6.52	10.33	6.74	8.90	
No. of bales per hectare required to cover total expenses			10.42	7.68	12.29	7.76	10.35	
LABOUR								
Number of Hectares per permanent person (excluding proprietors)			185.44	290.92	174.59	242.27	209.54	
AVAILABLE TRACTOR HORSE POWER								
Tractor horse power per 500 hectares			409.98	470.78	365.28	393.36	366.37	
AVAILABLE PICKING CAPACITY								
Picker heads per 500 hectares			2.44	2.53	0.00	1.83	1.12	
ROTATION								
Percentage of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)			69.44%	60.95%	55.56%	66.72%	59.58%	
WATER USAGE								
Megalitres per hectare			9.62	10.22	8.61	9.19	8.78	
Megalitres per bale			0.97	0.97	0.95	0.95	0.91	

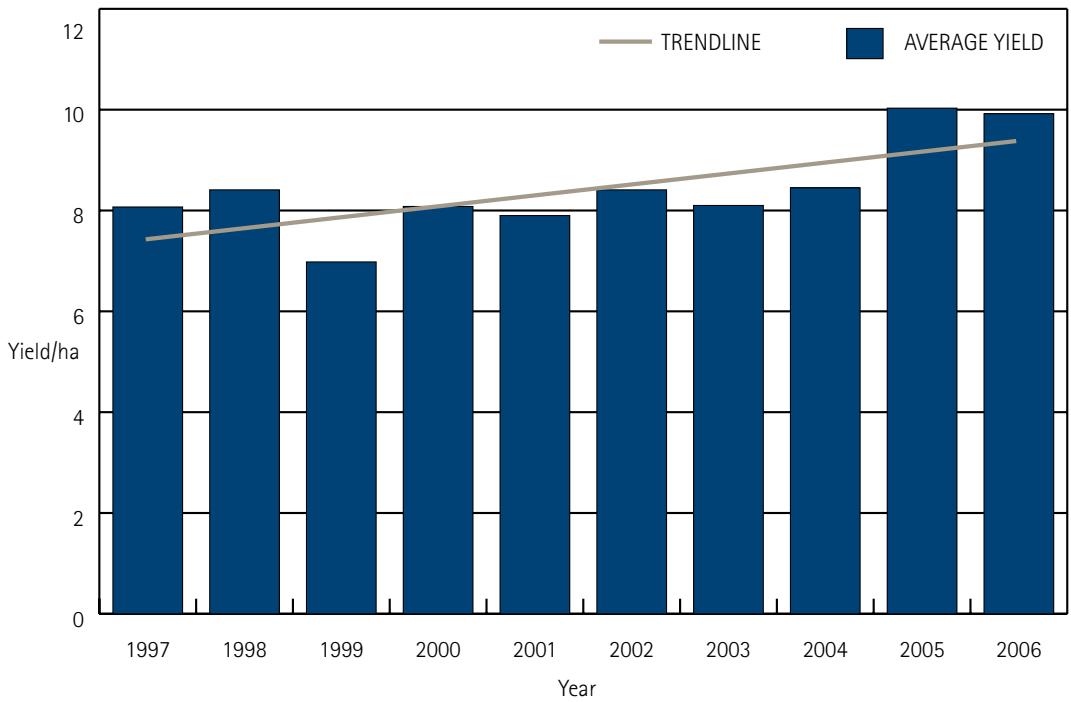
3. COMPARATIVE STATISTICS

3.2 AVERAGE

3.2.1.1 COMPARISON OF AVERAGE INCOME AND EXPENSE ITEMS

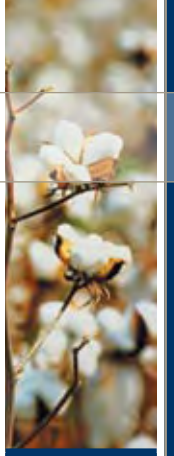
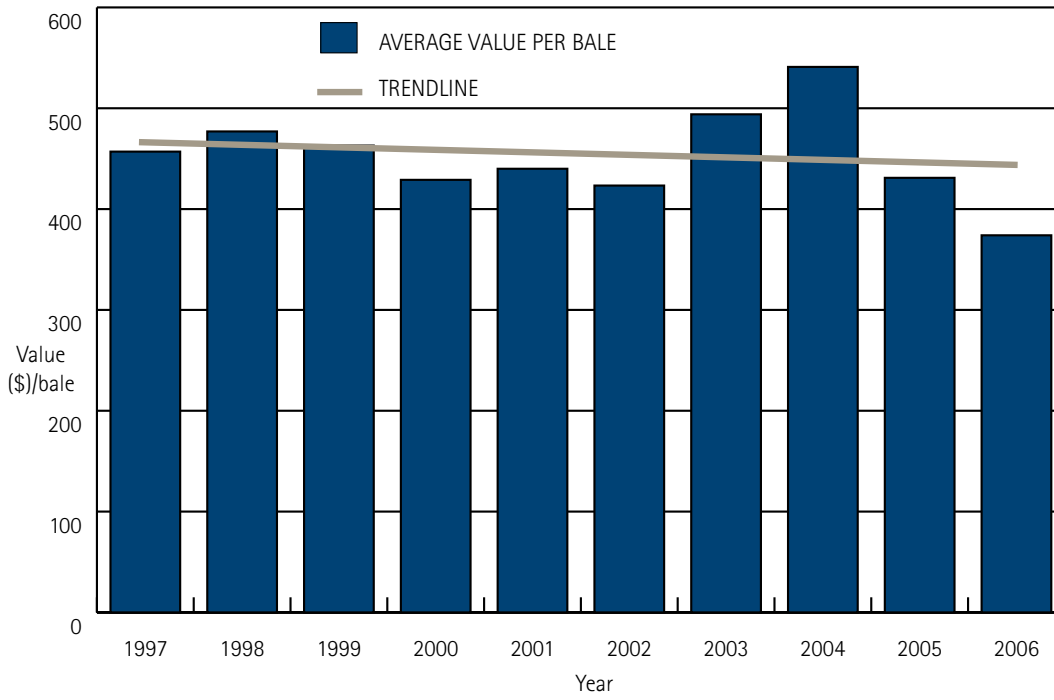


3.2.1.2 YIELD



3. COMPARATIVE STATISTICS

3.2.1.3 VALUE PER BALE



3. COMPARATIVE STATISTICS

3.2.2 THE PAST TEN YEARS (PER HA)

1997	1998	1999	2000	2001	2002	2003	2004	2005		2006
INCOME										
3,758	3,989	3,130	3,458	3,563	3,590	3,795	4,502	4,419	Cotton proceeds - Lint	3,788
				366	454	542	524	452	Cotton proceeds - Seed	436
				(430)	(449)	(428)	(436)	(511)	Ginning	(479)
				(28)	(32)	(32)	(34)	(38)	Levies	(33)
7	19	101	5	1	0	124	13	48	Cotton proceeds - Hail claims	55
3,765	4,008	3,231	3,463	3,472	3,563	4,001	4,569	4,370		3,767
EXPENSES										
44	41	42	50	42	40	66	75	45	Administration	41
91	87	85	67	73	76	69	70	96	Cartage	105
126	120	171	122	141	126	105	172	137	Chemical application	158
121	115	147	151	123	124	133	178	153	Chemicals - Herbicides	109
363	358	592	414	403	304	232	451	198	Chemicals - Insecticides	292
89	83	88	86	92	83	67	95	55	Chemicals - Defoliant	57
15	14	20	15	13	12	10	11	5	Chemicals - Others	3
84	92	92	84	84	81	50	44	44	Chipping	66
44	41	41	42	41	50	54	69	58	Consultants	59
166	188	165	198	170	176	195	178	173	Contract picking	180
52	60	55	63	73	64	108	135	57	Contract farming and ripping	89
15	17	13	12	12	10	12	9	19	Cotton picking sundries	11
15	24	21	28	25	19	40	33	25	Electricity	21
205	216	202	190	219	249	292	263	242	Fertiliser	356
114	115	108	132	183	155	216	239	229	Fuel and oil	323
7	10	12	14	16	18	11	10	3	Hire of plant	3
67	67	67	74	90	89	131	152	116	Insurance	144
183	220	254	251	235	241	322	376	206	Leasing, depreciation and hire purchase charges	199
30	38	23	33	44	55	52	49	127	Licence fee - Bollgard	150
0	0	0	0	0	5	12	14	16	Licence fee - Roundup ready	25
17	20	17	17	17	16	26	30	22	Motor vehicle expenses	22
131	124	129	125	124	127	147	143	174	R & M - Farming plant	135
69	94	68	72	93	101	121	151	114	R & M - Pumps and earthworks	101
37	42	43	45	55	70	84	103	80	Seed	77
67	92	56	70	62	104	319	364	113	Water charges	188
247	260	285	293	304	309	365	384	321	Wages - Employees	327
72	68	61	53	60	51	82	91	46	Wages - Proprietors	38
37	45	63	43	45	50	81	111	75	Other farm overheads	73
2,508	2,651	2,920	2,744	2,839	2,805	3,402	4,000	2,949		3,352
1,257	1,357	311	719	633	758	599	569	1,421	OPERATING PROFIT/(LOSS)	415
ADD:										
72	68	61	53	60	51	82	91	46	Wages - Proprietors	38
1,329	1,425	372	772	693	809	681	660	1,467	FARM OPERATING PROFIT/(LOSS)	453

3. COMPARATIVE STATISTICS

3.2.2 THE PAST TEN YEARS (PER HA) CONT.

1997	1998	1999	2000	2001	2002	2003	2004	2005		2006
DEDUCT:										
269	281	191	229	271	282	676	918	583	Interest and bank charges	544
27	10	24	23	20	15	41	5	3	Interest - Crop terms	4
296	291	215	252	291	297	717	923	586		548
\$1,033	\$1,134	\$157	\$520	\$402	\$512	(\$36)	(\$263)	\$881	FARM NET PROFIT/(LOSS)	(\$95)
CROP RESULTS										
651.11	762.73	880.03	1,005.98	941.46	1,039.06	534.91	498.09	1,027.71	Hectares of cotton grown	936.02
5,255.82	6,411.67	6,144.49	8,128.17	7,437.97	8,736.63	4,331.56	4,209.07	10,312.15	Total yield (bales)	9,285.42
8.07	8.41	6.98	8.08	7.90	8.41	8.10	8.45	10.03	Yield per hectare (bales)	9.92
\$456.75	\$476.73	\$462.67	\$428.60	\$439.54	\$423.76	\$493.92	\$540.85	\$430.78	Value per bale	\$374.23
\$310.75	\$315.20	\$418.34	\$339.70	\$359.39	\$333.67	\$420.29	\$473.60	\$293.75	Cost of production per bale	\$337.82
\$155.79	\$161.53	\$44.33	\$88.91	\$80.15	\$90.09	\$73.63	\$67.25	\$141.84	Operating profit per bale	\$41.94
5.39	5.56	6.31	6.40	6.46	6.62	6.89	7.40	6.84	No. of bales per hectare required to cover operating expenses	8.95
6.03	6.17	6.78	6.99	7.12	7.32	8.34	9.11	8.20	No. of bales per hectare required to cover total expenses	10.42
LABOUR										
155.81	185.63	185.22	188.49	179.94	199.99	146.72	132.82	173.78	Number of ha per permanent person (excluding proprietors)	185.44
AVAILABLE TRACTOR HORSE POWER										
557.11	471.54	428.05	402.09	414.45	332.99	690.70	659.97	555.52	Tractor horse power/500 ha	409.98
AVAILABLE PICKING CAPACITY										
3.40	2.37	2.13	1.91	2.32	1.70	2.61	4.02	2.95	Picker heads per 500 hectares	2.44
ROTATION										
61.20%	29.30%	44.67%	44.03%	34.60%	32.62%	41.19%	75.62%	75.68%	% of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	69.44%
WATER USAGE										
8.38	8.19	8.14	9.48	9.43	9.29	8.14	6.93	9.00	Megalitres per hectare	9.62
1.02	0.97	1.17	1.17	1.19	1.10	1.01	0.82	0.90	Megalitres per bale	0.97

3. COMPARATIVE STATISTICS

3.2.3 COMPARISON BETWEEN THE 2006 YEAR AND THE 2005 YEAR (PER HA)

	ALL FARMS 2006	ALL FARMS 2005	DIFFERENCE
INCOME			
Cotton proceeds - Lint	3,788	4,419	(631)
Cotton proceeds - Seed	436	452	(16)
Ginning	(479)	(511)	32
Levies	(33)	(38)	5
Cotton proceeds - Hail claims	55	48	7
	3,767	4,370	(603)
EXPENSES			
Administration	41	45	4
Cartage	105	96	(9)
Chemical application	158	137	(21)
Chemicals - Herbicides	109	153	44
Chemicals - Insecticides	292	198	(94)
Chemicals - Defoliant	57	55	(2)
Chemicals - Others	3	5	2
Chipping	66	44	(22)
Consultants	59	58	(1)
Contract picking	180	173	(7)
Contract farming and ripping	89	57	(32)
Cotton picking sundries	11	19	8
Electricity	21	25	4
Fertiliser	356	242	(114)
Fuel and oil	323	229	(94)
Hire of plant	3	3	0
Insurance	144	116	(28)
Leasing, depreciation and hire purchase charges	199	206	7
Licence fee - Bollgard	150	127	(23)
Licence fee - Roundup Ready	25	16	(9)
Motor vehicle expenses	22	22	0
R & M - Farming plant	135	174	39
R & M - Pumps and earthworks	101	114	13
Seed	77	80	3
Water charges	188	113	(75)
Wages - Employees	327	321	(6)
Wages - Proprietors	38	46	8
Other farm overheads	73	75	2
	3,352	2,949	(403)
OPERATING PROFIT/(LOSS)	415	1,421	(1,006)
ADD:			
Wages - Proprietors	38	46	8
FARM OPERATING PROFIT/(LOSS)	453	1,467	1,014



3. COMPARATIVE STATISTICS

3.2.3 COMPARISON BETWEEN THE 2006 YEAR AND THE 2005 YEAR (PER HA) CONT.

	ALL FARMS 2006	ALL FARMS 2005	DIFFERENCE
DEDUCT			
Interest and bank charges	544	583	39
Interest - Crop terms	4	3	(1)
	548	586	38
FARM NET PROFIT/(LOSS)	(\$95)	\$881	(\$976)
CROP RESULTS			
Hectares of cotton grown	936.02	1,027.71	(91.68)
Total yield (bales)	9,285.42	10,312.15	(1,026.73)
Yield per hectare (bales)	9.92	10.03	(0.11)
Value per bale	\$374.23	\$430.78	(\$56.55)
Cost of production per bale	\$337.82	\$293.75	(\$44.07)
Operating profit per bale	\$41.94	\$141.84	(\$99.90)
No. of bales per hectare required to cover operating expenses	8.95	6.84	(2.11)
No. of bales per hectare required to cover total expenses	10.42	8.20	(2.21)
LABOUR			
Number of hectares per permanent person (excluding proprietors)	185.44	173.78	11.66
AVAILABLE TRACTOR HORSE POWER			
Tractor horse power per 500 hectares	409.98	555.52	145.54
AVAILABLE PICKING CAPACITY			
Picker heads per 500 hectares	2.44	2.95	0.51
ROTATION			
Percentage of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	69.44%	75.68%	(6.24%)
WATER USAGE			
Megalitres per hectare	9.62	9.00	(0.62)
Megalitres per bale	0.97	0.90	(0.07)

3. COMPARATIVE STATISTICS

3.2.4 COMPARISON OF THE AVERAGE OF THE DIFFERENT VALLEYS (PER HA)

	ALL VALLEYS AVE FIGURES	GWYDIR AVE FIGURES	MACINTYRE/BARWON AVE FIGURES	MACQUARIE AVE FIGURES
INCOME				
Cotton proceeds - Lint	3,788	3,924	3,654	4,130
Cotton proceeds - Seed	436	494	385	528
Ginning	(479)	(548)	(431)	(501)
Levies	(33)	(38)	(29)	(37)
Cotton proceeds - Hail claims	55	22	83	0
	3,767	3,854	3,662	4,120
EXPENSES				
Administration	41	59	28	53
Cartage	105	103	102	132
Chemical application	158	196	129	119
Chemicals - Herbicides	109	152	73	163
Chemicals - Insecticides	292	353	263	135
Chemicals - Defoliant	57	63	52	71
Chemicals - Other	3	2	1	15
Chipping	66	79	64	18
Consultants	59	64	56	62
Contract picking	180	180	169	147
Contract farming & ripping	89	67	102	142
Cotton picking sundries	11	13	10	5
Electricity	21	38	9	32
Fertiliser	356	397	337	253
Fuel & oil	323	429	268	233
Hire of plant	3	1	5	1
Insurance	144	172	133	91
Leasing, depreciation & hire purchase charges	199	282	136	345
Licence fee - Bollgard	150	185	123	211
Licence fee - Roundup ready	25	32	18	31
Motor vehicle expenses	22	23	21	18
R & M - Farming plant	135	185	105	131
R & M - Pumps and earthworks	101	159	67	115
Seed	77	69	78	93
Water charges	188	146	196	299
Wages - Employees	327	440	266	275
Wages - Proprietors	38	36	37	82
Other farm overheads	73	126	44	47
	3,352	4,051	2,892	3,319
OPERATING PROFIT/(LOSS)	415	(197)	770	801
ADD:				
Wages - Proprietors	38	36	37	82
FARM OPERATING PROFIT/(LOSS)	453	(161)	807	883

3. COMPARATIVE STATISTICS

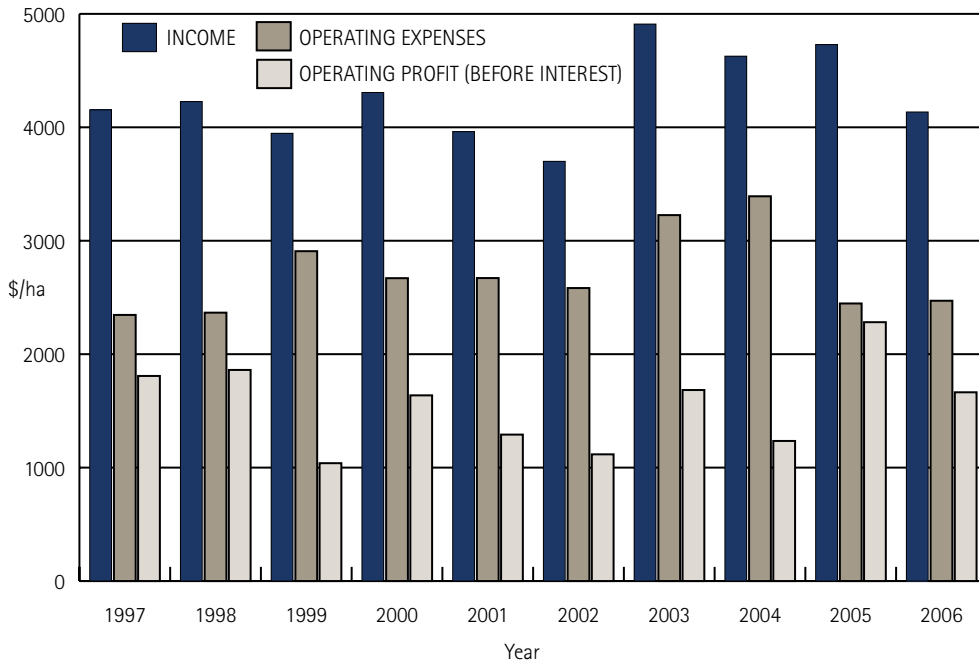
3.2.4 COMPARISON OF THE AVERAGE OF THE DIFFERENT VALLEYS (PER HA) CONT.

	ALL VALLEYS AVE FIGURES	GWYDIR AVE FIGURES	MACINTYRE/BARWON AVE FIGURES	MACQUARIE AVE FIGURES
DEDUCT				
Interest and bank charges	544	633	496	571
Interest - Crop terms	4	2	1	39
	548	635	497	610
FARM NET PROFIT/(LOSS)	(\$95)	(\$796)	\$310	\$273
CROP RESULTS				
Hectares of cotton grown	936.02	845.74	1,245.85	365.00
Total yield	9285.42	9049.70	11,698.93	3,743.67
Yield per hectare	9.92	10.70	9.39	10.26
Value per bale	\$374.23	\$358.20	\$381.05	\$401.72
Cost of production per bale	\$337.82	\$378.61	\$308.38	\$323.59
Operating profit/(loss) per bale	\$41.94	(\$18.35)	\$81.49	\$78.14
No. of bales per hectare required to cover operating expenses	8.95	11.31	7.60	8.26
No. of bales per hectare required to cover total expenses	10.42	13.08	8.90	9.78
LABOUR				
Number of Hectares per permanent person (excluding proprietors)	185.44	157.35	224.25	219.00
AVAILABLE TRACTOR HORSE POWER				
Tractor horse power per 500 hectares	409.98	393.75	378.34	500.00
AVAILABLE PICKING CAPACITY				
Picker heads per 500 hectares	2.44	1.48	1.43	3.65
ROTATION				
Percentage of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	69.44%	60.20%	65.68%	90.00%
WATER USAGE				
Megalitres per hectare	9.62	9.87	9.03	9.23
Megalitres per bale	0.97	0.92	0.96	0.90

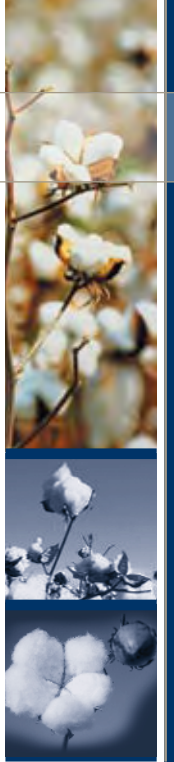
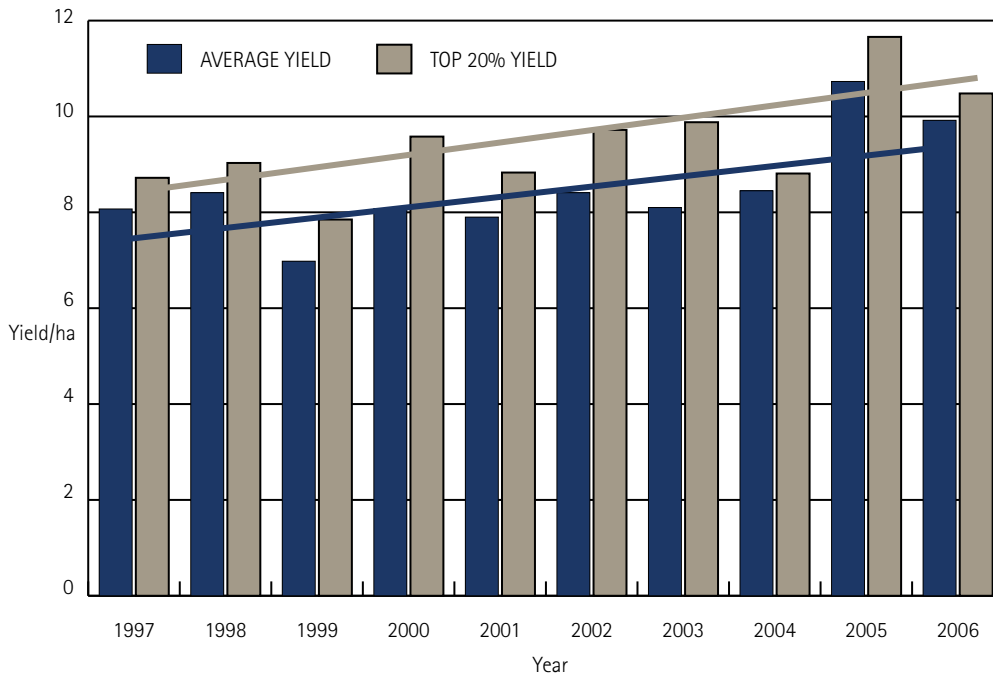
3. COMPARATIVE STATISTICS

3.3 TOP 20% FARMERS

3.3.1.1 COMPARISON OF TOP 20% INCOME AND EXPENSE ITEMS

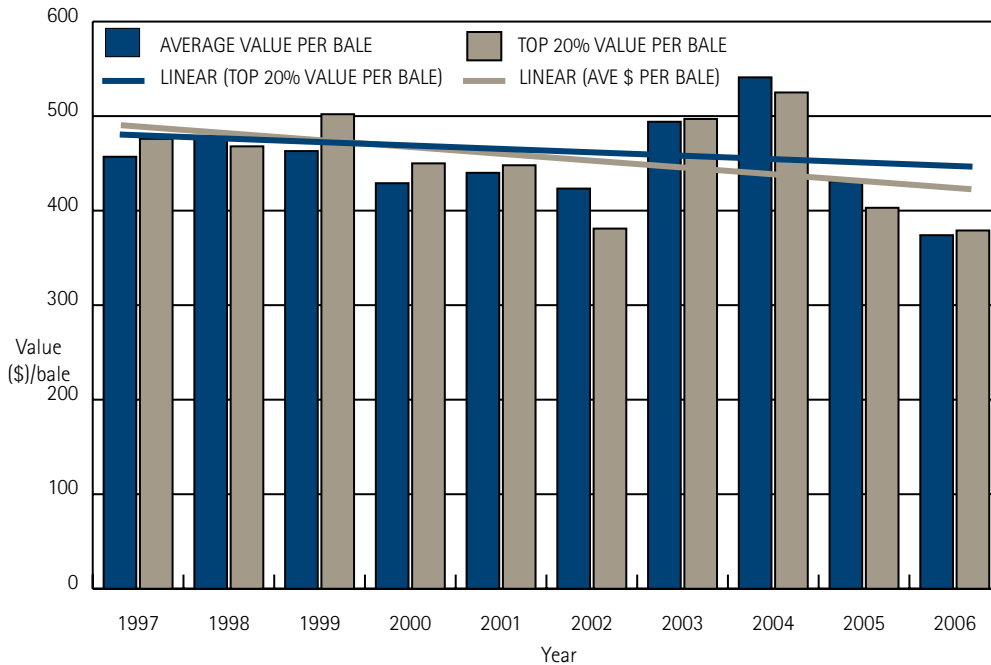


3.3.1.2 COMPARISON OF THE YIELD FOR THE AVERAGE AND THE TOP 20%

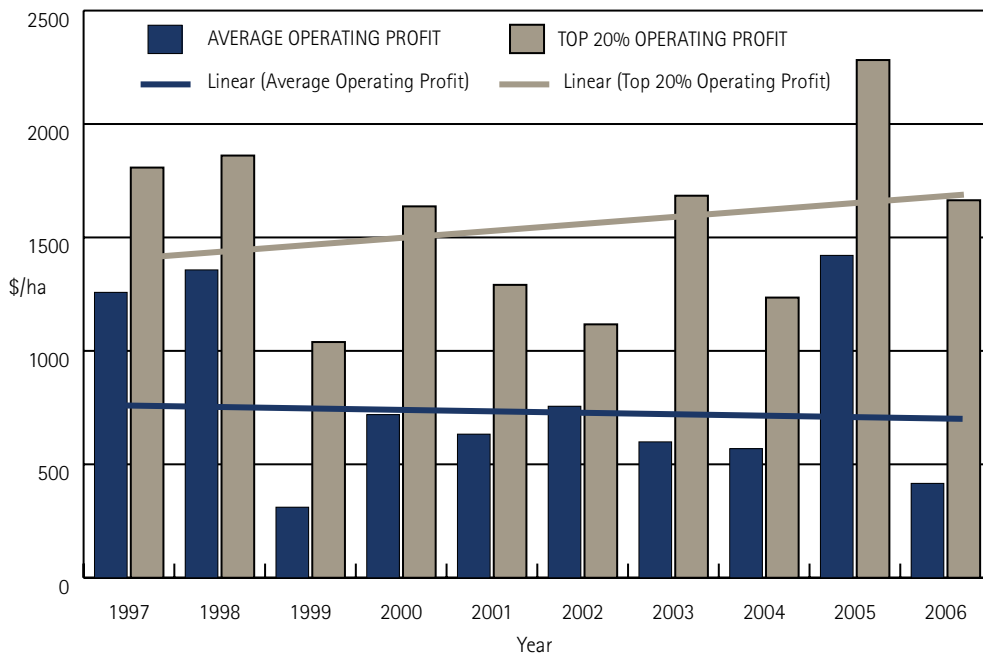


3. COMPARATIVE STATISTICS

3.3.1.3 COMPARISON OF THE VALUE PER BALE FOR THE AVERAGE AND THE TOP 20%



3.3.1.4 COMPARISON OF THE OPERATING PROFIT FOR THE AVERAGE AND THE TOP 20%



3. COMPARATIVE STATISTICS

3.3.2 TOP 20% FARMERS - THE PAST TEN YEARS (PER HA)

1997	1998	1999	2000	2001	2002	2003	2004	2005		2006
INCOME										
4,154	4,227	3,786	4,284	4,076	3,685	4,771	4,543	4,835	Cotton proceeds - Lint	4,065
				412	523	645	584	522	Cotton proceeds - Seed	434
				(493)	(478)	(521)	(466)	(617)	Ginning	(491)
				(33)	(30)	(35)	(34)	(37)	Levies	(36)
0	0	161	23	0	0	50	0	26	Cotton proceeds - Hail claims	163
4,154	4,227	3,947	4,307	3,962	3,700	4,910	4,627	4,729		4,135
EXPENSES										
22	34	48	38	44	31	94	91	46	Administration	36
109	90	148	75	67	104	100	70	160	Cartage	161
124	110	172	124	142	116	99	140	107	Chemical application	144
126	114	158	137	116	105	119	152	203	Chemicals - Herbicides	70
376	318	558	409	394	314	245	423	147	Chemicals - Insecticides	293
79	79	86	87	103	77	74	91	56	Chemicals - Defoliant	61
17	17	17	10	7	4	6	3	5	Chemicals - Others	2
84	86	84	78	77	86	65	10	35	Chipping	50
40	47	48	39	39	56	48	60	59	Consultants	62
136	184	174	187	207	101	105	99	86	Contract picking	57
27	67	79	55	81	44	86	109	43	Contract farming and ripping	85
20	16	3	16	5	11	16	13	21	Cotton picking sundries	10
10	19	22	20	28	24	52	24	16	Electricity	15
173	187	182	151	201	268	297	218	202	Fertiliser	262
91	107	106	121	194	151	198	239	293	Fuel and oil	224
0	4	12	19	7	3	1	8	2	Hire of plant	8
67	62	68	109	50	77	126	150	84	Insurance	71
190	162	225	215	206	208	307	296	157	Leasing, depreciation and hire purchase charges	142
17	24	47	47	46	58	63	55	64	Licence fee - Bollgard	65
0	0	0	0	0	5	22	22	17	Licence fee - Roundup ready	39
15	17	27	19	16	14	34	18	12	Motor vehicle expenses	16
146	88	89	109	98	122	136	140	123	R & M - Farming plant	105
47	73	72	78	59	152	202	112	45	R & M - Pumps and earthworks	45
40	39	46	44	47	70	74	119	74	Seed	75
32	86	77	80	31	29	127	276	11	Water charges	28
259	253	268	312	312	243	346	323	245	Wages - Employees	246
64	49	37	57	46	66	86	62	77	Wages - Proprietors	54
35	34	55	34	48	44	98	69	57	Other farm overheads	45
2,346	2,366	2,908	2,670	2,671	2,583	3,226	3,392	2,447		2,471
1,808	1,861	1,039	1,637	1,291	1,117	1,684	1,235	2,282	OPERATING PROFIT/(LOSS)	1,664
ADD:										
64	49	37	57	46	66	86	62	77	Wages - Proprietors	54
1,872	1,910	1,076	1,694	1,337	1,183	1,770	1,297	2,359	FARM OPERATING PROFIT/(LOSS)	1,718

3. COMPARATIVE STATISTICS

3.3.2 TOP 20% FARMERS - THE PAST TEN YEARS (PER HA) CONT.

1997	1998	1999	2000	2001	2002	2003	2004	2005		2006
DEDUCT:										
255	236	242	383	243	388	818	834	476	Interest and bank charges	429
5	1	9	30	52	5	16	7	3	Interest - Crop terms	10
260	237	251	413	295	393	834	841	479		439
\$1,612	\$1,673	\$825	\$1,281	\$1,042	\$790	\$936	\$456	\$1,880	FARM NET PROFIT/(LOSS)	\$1,279
CROP RESULTS										
743.52	971.92	845.55	1031.43	1,173.33	1,040.63	497.71	689.74	830.00	Hectares of cotton grown	921.24
6,484.03	8,779.20	6,641.18	9881.61	10,365.57	10,109.94	4,917.52	6,078.29	9,676.04	Total yield (bales)	9,656.56
8.72	9.03	7.85	9.58	8.83	9.72	9.88	8.81	11.66	Yield per hectare (bales)	10.48
\$476.34	\$467.99	\$502.43	\$449.51	\$448.47	\$380.82	\$496.93	\$524.92	\$403.40	Value per bale	\$378.96
\$269.01	\$261.79	\$370.02	\$278.64	\$302.33	\$265.87	\$326.46	\$384.89	\$209.73	Cost of production per bale	\$235.67
\$207.32	\$206.19	\$132.42	\$170.87	\$146.14	\$114.96	\$170.46	\$140.03	\$195.87	Operating profit per bale	\$158.80
4.93	5.05	5.78	5.94	5.96	6.78	6.49	6.46	6.06	No. of bales per hectare required to cover operating expenses	6.52
5.47	5.56	6.28	6.86	6.61	7.82	8.17	8.06	7.25	No. of bales per hectare required to cover total expenses	7.68
LABOUR										
188.24	213.35	220.58	180.95	230.48	228.43	151.48	181.51	242.08	Number of ha per permanent person (excluding proprietors)	290.92
AVAILABLE TRACTOR HORSE POWER										
496.29	384.69	373.20	369	360.09	425.38	938.58	461.19	567.56	Tractor horse power/500 ha	470.78
AVAILABLE PICKING CAPACITY										
3.64	1.83	1.58	1.65	1.39	2.86	5.74	3.48	5.16	Picker heads per 500 hectares	2.53
ROTATION										
53.58%	18.06%	47.93%	25.20%	44.88%	27.88%	34.36%	76.52%	50.12%	% of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	60.95%
WATER USAGE										
7.66	7.49	8.14	8.89	9.02	9.47	9.13	7.14	10.00	Megalitres per hectare	10.22
0.88	0.83	1.04	0.93	1.02	0.97	0.92	0.81	0.86	Megalitres per bale	0.97



3. COMPARATIVE STATISTICS

3.4 FIVE YEAR AVERAGE FOR TOP 20% AND AVERAGE PARTICIPANTS (PER HA)

	ALL FARMS EXC 03 + 04 AVERAGE	TOP 20% EXC 03 + 04 AVERAGE	DIFFERENCE
INCOME			
Cotton proceeds - Lint	3,764	4,189	425
Cotton proceeds - Seed	342	378	36
Ginning	(374)	(416)	(42)
Levies	(26)	(27)	(1)
Cotton proceeds - Hail claims	22	42	20
	3,728	4,166	438
EXPENSES			
Administration	44	39	(16)
Cartage	83	113	(30)
Chemical application	137	127	10
Chemicals - Herbicides	132	126	6
Chemicals - Insecticides	322	311	11
Chemicals - Defoliant	75	77	(2)
Chemicals - Others	10	6	4
Chipping	72	65	7
Consultants	50	51	(1)
Contract picking	179	128	51
Contract farming and ripping	69	62	7
Cotton picking sundries	13	13	0
Electricity	24	21	3
Fertiliser	251	217	34
Fuel and oil	204	197	7
Hire of plant	11	8	3
Insurance	103	78	25
Leasing, depreciation and hire purchase charges	226	186	40
Licence fee - Bollgard	82	56	26
Licence fee - Roundup Ready	9	12	(3)
Motor vehicle expenses	19	15	4
R & M - Farming plant	137	111	26
R & M - Pumps and earthworks	96	76	20
Seed	65	62	3
Water charges	107	36	71
Wages - Employees	311	272	39
Wages - Proprietors	50	60	(10)
Other farm overheads	57	46	11
	2,938	2,571	367
OPERATING PROFIT/(LOSS)	790	1,595	805
ADD:			
Wages - Proprietors	50	60	10
FARM OPERATING PROFIT/(LOSS)	840	1,655	815



3. COMPARATIVE STATISTICS

3.4 FIVE YEAR AVERAGE FOR TOP 20% AND AVERAGE PARTICIPANTS (PER HA) CONT.

	ALL FARMS EXC 03 + 04 AVERAGE	TOP 20% EXC 03 + 04 AVERAGE	DIFFERENCE
DEDUCT			
Interest and bank charges	382	384	(2)
Interest - Crop terms	13	20	(7)
	395	404	(9)
FARM NET PROFIT/(LOSS)	\$445	\$1,251	\$806
CROP RESULTS			
Hectares of cotton grown	990.05	999.33	9.28
Total yield (bales)	8,780.07	9,937.94	1,157.87
Yield per hectare (bales)	8.87	10.05	1.18
Value per bale	\$419.38	\$412.23	(\$7.15)
Cost of production per bale	\$332.87	\$258.45	\$74.42
Operating profit per bale	\$88.59	\$157.33	\$68.74
No. of bales per hectare required to cover operating expenses	7.06	6.25	0.81
No. of bales per hectare required to cover total expenses	8.01	7.24	0.77
LABOUR			
Number of hectares per permanent person (excluding proprietors)	185.53	234.57	(49.04)
AVAILABLE TRACTOR HORSE POWER			
Tractor horse power per 500 hectares	423.01	438.56	(15.55)
AVAILABLE PICKING CAPACITY			
Picker heads per 500 hectares	2.26	2.72	(0.46)
ROTATION			
Percentage of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	51.00%	42.00%	(9.00%)
WATER USAGE			
Megalitres per hectare	9.36	9.52	(0.16)
Megalitres per bale	1.07	0.95	0.12



3. COMPARATIVE STATISTICS

3.5 LOW COST FARMERS

3.5.1 LOW COST FARMERS - THE PAST TEN YEARS (PER HA)

1997	1998	1999	2000	2001	2002	2003	2004	2005		2006
INCOME										
3,774	4,027	3,176	3,857	3,521	2,916	3,318	4,513	4,195	Cotton proceeds - Lint	3,754
				349	381	543	539	393	Cotton proceeds - Seed	382
				(443)	(382)	(425)	(450)	(518)	Ginning	(444)
				(28)	(25)	(26)	(37)	(32)	Levies	(26)
21	20	12	0	0	0	240	0	0	Cotton proceeds - Hail claims	103
3,795	4,047	3,188	3,857	3,399	2,890	3,650	4,565	4,038		3,769
EXPENSES										
28	33	33	44	50	51	58	75	33	Administration	29
91	84	73	78	65	53	72	54	106	Cartage	123
118	104	129	95	133	90	91	133	88	Chemical application	130
115	110	123	104	128	93	125	112	139	Chemicals - Herbicides	60
339	315	556	289	348	182	222	304	206	Chemicals - Insecticides	281
76	104	85	86	95	74	65	68	54	Chemicals - Defoliant	52
14	110	11	16	9	9	8	7	5	Chemicals - Others	2
70	91	81	75	53	71	47	25	40	Chipping	71
46	37	48	40	45	61	40	67	49	Consultants	55
171	207	184	211	165	129	155	139	131	Contract picking	124
40	60	43	80	80	69	106	192	36	Contract farming and ripping	91
17	16	6	13	11	9	11	12	20	Cotton picking sundries	12
14	13	28	21	48	23	41	9	13	Electricity	9
153	185	166	178	205	208	269	200	141	Fertiliser	312
80	110	77	106	127	107	201	223	222	Fuel and oil	242
3	7	6	3	8	43	8	11	1	Hire of plant	6
60	66	57	84	55	62	103	121	83	Insurance	121
161	142	250	224	152	163	245	248	111	Leasing, depreciation and hire purchase charges	126
25	22	28	54	50	58	52	54	72	Licence fee - Bollgard	107
0	0	0	0	0	0	16	19	2	Licence fee - Roundup ready	9
14	22	14	20	10	17	26	20	9	Motor vehicle expenses	11
99	78	106	115	120	110	130	145	132	R & M - Farming plant	115
48	64	51	59	53	76	113	66	44	R & M - Pumps and earthworks	59
35	42	43	44	53	70	73	108	68	Seed	68
36	88	67	91	37	95	274	402	17	Water charges	21
245	225	245	241	227	232	301	274	224	Wages - Employees	245
77	55	70	64	61	56	64	65	46	Wages - Proprietors	36
30	42	44	24	35	29	87	79	38	Other farm overheads	44
2,205	2,432	2,624	2,459	2,423	2,240	3,003	3,232	2,130		2,561
1,590	1,615	564	1,398	976	650	647	1,333	1,908	OPERATING PROFIT/(LOSS)	1,208
ADD:										
77	55	70	64	61	56	64	65	46	Wages - Proprietors	36
1,667	1,670	634	1,462	1,037	706	711	1,398	1,954	FARM OPERATING PROFIT/(LOSS)	1,244

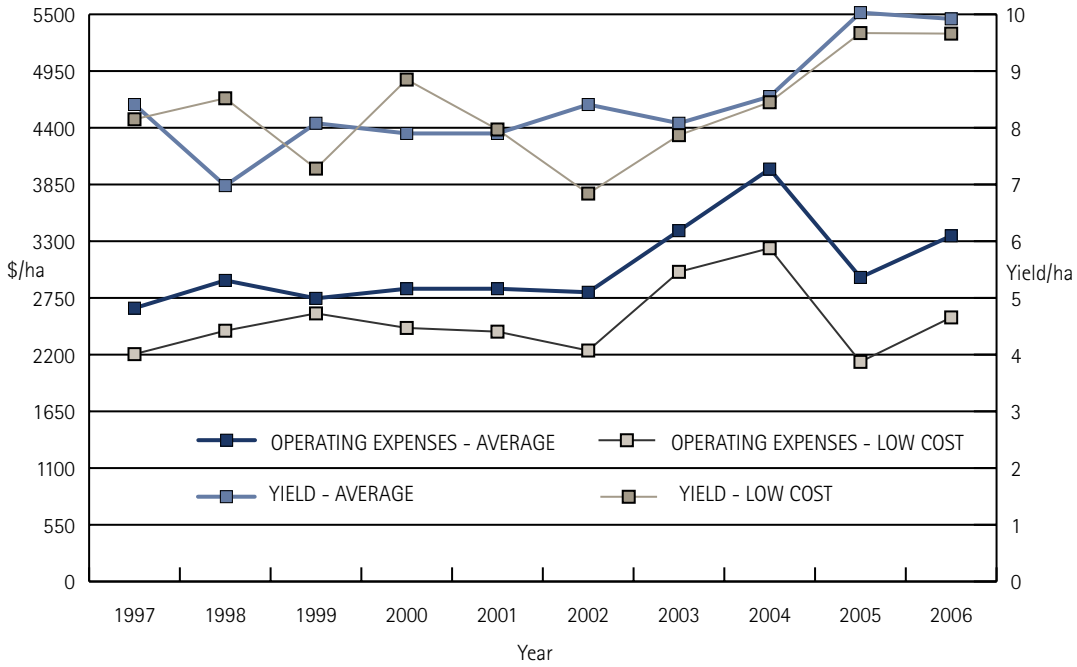
3. COMPARATIVE STATISTICS

3.5.1 LOW COST FARMERS - THE PAST TEN YEARS (PER HA) CONT.

1997	1998	1999	2000	2001	2002	2003	2004	2005		2006
DEDUCT:										
280	323	199	361	102	258	654	569	389	Interest and bank charges	379
14	5	2	46	6	0	28	9	5	Interest - Crop terms	7
119	328	201	407	108	258	682	578	394		386
\$554	\$1,342	\$433	\$1,055	\$929	\$448	\$29	\$820	\$1,560	FARM NET PROFIT/(LOSS)	\$858
CROP RESULTS										
568.60	1,004.33	839.11	1,016.77	1,049.70	746.30	720.50	505.34	1,394	Hectares of cotton grown	1,454
4,759.14	8,559.08	5,986.73	8,995.12	8,370.52	5,102.18	5,671.56	4,320.17	13,481.96	Total yield (bales)	14,042.00
8.15	8.52	7.13	8.85	7.97	6.84	7.87	8.55	9.67	Yield per hectare (bales)	9.66
\$463.15	\$474.88	\$446.81	\$435.92	\$426.21	\$422.66	\$463.70	\$533.93	\$417.57	Value per bale	\$379.55
\$270.88	\$270.85	\$367.65	\$278.14	\$304.01	\$327.94	\$381.34	\$378.05	\$220.36	Cost of production per bale	\$264.95
\$194.80	\$204.03	\$79.16	\$157.79	\$122.21	\$94.72	\$82.36	\$155.88	\$197.21	Operating profit per bale	\$125.28
4.77	4.86	5.87	5.64	5.69	5.30	6.47	6.05	5.10	No. of bales per hectare required to cover operating expenses	6.74
5.40	5.55	6.32	6.58	5.94	5.92	7.94	7.14	6.04	No. of bales per hectare required to cover total expenses	7.76
LABOUR										
176.96	204.97	194.64	217.88	205.82	236.63	169.53	194.36	171.25	Number of ha per permanent person (excluding proprietors)	242.27
AVAILABLE TRACTOR HORSE POWER										
518.86	442.98	425.45	377.56	329.52	291.03	716.08	545.38	604.79	Tractor horse power/500 ha	393.36
AVAILABLE PICKING CAPACITY										
2.98	1.69	1.46	1.42	1.52	1.22	3.47	3.17	3.07	Picker heads per 500 hectares	1.83
ROTATION										
58.90%	24.24%	22.38%	24.37%	24.50%	23.53%	46.44%	60.90%	73.82%	% of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	66.72%
WATER USAGE										
6.79	8.12	7.83	8.91	9.13	7.33	8.55	7.17	10.54	Megalitres per hectare	9.19
0.85	0.95	1.10	1.01	1.15	1.07	1.09	0.84	1.09	Megalitres per bale	0.95

3. COMPARATIVE STATISTICS

3.5.2 LOW COST FARMERS - COMPARISON OF EXPENSES AND YIELD FOR LOW COST AND AVERAGE



4

APPENDICES

4. APPENDICES

APPENDIX A - DEFINITION OF TERMS

TOP 20% AND BOTTOM 20% (AVERAGE)

These figures represent the average results of those farmers who achieved the highest and lowest farm operating profit.

BEST "LOW COST" FARMERS

These figures represent the average results of those farmers who had the lowest farm operating expenses (before interest).

LARGE GROWERS

These figures represent the average results of those farmers who grew more than 3,250 hectares.

COMBINED AVERAGE OF THE PAST FIVE YEARS

These figures represent the combined average of the annual results of farmers in each category of the comparative analysis, over the past five years. For landholding farmers we have also analysed the combined average of the top 20% of farmers, for comparative purposes.

LABOUR

These figures include all permanent employees or equivalent casuals (two casuals employed for three months each would represent half of a permanent employee). Proprietors have been excluded.

AVAILABLE TRACTOR HORSE POWER (ENGINE)

Includes all field tractors used for ripping, listing, spraying and cultivating, but excludes tractors used to operate module builders.

AVAILABLE PICKING CAPACITY

Only includes pickers owned by the farmer.

ROTATION

The portion of the current year's crop grown on fields fallowed in the previous year, or developed over the past three years, expressed as a percentage.

WATER USAGE

Includes the total megalitres of irrigation water used to grow the crop as well as the impact of beneficial rain. Rainfall figures during the growing season have been converted to megalitres after excluding light falls and a portion of falls over 100 mm per month.



4. APPENDICES

APPENDIX B - GUIDE TO INCOME & EXPENSE ALLOCATIONS

COTTON PROCEEDS

The “Cotton Proceeds – Lint” is net of premiums and discounts.

For farmers who received hail insurance claims, the amount received has been shown separately in the analysis. Where possible the hail claim has been grossed up to reflect the bales lost due to hail and the costs saved or additional costs incurred have been added or subtracted to reflect comparable figures.

EXPENSES

Administration	accountancy (all general work), administration, advertising, computer costs, computer processing, entertainment, filing fees, licences permits and fees, medical supplies, newspapers and periodicals, printing stationery and postage, protective clothing, seminars and conferences, staff amenities, staff training, subscriptions and donations, telephone, travel and accommodation
Cartage	cartage (cotton module cartage, general cartage)
Chemicals - Application	application by aircraft, application by ground rig
Chemicals - Herbicides	herbicides used in field and on ditches, channels etc
Chemicals - Insecticides	all insecticides
Chemicals - Defoliant	all defoliant and conditioners
Chemicals - Other	growth regulants (pix) and all other chemicals
Chipping	chipping (chipping contractors, chipping wages), row weeders
Consultants	consultants (external and internal agronomist, bug checkers, marketing consultants)
Contract picking	contract picking (net of contract picking income on a swap basis, ie. hectare for hectare)
Contract farming & ripping	contract farming, contract ripping, contract stalk pulling, stick picking
Cotton picking sundries	cotton picking sundries (tarps and ropes, repairs to tarps)
Electricity	electricity (electricity for bores, general electricity)
Fertiliser	fertiliser, gypsum

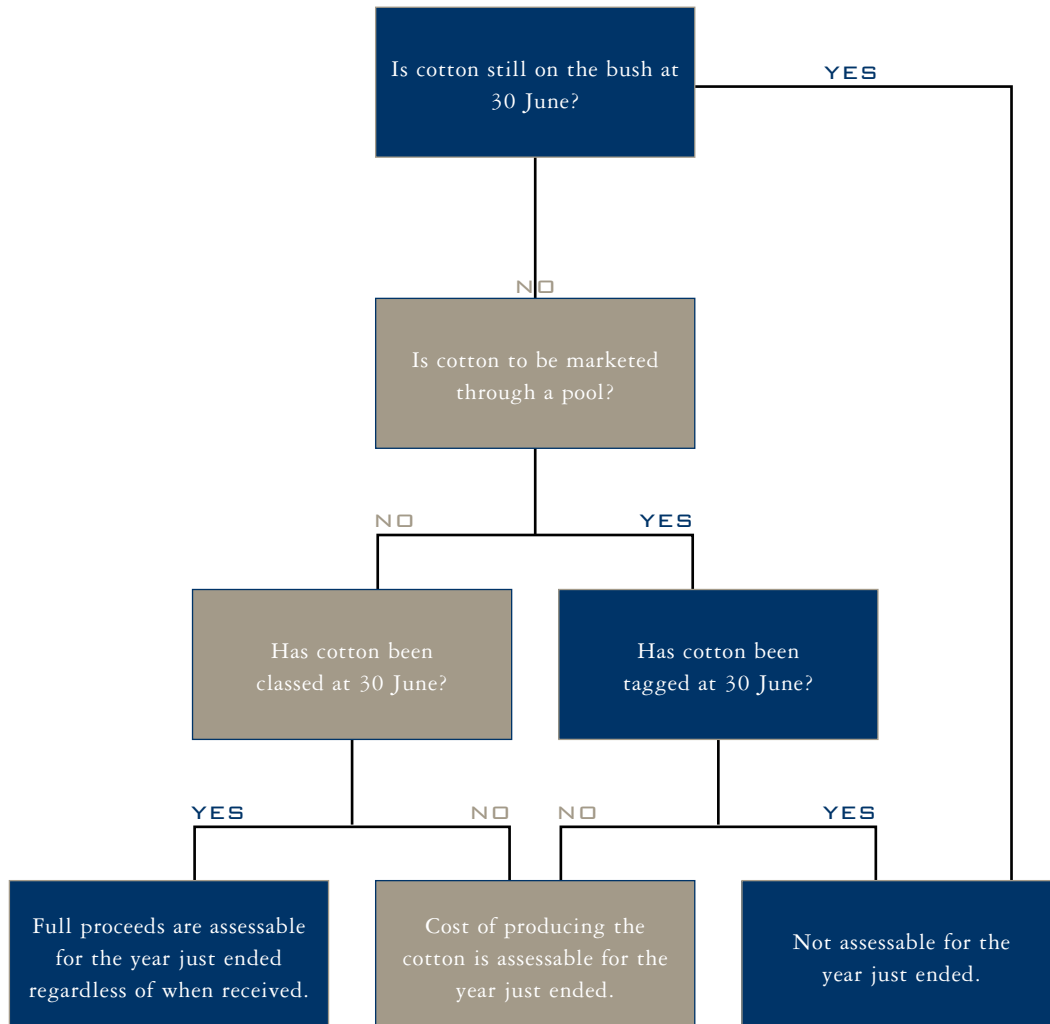
4. APPENDICES

Fuel and oil	fuel and oil (net of diesel fuel rebate)
Hire of plant	hire of plant
Insurance	crop insurance, general insurance
Leasing, depreciation and hire purchase charges	leasing, depreciation and hire purchase interest charges
Licence fee - Bollgard	licence fees paid to Monsanto
Motor vehicle expenses	motor vehicle expenses (registration, motor vehicle insurance, R&M motor vehicle)
R&M - Farming plant	R&M pickers, R&M plant, R&M tractors, R&M small tools and hardware, R&M motor bikes
R&M - Pumps & earthworks	R&M irrigation earthworks, R&M irrigation pumps and motors
Seed	seed
Water charges	water charges (charges from a state body, charges from a local water scheme, water purchases)
Wages - Employees	external wages (excluding chipping), payroll tax, secretarial fees, superannuation, workers compensation insurance, FBT
Wages - Proprietors	wages paid to a proprietor. If no wage is paid a notional amount of \$50,000 has been included for the principle working proprietor and \$20,000 for each other working proprietor. If the farm has more than one enterprise, the \$50,000 is split in accordance with normal allocation criteria.
Other farm overheads	special accountancy work, audit, legal, rates, rent, R&M homestead, R&M employees houses, R&M farm buildings, R&M fences, shade and shelter trees
Interest and bank charges	bank charges, borrowing expenses, bank interest
Interest - Crop terms	interest on crop term finance (chemical suppliers, and cotton merchants etc)



4. APPENDICES

APPENDIX C - TABLE ON ASSESSABILITY OF COTTON PROCEEDS



NB. The guaranteed minimum price of a GMP pool is assessable as a cash. The balance is treated as a pool.

The marketing of cotton is a complex issue. The taxation treatment relies on the wording of a particular contract. This schedule is designed to provide general advice only. If you need specific advice, please contact us. On this basis, we accept no liability for any errors or omissions.



4. APPENDICES

APPENDIX D - COMMON SHAREFARMING AND LEASING ARRANGEMENTS

Below are some details of common practices.

i) Sharefarming (80% - 20% deal)

80% of income to the sharefarmer.

20% of income to the landholder.

Sharefarmer pays all operating costs.

Landholder pays landholder's costs (rates) and costs to deliver water to the head ditch (pumping, water charges, and main channel maintenance).

ii) Sharefarming (82% - 18% deal)

82% of income to the sharefarmer.

18% of income to the landholder.

Sharefarmer pays all costs except rates.

iii) Sharefarming (50% - 50% deal) (Less common)

50% of income to the sharefarmer.

50% of income to the landholder.

Sharefarmer pays all labour and machinery operating costs.

Landholder pays all land-related costs.

All variable crop costs are split 50%-50% including contract picking.

Under this scenario, the aim is for the two parties to share risks and rewards on an equal basis.

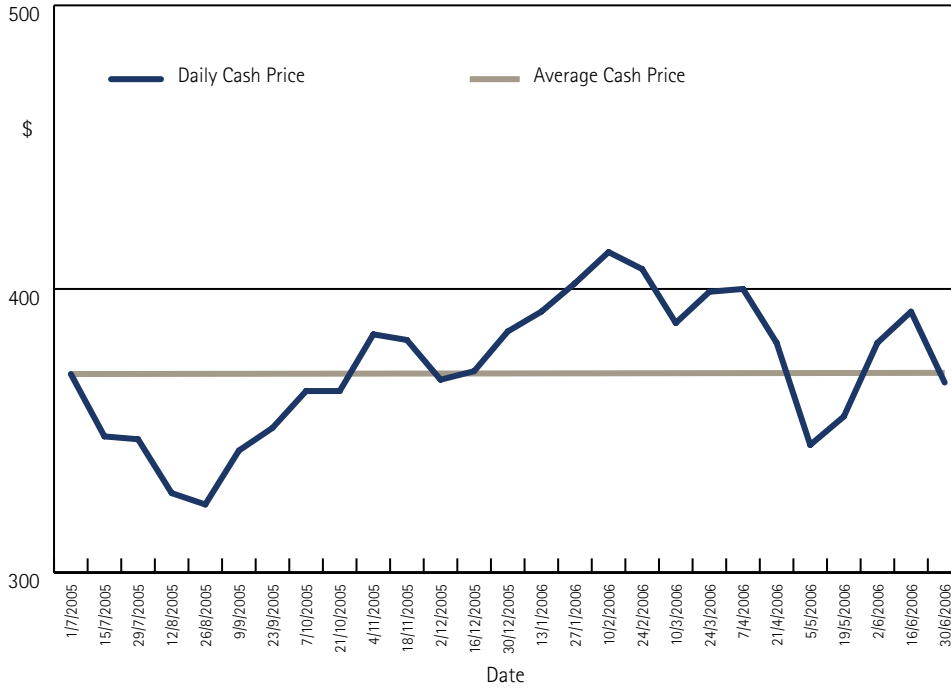
iv) Leasing

A starting point is generally 5% - 6% of the value of the developed area.

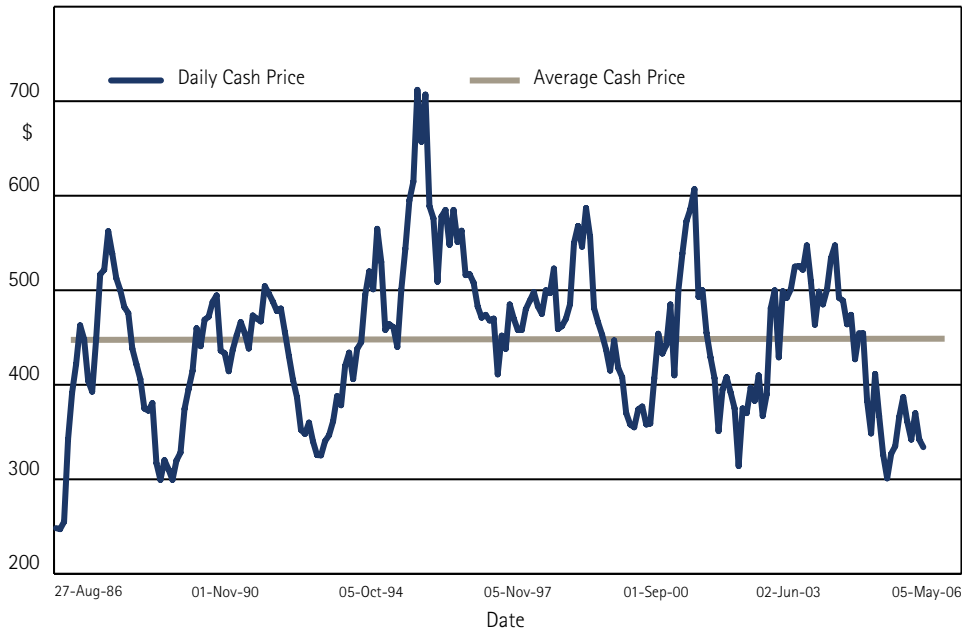


4. APPENDICES

APPENDIX E - CASH PRICE GRAPH FOR YEAR ENDED 30 JUNE 2006



CASH PRICE GRAPH FOR THE PAST 20 YEARS



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