AUSTRALIAN COTTON COMPARATIVE ANALYSIS

2005 CROP

Australian Government
Cotton Research and Development Corporation

Cotton Catchment Communities CRC

BOYCE
CHARTERED ACCOUNTANTS

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Cotton Research and Development Corporation

2 Lloyd St (PO Box 282)
Narrabri NSW 2390
ABN 71 054 238 316

Contacts:

Executive Director:	Bruce Finney
R& D General Manager:	Bruce Pyke
Communications:	Helen Dugdale
Finance & Administration:	Robin Logan
Telephone:	02 67924088
Facsimile	0267 924400
Email	crdc@crdc.com.au
Website	www.crdc.com.au

Cotton Catchment Communities CRC
Locked Bag 1001
Narrabri NSW 2390

Contacts:

CEO:	Guy Roth
Chief Scientist:	Peter Gregg
Telephone:	02 6799 1500
Facsimile:	02 6793 1171
Email:	crcadmin@cotton.crc.org.au
Website:	www.cotton.crc.org.au

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 (CDRC) 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 2005 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 can be downloaded onto your individual computers as required.

We look forward to discussing the report with you.

David Newnham
Director
BOYCE Chartered Accountants
Moree

Bruce Finney
Executive Director
CRDC
Narrabri

Guy Roth
Chief Executive Officer
Cotton Catchment Communities CRC
Narrabri

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INTRODUCTION TO THE AUSTRALIAN COTTON COMPARATIVE ANALYSIS 2005 CROP

1. INTRODUCTION

The 2005 Australian Cotton Comparative Analysis (ACCA) is the fifth report produced in conjunction with the Cotton Research & Development Corporation (CRDC)/Cotton Catchment Communities CRC.

In this report, we present an analytical review of the 2005 results, a comparison with prior years and comments on emerging trends.

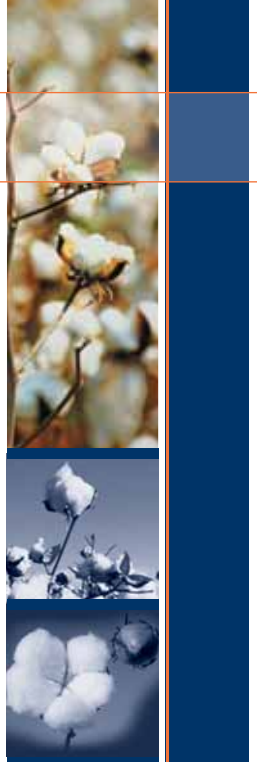
Feedback from participants and growers has been very positive. The clear message in this and previous reports has been the required focus on yield as opposed to cost reduction or price enhancement. In the 2004 report we highlighted that, due to drought in the 2003 and 2004 years, the reduction in area 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.

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 only includes the results of farmers who were able to plant, grow and pick their crop using close to normal irrigation practices. The total number of hectares in the sample increased significantly due to an increase in the availability of water throughout some of the cotton growing areas of Australia. The average hectares planted per participant increased from 498 hectares in 2004 to 1,027 hectares in 2005.
- 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.



- 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 $430. 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 2005 CROP

2. REPORT ON THE 2005 CROP

2.1 THE 2005 CROP – ANALYTICAL REVIEW

2.1.1 INTRODUCTION

The 2005 crop will be remembered as one of the best growing years that resulted in record yields. A majority 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. In comparison to the previous few years, the insect pressure was light, with reports that some trap crops yielded 7.5 bales to the hectare.

The increase 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 analysis, with the majority of farms planting double the area compared to the previous two years. When you review the average income and expenses for the past ten years, the 2005 crop is back in line with the years 1996 to 2002. This has resulted in large variances in many of the numbers when compared to the prior years with the total expenses dropping from $4,000 in 2004 to $2,949 in 2005.

For the average grower, the total income per hectare was less than the 2004 year, a decrease of $199/ha. This is because the increase in yield of 1.58 bales/ha was not enough to offset a decrease in the price of $110/bale. However, the growing costs also decreased dramatically, $1,051/ha, mainly due to better economies of scale as there were more hectares grown on each farm to meet the overhead, fixed and semi-fixed costs.

In the expenditure there were some increases on the previous year. The main increases were in Licence fee - Bollgard ($78/ha), due to a greater proportion of bollgard being grown, and cartage ($26/ha), due partly to the increase in yield. The majority of the other costs decreased, with many decreasing significantly, again due to the increase in the economies of scale.

This year we have again included trend lines in some of the graphs presented. Interesting trends from 1996 to 2005 have emerged including the following:

- The net price per bale is decreasing, $490 to $450/bale – 8% decrease
- The yield per hectare is increasing, 7bales/ha to 9bales/ha – 28% increase
- The average operating profit per hectare for the average grower is decreasing while the top 20% of growers is increasing.

Because of the distortion that the drought has had on the prior two years' data, 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 current year and the 2002 and prior years' data because these were the last "normal" years.

5 YEAR AVERAGE TO 2005

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 2005 as being the 1999 to 2005 years, excluding 2003 and 2004 years.

2.1.2.KEY PERFORMANCE INDICATORS

1. YIELD (BALES / HA)

	AVERAGE	TOP 20%	DIFF
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 2005	8.28	9.53	1.25

? 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
2005	$431	$403	($28)
2004	$541	$525	($16)
2003	$494	$497	$3
2002	$424	$381	($43)
5 year average to 2005	$437	$437	$0

- The average cash price for the 12 months was $350. The 2005 sales were higher than this due to future positions taken by the grower.

? What strategies do you have in place to combat adverse currency, futures and reduced ha?

? Do you understand all the strategies that are available?

3. OPERATING COSTS ($ / HA)

	AVERAGE	TOP 20%	DIFF
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 2005	$2,849	$2,656	$193

- Of the total decrease in costs on the previous year of $1,051/ha, there were savings in most categories with insecticide making up $253 and water charges and purchases making up $251. All the fixed type costs improved as growers had a larger area on which to spread these costs.
- In comparison to the 2002 year, the costs have increased by $144 for the average and reduced by $136 for the top 20%.
- There was a large range with the operating costs of fully irrigated cotton varying between $2,000/ha and $5,800/ha (before finance costs). This was due to low cost growers having full water while other growers only had a small portion of their area planted
- The average operating costs for the "low cost growers" was $2,130 compared to $3,233/ha in 2004.
- There were no areas where the top 20% of growers spent significantly more than the average growers.

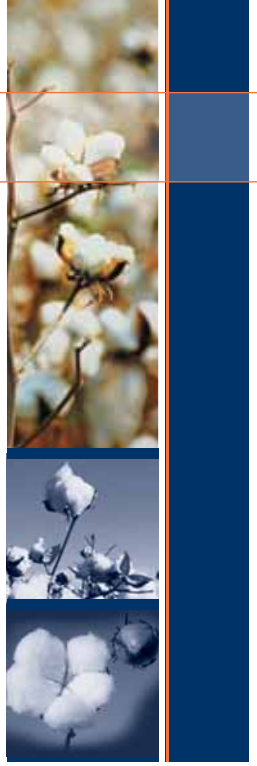
? What steps can you take in a "normal year" to keep your operating costs below $2,600/ha?

? Are you monitoring the costs which are much higher than the average?

? Have you investigated group purchasing arrangements?

? Does your strategy in relation to costs need to change in low water years?

? Should you be using more contractors so that in low water years you don't have the fixed costs?



4. COST OF PRODUCTION ($ / BALE)

	AVERAGE	TOP 20%	DIFF
2005	$294	$210	$84
2004	$474	$385	$89
2003	$420	$327	$93
2002	$334	$266	$68
5 year average to 2005	$349	$285	$64

- 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 2005 year this was because the top 20% grew a high yield per hectare, 11.66bales/ha and grew cotton on a larger area of their farm and were therefore able 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 in the $260 to $310 per bale range in a "normal" insecticide and water year.
- The extra yield of 0.25 - 0.5 bales per hectare costs 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	Namoi	Walgett
Gross income ($/ha)	$4,717	$4,186	$3,215	$4,523	4,344
Insecticides & Bollgard ($/ha)	$383	$277	$361	$327	239
Wages ($/ha)	$427	$213	$235	$434	328
Operating costs	$3,540	$2,448	$2,604	$3,281	2,412
Operating profit ($/ha)	$1,177	$1,738	$611	$1,242	1,932
Hectares grown	1,064	1,187	522	1,229	428
Yield / ha	10.37	9.84	8.01	10.60	10.09

- The sample size this year for the Emerald valley was not large enough to be included separately in the analysis.

6. LABOUR (HECTARES PER PERSON)

	AVERAGE	TOP 20%	DIFF
2005	173	242	68
2004	133	182	49
2003	147	151	4
2002	199	228	29
5 year average to 2005	185	220	35

- The number of green hectares per person has increased to levels similar to 2002. As to be expected, this is a dramatic increase on the 2003 and 2004 figures.
- The lack of skilled labour continues to be a major concern for the cotton industry.
- The long-term averages reveal that the top 20% are achieving better results due to economies of scale on labour usage.
- An increasing number of farms are looking to outsource various operations based on priority agreements with contractors.
- Labour utilisation numbers often reduce when there is a marginal increase in hectares grown.
- Having a proportion of contractors is a definite advantage in a low water year.

? Are there some farm operations that could be outsourced while maintaining timeliness of operations?

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

	AVERAGE	TOP 20%	DIFF
2005	556	568	(12)
2004	660	461	199
2003	690	938	(248)
2002	339	425	(86)
5 year average to 2005	426	419	7

- 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
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 2005	2.20	2.53	(0.33)

- The number of picker heads decreased significantly this year as a direct result of the increase in area grown on each farm.
- There was a large number of growers in the top 20% who picked their own crop, however, it doesn'y appear that this was 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?

9. ROTATION

	AVERAGE	TOP 20%	DIFF
2005	76%	50%	(26%)
2004	76%	77%	1%
2003	41%	34%	(7%)
2002	33%	28%	(5%)
5 year average to 2005	46%	39%	(7%)

- 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 2005

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 1999 to the 2005 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 134% more profit (after interest) than the average ($1,163/ha compared to $496/ha).

The difference is attributed to the following factors:

Land productivity (yield)	76%	or	$510
Direct cost savings - excluding			
Wages - Proprietors (fine tuning)	30%	or	$196
Interest savings (less debt)	(6%)	or	($38)
	100%		$668

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.

2.1.4 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 bought 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 $2,849/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.

- **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.

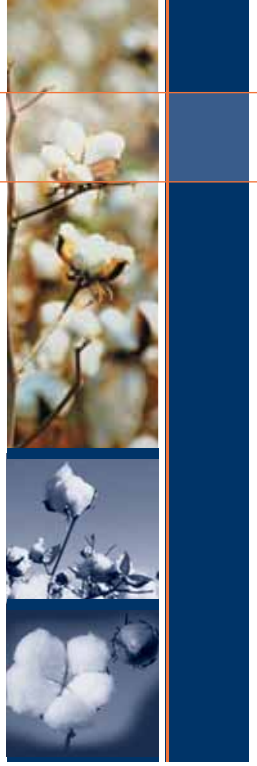
The top farmers know their cost of production per bale. They then base marketing decisions on that cost and work on yield to increase their profit.

- **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.



- **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 varieties' reaction to the timing of water will become even more crucial.

- **Conservative levels of debt**

With the cotton industry still relatively young, 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.

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.

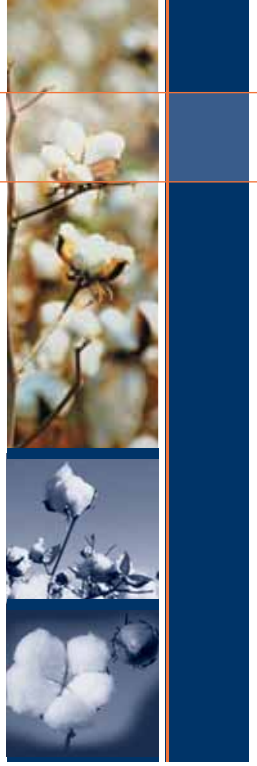
- **Planning and long term vision**

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 10.0 bales/ha have been achieved and are now a realistic goal, especially using the excellent cotton varieties that are continually being developed.



2.2 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 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 land and water increase dramatically.

In the 2004 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.

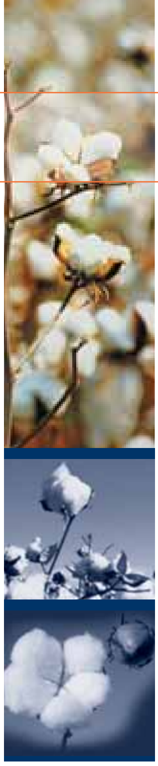
We have included a worksheet to calculate your individual ROA. The process is easy to follow and is as below:-

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 $2,950/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 2005 CROP

RETURN ON ASSETS CALCUALATOR 2005

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

$/bale (cost per ha used: 2950) \ AGE YIELD PER HECTARE	7.2	7.4	7.6	7.8	8	8.2	8.4	8.6	8.8	9	9.2	9.4	9.6	9.8	10	10.2	10.4	10.6	10.8	11	11.2	11.4
550	1,010	1,120	1,230	1,340	1,450	1,560	1,670	1,780	1,890	2,000	2,110	2,220	2,330	2,440	2,550	2,660	2,770	2,880	2,990	3,100	3,210	3,320
540	938	1,046	1,154	1,262	1,370	1,478	1,586	1,694	1,802	1,910	2,018	2,126	2,234	2,342	2,450	2,558	2,666	2,774	2,882	2,990	3,098	3,206
530	866	972	1,078	1,184	1,290	1,396	1,502	1,608	1,714	1,820	1,926	2,032	2,138	2,244	2,350	2,456	2,562	2,668	2,774	2,880	2,986	3,092
520	794	898	1,002	1,106	1,210	1,314	1,418	1,522	1,626	1,730	1,834	1,938	2,042	2,146	2,250	2,354	2,458	2,562	2,666	2,770	2,874	2,978
510	722	824	926	1,028	1,130	1,232	1,334	1,436	1,538	1,640	1,742	1,844	1,946	2,048	2,150	2,252	2,354	2,456	2,558	2,660	2,762	2,864
500	650	750	850	950	1,050	1,150	1,250	1,350	1,450	1,550	1,650	1,750	1,850	1,950	2,050	2,150	2,250	2,350	2,450	2,550	2,650	2,750
490	578	676	774	872	970	1,068	1,166	1,264	1,362	1,460	1,558	1,656	1,754	1,852	1,950	2,048	2,146	2,244	2,342	2,440	2,538	2,636
480	506	602	698	794	890	986	1,082	1,178	1,274	1,370	1,466	1,562	1,658	1,754	1,850	1,946	2,042	2,138	2,234	2,330	2,426	2,522
470	434	528	622	716	810	904	998	1,092	1,186	1,280	1,374	1,468	1,562	1,656	1,750	1,844	1,938	2,032	2,126	2,220	2,314	2,408
460	362	454	546	638	730	822	914	1,006	1,098	1,190	1,282	1,374	1,466	1,558	1,650	1,742	1,834	1,926	2,018	2,110	2,202	2,294
450	290	380	470	560	650	740	830	920	1,010	1,100	1,190	1,280	1,370	1,460	1,550	1,640	1,730	1,820	1,910	2,000	2,090	2,180
440	218	306	394	482	570	658	746	834	922	1,010	1,098	1,186	1,274	1,362	1,450	1,538	1,626	1,714	1,802	1,890	1,978	2,066
430	146	232	318	404	490	576	662	748	834	920	1,006	1,092	1,178	1,264	1,350	1,436	1,522	1,608	1,694	1,780	1,866	1,952
420	74	158	242	326	410	494	578	662	746	830	914	998	1,082	1,166	1,250	1,334	1,418	1,502	1,586	1,670	1,754	1,838
410	2	84	166	248	330	412	494	576	658	740	822	904	986	1,068	1,150	1,232	1,314	1,396	1,478	1,560	1,642	1,724
400	(70)	10	90	170	250	330	410	490	570	650	730	810	890	970	1,050	1,130	1,210	1,290	1,370	1,450	1,530	1,610
390	(142)	(64)	14	92	170	248	326	404	482	560	638	716	794	872	950	1,028	1,106	1,184	1,262	1,340	1,418	1,496
380	(214)	(138)	(62)	14	90	166	242	318	394	470	546	622	698	774	850	926	1,002	1,078	1,154	1,230	1,306	1,382
370	(286)	(212)	(138)	(64)	10	84	158	232	306	380	454	528	602	676	750	824	898	972	1,046	1,120	1,194	1,268
360	(358)	(286)	(214)	(142)	(70)	2	74	146	218	290	362	434	506	578	650	722	794	866	938	1,010	1,082	1,154
350	(430)	(360)	(290)	(220)	(150)	(80)	(10)	60	130	200	270	340	410	480	550	620	690	760	830	900	970	1,040

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.

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.

PROFIT PER HECTARE FROM PREVIOUS WORKSHEET

VALUE/HA	600	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	2,300	2,500	2,700	2,900	3,100	3,300
$18,000	3.3%	3.9%	4.4%	5.0%	5.6%	6.1%	6.7%	7.2%	7.8%	8.3%	8.9%	9.4%	10.0%	10.6%	11.1%	11.7%	12.8%	13.9%	15.0%	16.1%	17.2%	18.3%
$17,500	3.4%	4.0%	4.6%	5.1%	5.7%	6.3%	6.9%	7.4%	8.0%	8.6%	9.1%	9.7%	10.3%	10.9%	11.4%	12.0%	13.1%	14.3%	15.4%	16.6%	17.7%	18.9%
$17,000	3.5%	4.1%	4.7%	5.3%	5.9%	6.5%	7.1%	7.6%	8.2%	8.8%	9.4%	10.0%	10.6%	11.2%	11.8%	12.4%	13.5%	14.7%	15.9%	17.1%	18.2%	19.4%
$16,500	3.6%	4.2%	4.8%	5.5%	6.1%	6.7%	7.3%	7.9%	8.5%	9.1%	9.7%	10.3%	10.9%	11.5%	12.1%	12.7%	13.9%	15.2%	16.4%	17.6%	18.8%	20.0%
$16,000	3.8%	4.4%	5.0%	5.6%	6.3%	6.9%	7.5%	8.1%	8.8%	9.4%	10.0%	10.6%	11.3%	11.9%	12.5%	13.1%	14.4%	15.6%	16.9%	18.1%	19.4%	20.6%
$15,500	3.9%	4.5%	5.2%	5.8%	6.5%	7.1%	7.7%	8.4%	9.0%	9.7%	10.3%	11.0%	11.6%	12.3%	12.9%	13.5%	14.8%	16.1%	17.4%	18.7%	20.0%	21.3%
$15,000	4.0%	4.7%	5.3%	6.0%	6.7%	7.3%	8.0%	8.7%	9.3%	10.0%	10.7%	11.3%	12.0%	12.7%	13.3%	14.0%	15.3%	16.7%	18.0%	19.3%	20.7%	22.0%
$14,500	4.1%	4.8%	5.5%	6.2%	6.9%	7.6%	8.3%	9.0%	9.7%	10.3%	11.0%	11.7%	12.4%	13.1%	13.8%	14.5%	15.9%	17.2%	18.6%	20.0%	21.4%	22.8%
$14,000	4.3%	5.0%	5.7%	6.4%	7.1%	7.9%	8.6%	9.3%	10.0%	10.7%	11.4%	12.1%	12.9%	13.6%	14.3%	15.0%	16.4%	17.9%	19.3%	20.7%	22.1%	23.6%
$13,500	4.4%	5.2%	5.9%	6.7%	7.4%	8.1%	8.9%	9.6%	10.4%	11.1%	11.9%	12.6%	13.3%	14.1%	14.8%	15.6%	17.0%	18.5%	20.0%	21.5%	23.0%	24.4%
$13,000	4.6%	5.4%	6.2%	6.9%	7.7%	8.5%	9.2%	10.0%	10.8%	11.5%	12.3%	13.1%	13.8%	14.6%	15.4%	16.2%	17.7%	19.2%	20.8%	22.3%	23.8%	25.4%
$12,500	4.8%	5.6%	6.4%	7.2%	8.0%	8.8%	9.6%	10.4%	11.2%	12.0%	12.8%	13.6%	14.4%	15.2%	16.0%	16.8%	18.4%	20.0%	21.6%	23.2%	24.8%	26.4%
$12,000	5.0%	5.8%	6.7%	7.5%	8.3%	9.2%	10.0%	10.8%	11.7%	12.5%	13.3%	14.2%	15.0%	15.8%	16.7%	17.5%	19.2%	20.8%	22.5%	24.2%	25.8%	27.5%
$11,500	5.2%	6.1%	7.0%	7.8%	8.7%	9.6%	10.4%	11.3%	12.2%	13.0%	13.9%	14.8%	15.7%	16.5%	17.4%	18.3%	20.0%	21.7%	23.5%	25.2%	27.0%	28.7%
$11,000	5.5%	6.4%	7.3%	8.2%	9.1%	10.0%	10.9%	11.8%	12.7%	13.6%	14.5%	15.5%	16.4%	17.3%	18.2%	19.1%	20.9%	22.7%	24.5%	26.4%	28.2%	30.0%
$10,500	5.7%	6.7%	7.6%	8.6%	9.5%	10.5%	11.4%	12.4%	13.3%	14.3%	15.2%	16.2%	17.1%	18.1%	19.0%	20.0%	21.9%	23.8%	25.7%	27.6%	29.5%	31.4%
$10,000	6.0%	7.0%	8.0%	9.0%	10.0%	11.0%	12.0%	13.0%	14.0%	15.0%	16.0%	17.0%	18.0%	19.0%	20.0%	21.0%	23.0%	25.0%	27.0%	29.0%	31.0%	33.0%
$9,500	6.3%	7.4%	8.4%	9.5%	10.5%	11.6%	12.6%	13.7%	14.7%	15.8%	16.8%	17.9%	18.9%	20.0%	21.1%	22.1%	24.2%	26.3%	28.4%	30.5%	32.6%	34.7%
$9,000	6.7%	7.8%	8.9%	10.0%	11.1%	12.2%	13.3%	14.4%	15.6%	16.7%	17.8%	18.9%	20.0%	21.1%	22.2%	23.3%	25.6%	27.8%	30.0%	32.2%	34.4%	36.7%
$8,500	7.1%	8.2%	9.4%	10.6%	11.8%	12.9%	14.1%	15.3%	16.5%	17.6%	18.8%	20.0%	21.2%	22.4%	23.5%	24.7%	27.1%	29.4%	31.8%	34.1%	36.5%	38.8%
$8,000	7.5%	8.8%	10.0%	11.3%	12.5%	13.8%	15.0%	16.3%	17.5%	18.8%	20.0%	21.3%	22.5%	23.8%	25.0%	26.3%	28.8%	31.3%	33.8%	36.3%	38.8%	41.3%

STEPS

1. Once you have found your closest profit, select a value per developed, licensed & protected hectare & work out your simple return on assets.

2.2.2 WHY MEASURE ROA?

- In isolation ROA provides you with a measure to better assess alternative investments. It does 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%.

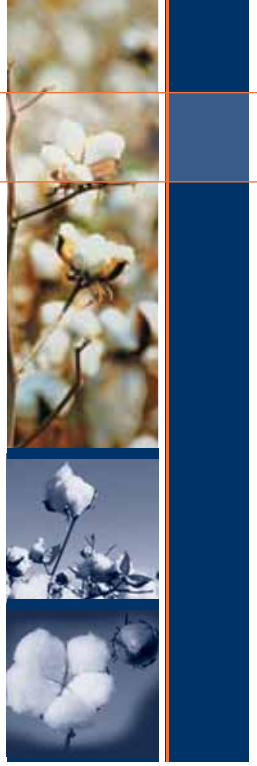
  Linked directly to this is the fact that you now have a higher asset value, and next year if you achieve the same profit your ROA will be lower.
- Use the calculator to predict what your future returns may be.

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. 2005 average of the past 5 years' profit of $600/ha against $10,000/ha – 6% return
2005 top 20% of the past 5 years' profit of $1,345/ha against $10,000/ha – 13.5% return
(Yield differential of 1.29bales/ha).

- ROA needs to be balanced against such factors as risk, sustainability and reinvestment. If an individual has as their main aim the increasing of 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.



2.3 CONCLUSION

The 2005 year was a marked turn around after two years that were significantly affected by the drought, which had caused a large reduction in hectares planted on each farm. While income received on a per hectare basis was less than the prior year due to a significant fall in the cotton price, it was pleasing to see record yields over large areas. Due to the increase in area planted and a low insect year, the costs reduced to a level comparable to 2002. The net result was a farm net profit after interest of $881 per hectare. This was a turnaround on the losses made in the previous two years. Although this is a positive result, there are still many cotton growing areas that continue to be affected by the drought, particularly those in the Macquarie valley 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 in 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 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.

While everyone acknowledges that productivity (yield) is the major feature of the top performers, 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 water security, price of lint and the cost of fuel.

David Newnham
Director
BOYCE Chartered Accountants
MOREE NSW

dnewnham@boyceca.com

3

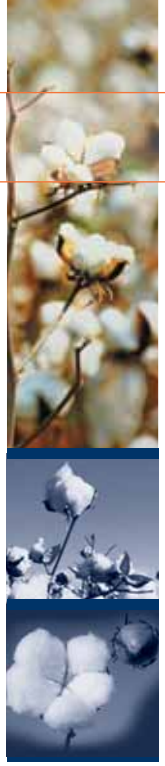
COMPARATIVE STATISTICS

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			4,419	4,835	4,293	4,195	4,429	
Cotton proceeds - Seed			452	522	500	393	458	
Ginning			(511)	(617)	(544)	(518)	(507)	
Levies			(38)	(37)	(61)	(32)	(39)	
Cotton proceeds - Hail claims			48	26	0	0	7	
			4,370	4,729	4,188	4,038	4,348	
EXPENSES								
Administration			45	46	123	33	36	
Cartage			96	160	195	106	93	
Chemical application			137	107	217	88	143	
Chemicals - Herbicides			153	203	125	139	166	
Chemicals - Insecticides			198	147	165	206	210	
Chemicals - Defoliants			55	56	54	54	50	
Chemicals - Other			5	5	0	5	5	
Chipping			44	35	51	40	47	
Consultants			58	59	87	49	55	
Contract picking			173	86	331	131	121	
Contract farming & ripping			57	43	330	36	27	
Cotton picking sundries			19	21	28	20	23	
Electricity			25	16	181	13	28	
Fertiliser			242	202	613	141	214	
Fuel & oil			229	293	513	222	206	
Hire of plant			3	2	4	1	1	
Insurance			116	84	207	83	102	
Leasing, depreciation & hire purchase charges			206	157	200	111	229	
Licence fee - Ingard			127	64	228	72	114	
Licence fee - Roundup ready			16	12	41	9	17	
Motor vehicle expenses			22	12	41	9	17	
R & M - Farming plant			174	123	263	132	221	
R & M - Pumps and earthworks			114	45	635	44	119	
Seed			80	74	125	68	74	
Water charges			113	11	8	17	104	
Wages - Employees			321	245	366	224	374	
Wages - Proprietors			46	77	377	46	21	
Other farm overheads			75	57	131	38	100	
			2,949	2,442	5,639	2,137	2,917	
OPERATING PROFIT/(LOSS)			1,421	2,287	(1,451)	1,901	1,431	
ADD:								
Wages - Proprietors			46	77	377	46	21	
FARM OPERATING PROFIT/(LOSS)			1,467	2,364	(1,074)	1,947	1,452	

3. COMPARATIVE STATISTICS

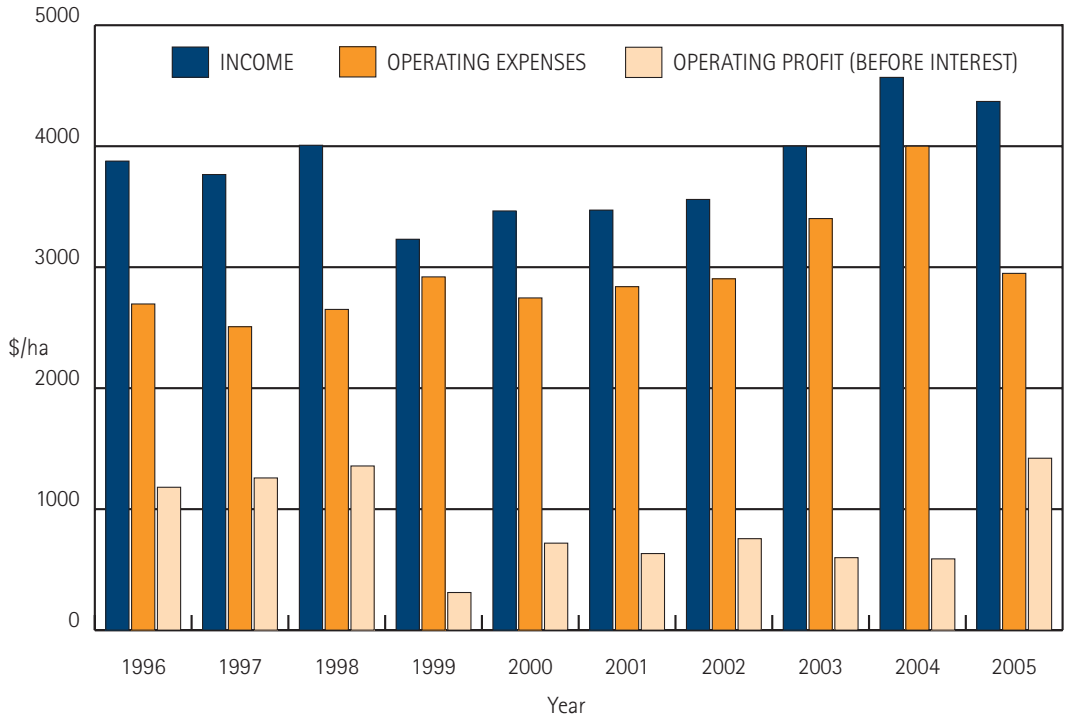


	YOUR FARM (TOTAL)	YOUR FARM	ALL FARMS	TOP 20%	BOTTOM 20%	LOW COST	GROWERS (>1,500HA)	YOUR VALLEY
DEDUCT								
Interest and bank charges			583	476	827	389	556	
Interest - Crop terms			3	3	51	5	0	
			586	479	878	394	556	
FARM NET PROFIT/(LOSS)			$881	$1,885	($1,952)	$1,553	$896	
CROP RESULTS								
Hectares of cotton grown			1,027.71	830.00	146.00	1,394.46	2,900.64	
Total yield			10,312.15	9,676.04	1,540.00	13,481.96	29,043.40	
Yield per hectare			10.03	11.66	10.55	9.67	10.01	
Value per bale			$430.78	$403.40	$397.00	$417.57	$433.50	
Cost of production per bale			$293.75	$209.73	$530.82	$220.36	$290.97	
Operating profit/(loss) per bale			$141.84	$195.87	($133.82)	$197.21	$143.27	
No. of bales per hectare required to cover operating expenses			6.84	6.06	14.10	5.10	6.72	
No. of bales per hectare required to cover total expenses			8.20	7.25	16.31	6.04	8.00	
LABOUR Number of Hectares per permanent person (excluding proprietors)			173.78	242.08	146.00	171.25	181.29	
AVAILABLE TRACTOR HORSE POWER Tractor horse power per 500 hectares			555.52	567.56	667.81	604.79	501.20	
AVAILABLE PICKING CAPACITY Picker heads per 500 hectares			2.95	5.16	0.00	3.07	2.76	
ROTATION Percentage of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)			75.68%	50.12%	66.44%	73.82%	75.84%	
WATER USAGE Megalitres per hectare Megalitres per bale			9.00 0.90	10.00 0.86	14.87 1.41	10.54 1.09	8.15 0.81	

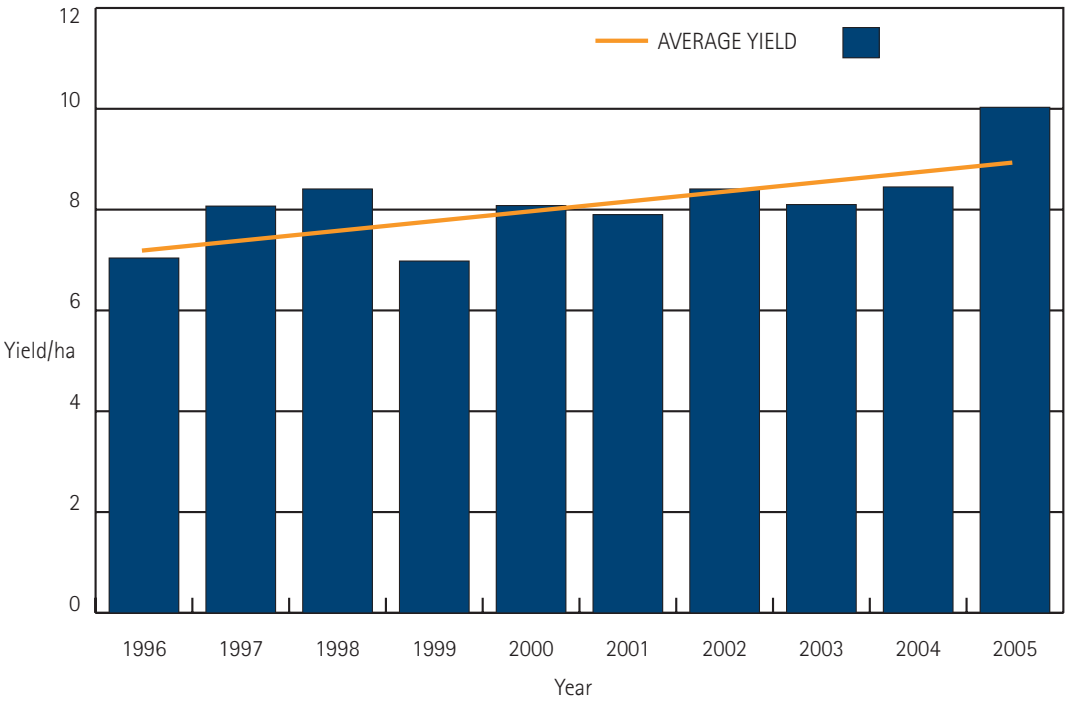
3. COMPARATIVE STATISTICS

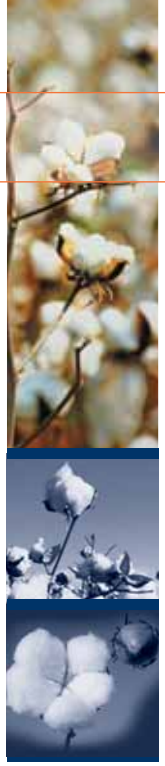
3.1 AVERAGE

3.2.1.1 COMPARISON OF AVERAGE INCOME AND EXPENSE ITEMS

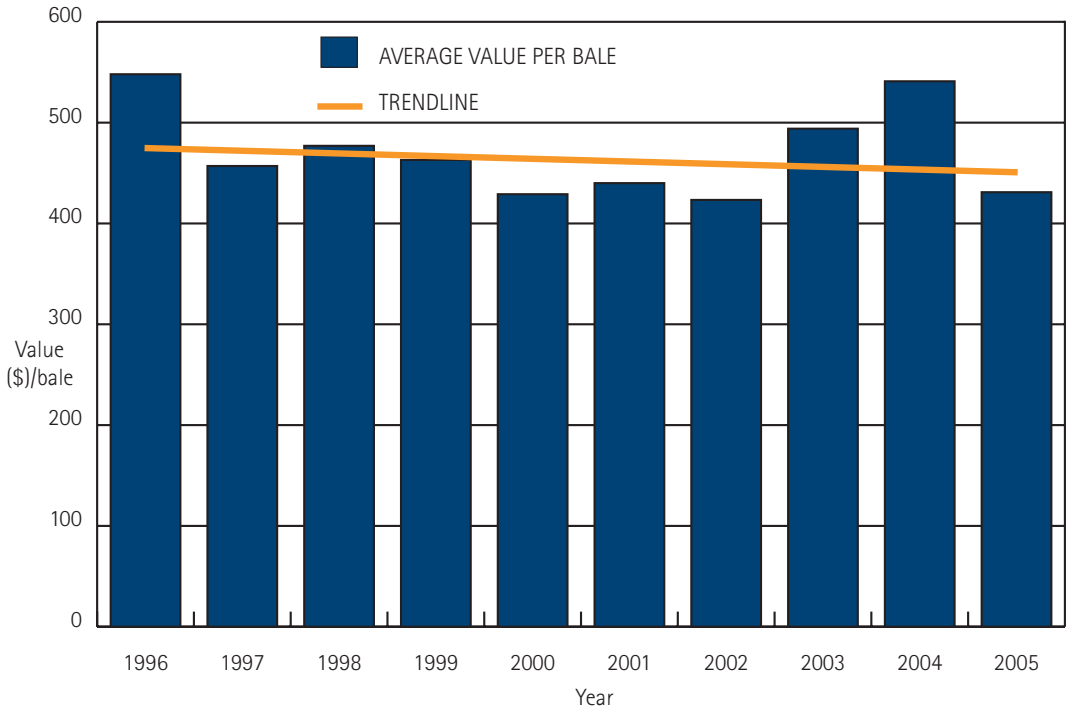


3.2.1.2 YIELD





3.2.1.3 VALUE PER BALE

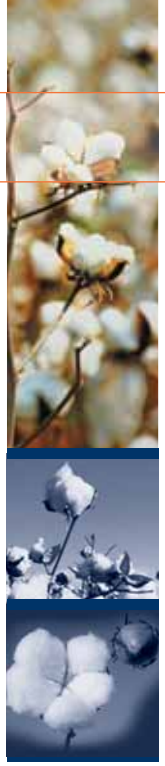


3. COMPARATIVE STATISTICS

3.2.2 THE PAST TEN YEARS (PER HA)

1996	1997	1998	1999	2000	2001	2002	2003	2004		2005
									INCOME	
3,865	3,758	3,989	3,130	3,458	3,563	3,590	3,795	4,502	Cotton proceeds - Lint	4,419
					366	454	542	524	Cotton proceeds - Seed	452
					(430)	(449)	(428)	(436)	Ginning	(511)
					(28)	(32)	(32)	(34)	Levies	(38)
12	7	19	101	5	1	0	124	13	Cotton proceeds - Hail claims	48
3,877	3,765	4,008	3,231	3,463	3,472	3,563	4,001	4,569		4,370
									EXPENSES	
57	44	41	42	50	42	40	66	75	Administration	45
79	91	87	85	67	73	76	69	70	Cartage	96
119	126	120	171	122	141	126	105	172	Chemical application	137
136	121	115	147	151	123	124	133	178	Chemicals - Herbicides	153
390	363	358	592	414	403	304	232	451	Chemicals - Insecticides	198
94	89	83	88	86	92	83	67	95	Chemicals - Defoliants	55
15	15	14	20	15	13	12	10	11	Chemicals - Others	5
79	84	92	92	84	84	81	50	44	Chipping	44
30	44	41	41	42	41	50	54	69	Consultants	58
128	166	188	165	198	170	176	195	178	Contract picking	173
37	52	60	55	63	73	64	108	135	Contract farming and ripping	57
12	15	17	13	12	12	10	12	9	Cotton picking sundries	19
32	15	24	21	28	25	19	40	33	Electricity	25
166	205	216	202	190	219	249	292	263	Fertiliser	242
146	114	115	108	132	183	155	216	239	Fuel and oil	229
10	7	10	12	14	16	18	11	10	Hire of plant	3
64	67	67	67	74	90	89	131	152	Insurance	116
269	183	220	254	251	235	241	322	376	Leasing, depreciation and hire purchase charges	206
0	30	38	23	33	44	55	52	49	Licence fee - Ingard	127
0	0	0	0	0	0	5	12	14	Licence fee - Roundup ready	16
25	17	20	17	17	17	16	26	30	Motor vehicle expenses	22
158	131	124	129	125	124	127	147	143	R & M - Farming plant	174
62	69	94	68	72	93	101	121	151	R & M - Pumps and earthworks	114
40	37	42	43	45	55	70	84	103	Seed	80
77	67	92	56	70	62	104	319	364	Water charges	113
319	247	260	285	293	304	309	365	384	Wages - Employees	321
106	72	68	61	53	60	51	82	91	Wages - Proprietors	46
47	37	45	63	43	45	50	81	111	Other farm overheads	75
2,697	2,508	2,651	2,920	2,744	2,839	2,805	3,402	4,000		2,949
1,180	1,257	1,357	311	719	633	758	599	569	OPERATING PROFIT/(LOSS)	1,421
									ADD:	
106	72	68	61	53	60	51	82	91	Wages - Proprietors	46
1,286	1,329	1,425	372	772	693	809	681	660	FARM OPERATING PROFIT/LOSS)	1,467

3. COMPARATIVE STATISTICS



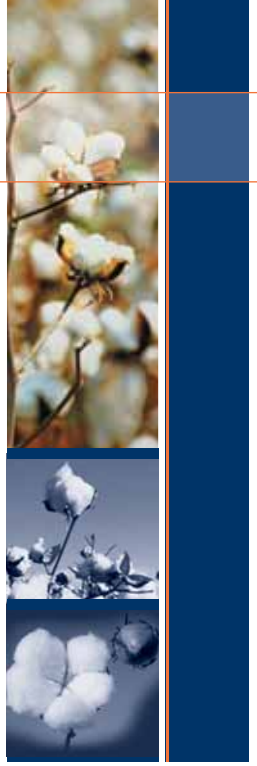
1996	1997	1998	1999	2000	2001	2002	2003	2004		2005
									DEDUCT:	
319	269	281	191	229	271	282	676	918	Interest and bank charges	583
20	27	10	24	23	20	15	41	5	Interest - Crop terms	3
339	296	291	215	252	291	297	717	923		586
$947	$1,033	$1,134	$157	$520	$402	$512	($36)	($263)	FARM NET PROFIT/(LOSS)	$881
									CROP RESULTS	
515.58	651.11	762.73	880.03	1,005.98	941.46	1,039.06	534.91	498.09	Hectares of cotton grown	1,027.71
3,632.15	5,255.82	6,411.67	6,144.49	8,128.17	7,437.97	8,736.63	4,331.56	4,209.07	Total yield (bales)	10,312.15
7.04	8.07	8.41	6.98	8.08	7.90	8.41	8.10	8.45	Yield per hectare (bales)	10.03
$548.50	$456.75	$476.73	$462.67	$428.60	$439.54	$423.76	$493.92	$540.85	Value per bale	$430.78
$382.85	$310.75	$315.20	$418.34	$339.70	$359.39	$333.67	$420.29	$473.60	Cost of production per bale	$293.75
$167.46	$155.79	$161.53	$44.33	$88.91	$80.15	$90.09	$73.63	$67.25	Operating profit per bale	$141.84
4.92	5.39	5.56	6.31	6.40	6.46	6.62	6.89	7.40	No. of bales per hectare required to cover operating expenses	6.84
5.54	6.03	6.17	6.78	6.99	7.12	7.32	8.34	9.11	No. of bales per hectare required to cover total expenses	8.20
									LABOUR	
135.55	155.81	185.63	185.22	188.49	179.94	199.99	146.72	132.82	Number of ha per permanent person (excluding proprietors)	173.78
									AVAILABLE TRACTOR HORSE POWER	
700.57	557.11	471.54	428.05	402.09	414.45	332.99	690.70	659.97	Tractor horse power/500 ha	555.52
									AVAILABLE PICKING CAPACITY	
4.79	3.40	2.37	2.13	1.91	2.32	1.70	2.61	4.02	Picker heads per 500 hectares	2.95
									ROTATION	
73.89%	61.20%	29.30%	44.67%	44.03%	34.60%	32.62%	41.19%	75.62%	% of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	75.68%
									WATER USAGE	
	8.38	8.19	8.14	9.48	9.43	9.29	8.14	6.93	Megalitres per hectare	9.00
	1.02	0.97	1.17	1.17	1.19	1.10	1.01	0.82	Megalitres per bale	0.90

3. COMPARATIVE STATISTICS

3.2.3 COMPARISON BETWEEN THE 2005 YEAR AND THE 2004 YEAR (PER HA)

	ALL FARMS 2005	ALL FARMS 2004	DIFFERENCE
INCOME			
Cotton proceeds - Lint	4,419	4,502	(83)
Cotton proceeds - Seed	452	524	(72)
Ginning	(511)	(436)	(75)
Levies	(38)	(34)	(4)
Cotton proceeds - Hail claims	48	13	35
	4,370	4,569	(199)
EXPENSES			
Administration	45	75	30
Cartage	96	70	(26)
Chemical application	137	172	35
Chemicals - Herbicides	153	178	25
Chemicals - Insecticides	198	451	253
Chemicals - Defoliants	55	95	40
Chemicals - Others	5	11	6
Chipping	44	44	0
Consultants	58	69	11
Contract picking	173	178	5
Contract farming and ripping	57	135	78
Cotton picking sundries	19	9	(10)
Electricity	25	33	8
Fertiliser	242	263	21
Fuel and oil	229	239	10
Hire of plant	3	10	7
Insurance	116	152	36
Leasing, depreciation and hire purchase charges	206	376	170
Licence fee - Ingard	127	49	(78)
Licence fee - Roundup Ready	16	14	(2)
Motor vehicle expenses	22	30	8
R & M - Farming plant	174	143	(31)
R & M - Pumps and earthworks	114	151	37
Seed	80	103	23
Water charges	113	364	251
Wages - Employees	321	384	63
Wages - Proprietors	46	91	45
Other farm overheads	75	111	36
	2,949	4,000	1,051
OPERATING PROFIT/(LOSS)	1,421	569	852
ADD:			
Wages - Proprietors	46	91	45
FARM OPERATING PROFIT/(LOSS)	1,467	660	(807)

3. COMPARATIVE STATISTICS



	ALL FARMS 2005	ALL FARMS 2004	DIFFERENCE
DEDUCT			
Interest and bank charges	583	918	335
Interest - Crop terms	3	5	2
	586	923	337
FARM NET PROFIT/(LOSS)	$881	($263)	$1,144
CROP RESULTS			
Hectares of cotton grown	1,027.71	498.09	529.62
Total yield (bales)	10,312.15	4,209.07	6,103.08
Yield per hectare (bales)	10.03	8.45	1.58
Value per bale	$430.78	$540.85	($110.07)
Cost of production per bale	$293.75	$473.60	$179.85
Operating profit per bale	$141.84	$67.25	$74.59
No. of bales per hectare required to cover operating expenses	6.84	7.40	0.56
No. of bales per hectare required to cover total expenses	8.20	9.11	0.90
LABOUR Number of hectares per permanent person (excluding proprietors)	173.78	132.82	40.96
AVAILABLE TRACTOR HORSE POWER Tractor horse power per 500 hectares	555.52	659.97	104.45
AVAILABLE PICKING CAPACITY Picker heads per 500 hectares	2.95	4.02	1.07
ROTATION Percentage of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	75.68%	75.62%	0.06%
WATER USAGE Megalitres per hectare Megalitres per bale	9.00 0.90	6.93 0.82	(2.07) (0.08)

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

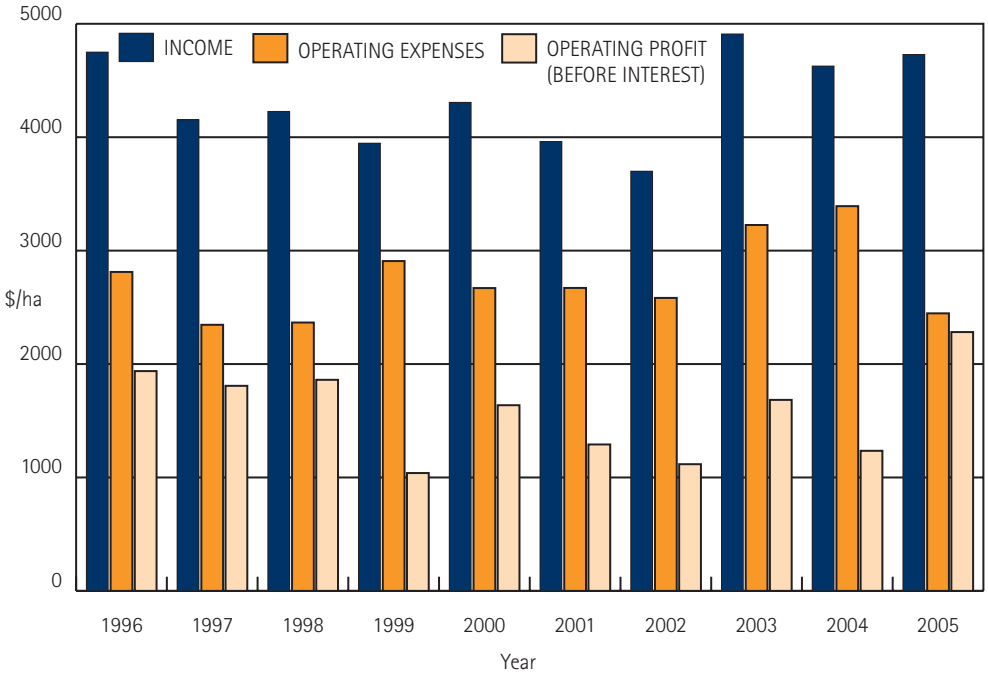
	ALL VALLEYS AVE FIGURES	GWYDIR AVE FIGURES	MACINTYRE/ BARWON AVE FIGURES	MACQUARIE AVE FIGURES	NAMOI AVE FIGURES	EMERALD AVE FIGURES	WALGET/ BOURKE VALLEY AVE FIGURES
INCOME							
Cotton proceeds - Lint	4,419	4,643	4,313	3,336	4,554		
Cotton proceeds - Seed	452	508	409	346	510		
Ginning	(511)	(516)	(504)	(439)	(527)		
Levies	(38)	(43)	(32)	(28)	(43)		
Cotton proceeds - Hail claims	48	125	0	0	29		
	4,370	4,717	4,186	3,215	4,523	0	0
EXPENSES							
Administration	45	59	34	42	40		
Cartage	96	94	105	42	85		
Chemical application	137	186	101	70	165		
Chemicals - Herbicides	153	171	137	168	171		
Chemicals - Insecticides	198	231	168	283	194		
Chemicals - Defoliants	55	52	60	50	48		
Chemicals - Other	5	4	3	20	7		
Chipping	44	55	47	14	19		
Consultants	58	59	56	33	67		
Contract picking	173	163	181	171	185		
Contract farming & ripping	57	48	83	42	15		
Cotton picking sundries	19	13	22	12	32		
Electricity	25	47	9	46	13		
Fertiliser	242	304	202	216	241		
Fuel & oil	229	252	218	184	182		
Hire of plant	3	3	1	11	3		
Insurance	116	152	88	97	128		
Leasing, depreciation & hire purchase charges	206	288	128	204	263		
Licence fee - Ingard	127	152	109	78	133		
Licence fee - Roundup ready	16	23	10	18	14		
Motor vehicle expenses	22	27	19	15	21		
R & M - Farming plant	174	237	113	118	241		
R & M - Pumps and earthworks	114	176	62	62	151		
Seed	80	82	83	63	70		
Water charges	113	87	104	182	221		
Wages - Employees	321	427	213	235	434		
Wages - Proprietors	46	38	48	108	16		
Other farm overheads	75	110	44	20	122		
	2,949	3,540	2,448	2,604	3,281	0	0
OPERATING PROFIT/(LOSS)	1,421	1,177	1,738	611	1,242	0	0
ADD:							
Wages - Proprietors	46	38	48	108	16	0	0
FARM OPERATING PROFIT/(LOSS)	1,467	1,215	1,786	719	1,258	0	0

3. COMPARATIVE STATISTICS

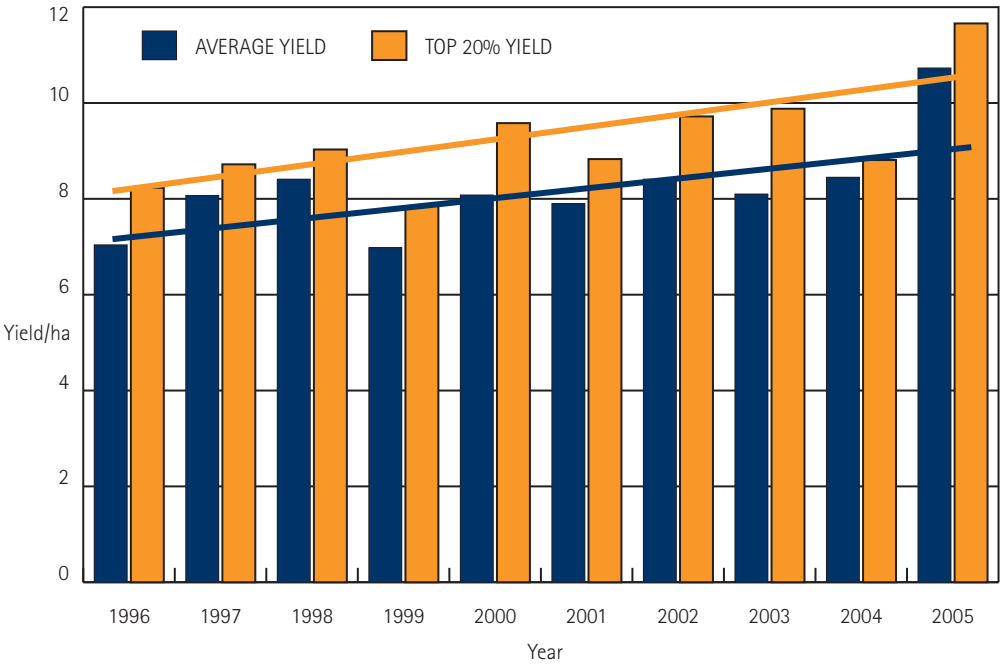
	ALL VALLEYS AVE FIGURES	GWYDIR AVE FIGURES	MACINTYRE/ BARWON AVE FIGURES	MACQUARIE AVE FIGURES	NAMOI AVE FIGURES	EMERALD AVE FIGURES	WALGET/ BOURKE VALLEY AVE FIGURES
DEDUCT							
Interest and bank charges	583	716	511	140	613		
Interest - Crop terms	3	0	2	40	0		
	586	716	513	180	613	0	0
FARM NET PROFIT/(LOSS)	$881	$499	$1,273	$539	$645	$0	$0
CROP RESULTS Hectares of cotton grown	1027.71	1063.86	1,186.56	522.26	1,229.66		
Total yield	10312.15	11035.14	11,673.93	4,184.90	13,030.00		
Yield per hectare	10.03	10.37	9.84	8.01	10.60		
Value per bale	$430.78	$442.72	$425.44	$401.34	$426.82		
Cost of production per bale	$293.72	$341.31	$248.630	$325.28	$309.60		
Operating profit/(loss) per bale	$141.84	$113.45	$176.81	$76.06	$117.22		
No. of bales per hectare required to cover operating expenses	6.84	8.00	5.75	6.49	7.69		
No. of bales per hectare required to cover total expenses	8.20	9.61	6.96	6.94	9.12		
LABOUR Number of Hectares per permanent person (excluding proprietors)	173.78	166.23	263.68	68.12	131.75		
AVAILABLE TRACTOR HORSE POWER Tractor horse power per 500 hectares	555.52	492.03	377.37	1,931.35	812.01		
AVAILABLE PICKING CAPACITY Picker heads per 500 hectares	2.95	3.57	1.69	8.94	3.25		
ROTATION Percentage of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	75.68%	63.90%	55.55%	194.41%	124.80%		
WATER USAGE Megalitres per hectare Megalitres per bale	9.00 0.90	7.78 0.75	8.64 0.88	17.92 2.24	9.82 0.93		

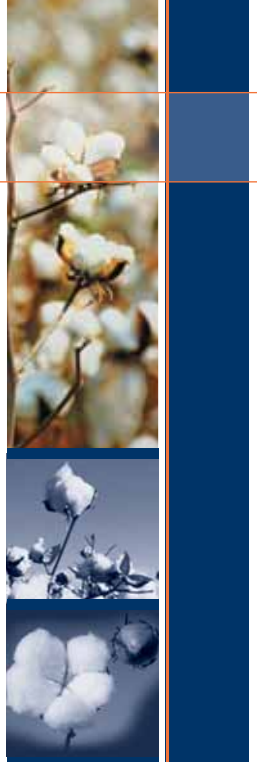
3.3 TOP 20% FARMERS

3.3.1.1 COMPARISON OF TOP 20% INCOME AND EXPENSE ITEMS

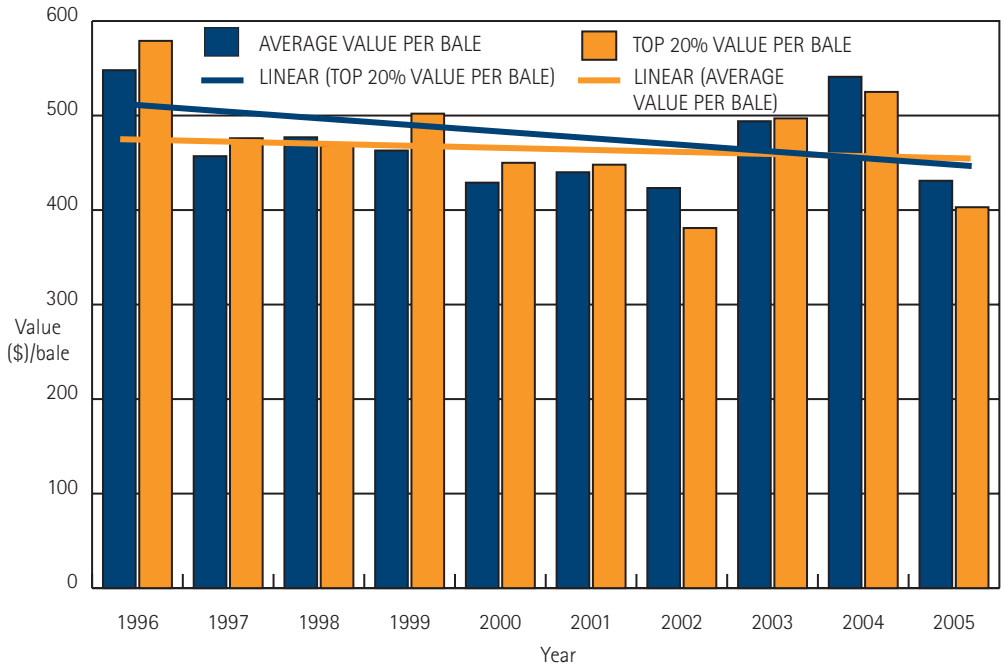


3.3.1.2 COMPARISON OF THE YIELD FOR THE AVERAGE AND THE TOP 20%

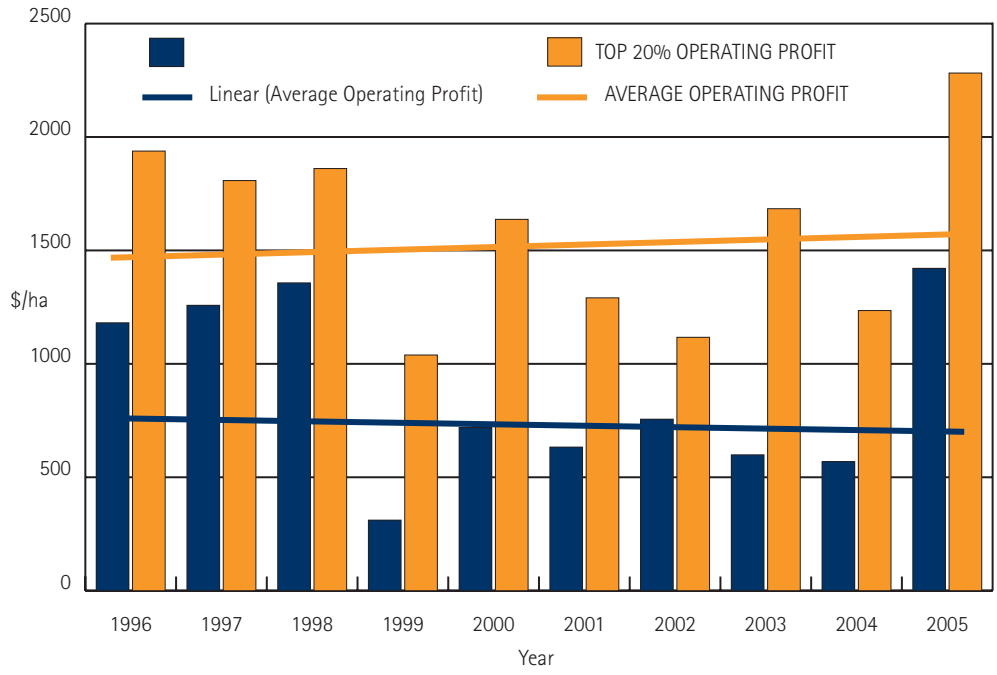




3.3.1.3 COMPARISON OF THE VALUE PER BALE FOR THE AVERAGE AND THE TOP 20%



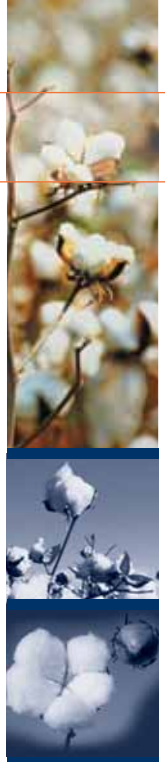
3.3.1.4 COMPARISON OF THE OPERATING PROFIT FOR THE AVERAGE AND THE TOP 20%



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

1996	1997	1998	1999	2000	2001	2002	2003	2004		2005
									INCOME	
4,767	4,154	4,227	3,786	4284	4,076	3,685	4,771	4,543	Cotton proceeds - Lint	4,835
					412	523	645	584	Cotton proceeds - Seed	522
					(493)	(478)	(521)	(466)	Ginning	(617)
					(33)	(30)	(35)	(34)	Levies	(37)
0	0	0	161	23	0	0	50	0	Cotton proceeds - Hail claims	26
4,767	4,154	4,227	3,947	4,307	3,962	3,700	4,910	4,627		4,729
									EXPENSES	
69	22	34	48	38	44	31	94	91	Administration	46
109	109	90	148	75	67	104	100	70	Cartage	160
119	124	110	172	124	142	116	99	140	Chemical application	107
138	126	114	158	137	116	105	119	152	Chemicals - Herbicides	203
284	376	318	558	409	394	314	245	423	Chemicals - Insecticides	147
124	79	79	86	87	103	77	74	91	Chemicals - Defoliants	56
10	17	17	17	10	7	4	6	3	Chemicals - Others	5
84	84	86	84	78	77	86	65	10	Chipping	35
12	40	47	48	39	39	56	48	60	Consultants	59
77	136	184	174	187	207	101	105	99	Contract picking	86
47	27	67	79	55	81	44	86	109	Contract farming and ripping	43
12	20	16	3	16	5	11	16	13	Cotton picking sundries	21
47	10	19	22	20	28	24	52	24	Electricity	16
185	173	187	182	151	201	268	297	218	Fertiliser	202
163	91	107	106	121	194	151	198	239	Fuel and oil	293
10	0	4	12	19	7	3	1	8	Hire of plant	2
35	67	62	68	109	50	77	126	150	Insurance	84
343	190	162	225	215	206	208	307	296	Leasing, depreciation and hire purchase charges	157
0	17	24	47	47	46	58	63	55	Licence fee - Ingard	64
0	0	0	0	0	0	5	22	22	Licence fee - Roundup ready	17
22	15	17	27	19	16	14	34	18	Motor vehicle expenses	12
217	146	88	89	109	98	122	136	140	R & M - Farming plant	123
47	47	73	72	78	59	152	202	112	R & M - Pumps and earthworks	45
40	40	39	46	44	47	70	74	119	Seed	74
10	32	86	77	80	31	29	127	276	Water charges	11
420	259	253	268	312	312	243	346	323	Wages - Employees	245
131	64	49	37	57	46	66	86	62	Wages - Proprietors	77
57	35	34	55	34	48	44	98	69	Other farm overheads	57
2,812	2,346	2,366	2,908	2,670	2,671	2,583	3,226	3,392		2,447
1,955	1,808	1,861	1,039	1,637	1,291	1,117	1,684	1,235	OPERATING PROFIT/(LOSS)	2,282
									ADD:	
131	64	49	37	57	46	66	86	62	Wages - Proprietors	77
2,086	1,872	1,910	1,076	1,694	1,337	1,183	1,770	1,297	FARM OPERATING PROFIT/(LOSS)	2,359

3. COMPARATIVE STATISTICS

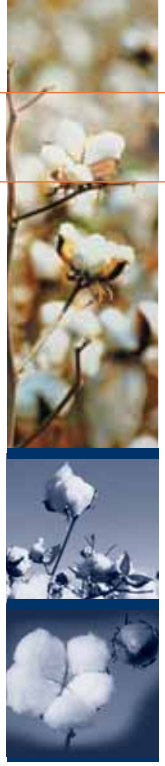


1996	1997	1998	1999	2000	2001	2002	2003	2004		2005
									DEDUCT:	
262	255	236	242	383	243	388	818	834	Interest and bank charges	476
7	5	1	9	30	52	5	16	7	Interest - Crop terms	3
269	260	237	251	413	295	393	834	841		479
$1,817	$1,612	$1,673	$825	$1,281	$1,042	$790	$936	$456	FARM NET PROFIT/(LOSS)	$1,880
									CROP RESULTS	
813.15	743.52	971.92	845.55	1031.43	1,173.33	1,040.63	497.71	689.74	Hectares of cotton grown	830.00
6,697.69	6,484.03	8,779.20	6,641.18	9881.61	10,365.57	10,109.94	4,917.52	6,078.29	Total yield (bales)	9,676.04
8.23	8.72	9.03	7.85	9.58	8.83	9.72	9.88	8.81	Yield per hectare (bales)	11.66
$578.75	$476.34	$467.99	$502.43	$449.51	$448.47	$380.82	$496.93	$524.92	Value per bale	$403.40
$341.40	$269.01	$261.79	$370.02	$278.64	$302.33	$265.87	$326.46	$384.89	Cost of production per bale	$209.73
$237.35	$207.32	$206.19	$132.42	$170.87	$146.14	$114.96	$170.46	$140.03	Operating profit per bale	$195.87
4.86	4.93	5.05	5.78	5.94	5.96	6.78	6.49	6.46	No. of bales per hectare required to cover operating expenses	6.06
5.32	5.47	5.56	6.28	6.86	6.61	7.82	8.17	8.06	No. of bales per hectare required to cover total expenses	7.25
									LABOUR	
123.50	188.24	213.35	220.58	180.95	230.48	228.43	151.48	181.51	Number of ha per permanent person (excluding proprietors)	242.08
									AVAILABLE TRACTOR HORSE POWER	
635.10	496.29	384.69	373.20	369	360.09	425.38	938.58	461.19	Tractor horse power/500 ha	567.56
									AVAILABLE PICKING CAPACITY	
4.88	3.64	1.83	1.58	1.65	1.39	2.86	5.74	3.48	Picker heads per 500 hectares	5.16
									ROTATION	
70.71%	53.58%	18.06%	47.93%	25.20%	44.88%	27.88%	34.36%	76.52%	% of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	50.12%
									WATER USAGE	
	7.66	7.49	8.14	8.89	9.02	9.47	9.13	7.14	Megalitres per hectare	10.00
	0.88	0.83	1.04	0.93	1.02	0.97	0.92	0.81	Megalitres per bale	0.86

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	3,632	4,133	501
Cotton proceeds - Seed	254	291	37
Ginning	(278)	(318)	(40)
Levies	(20)	(20)	0
Cotton proceeds - Hail claims	31	42	11
	3,619	4,128	509
EXPENSES			
Administration	44	41	(17)
Cartage	79	111	(32)
Chemical application	139	132	7
Chemicals - Herbicides	140	144	(4)
Chemicals - Insecticides	382	364	18
Chemicals - Defoliants	81	82	(1)
Chemicals - Others	13	9	4
Chipping	77	72	5
Consultants	46	48	(2)
Contract picking	176	151	25
Contract farming and ripping	62	60	2
Cotton picking sundries	13	11	2
Electricity	24	22	2
Fertiliser	220	201	19
Fuel and oil	161	173	(12)
Hire of plant	13	9	4
Insurance	87	78	9
Leasing, depreciation and hire purchase charges	237	202	35
Licence fee - Ingard	56	52	4
Licence fee - Roundup Ready	4	4	0
Motor vehicle expenses	18	18	0
R & M - Farming plant	136	108	28
R & M - Pumps and earthworks	90	81	9
Seed	59	56	3
Water charges	81	46	35
Wages - Employees	302	276	26
Wages - Proprietors	54	57	(3)
Other farm overheads	55	48	7
	2,849	2,656	193
OPERATING PROFIT/(LOSS)	770	1,472	702
ADD:			
Wages - Proprietors	54	57	3
FARM OPERATING PROFIT/(LOSS)	824	1,529	705

3. COMPARATIVE STATISTICS



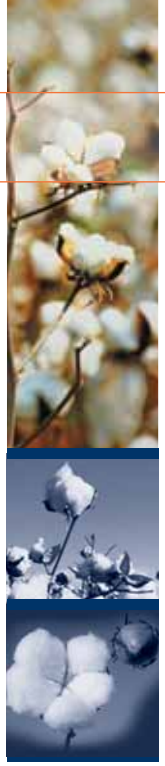
	ALL FARMS EXC 03 + 04 AVERAGE	TOP 20% EXC 03 + 04 AVERAGE	DIFFERENCE
DEDUCT			
Interest and bank charges	311	346	(35)
Interest - Crop terms	17	20	(3)
	328	366	(38)
FARM NET PROFIT/(LOSS)	$496	$1,163	$667
CROP RESULTS			
Hectares of cotton grown	978.85	984.19	5.34
Total yield (bales)	8,151.88	9,334.87	1,182.99
Yield per hectare (bales)	8.28	9.53	1.25
Value per bale	$437.07	$436.93	($0.14)
Cost of production per bale	$348.97	$285.32	$63.65
Operating profit per bale	$89.06	$152.05	$62.99
No. of bales per hectare required to cover operating expenses	6.53	6.10	0.43
No. of bales per hectare required to cover total expenses	7.28	6.96	0.32
LABOUR Number of hectares per permanent person (excluding proprietors)	185.48	220.50	(35.02)
AVAILABLE TRACTOR HORSE POWER Tractor horse power per 500 hectares	426.62	419.05	7.57
AVAILABLE PICKING CAPACITY Picker heads per 500 hectares	2.20	2.53	(0.33)
ROTATION Percentage of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	46.32%	39.20%	(7.12%)
WATER USAGE Megalitres per hectare Megalitres per bale	9.07 1.11	9.10 0.96	(0.03) 0.15

3.5 LOW COST FARMERS

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

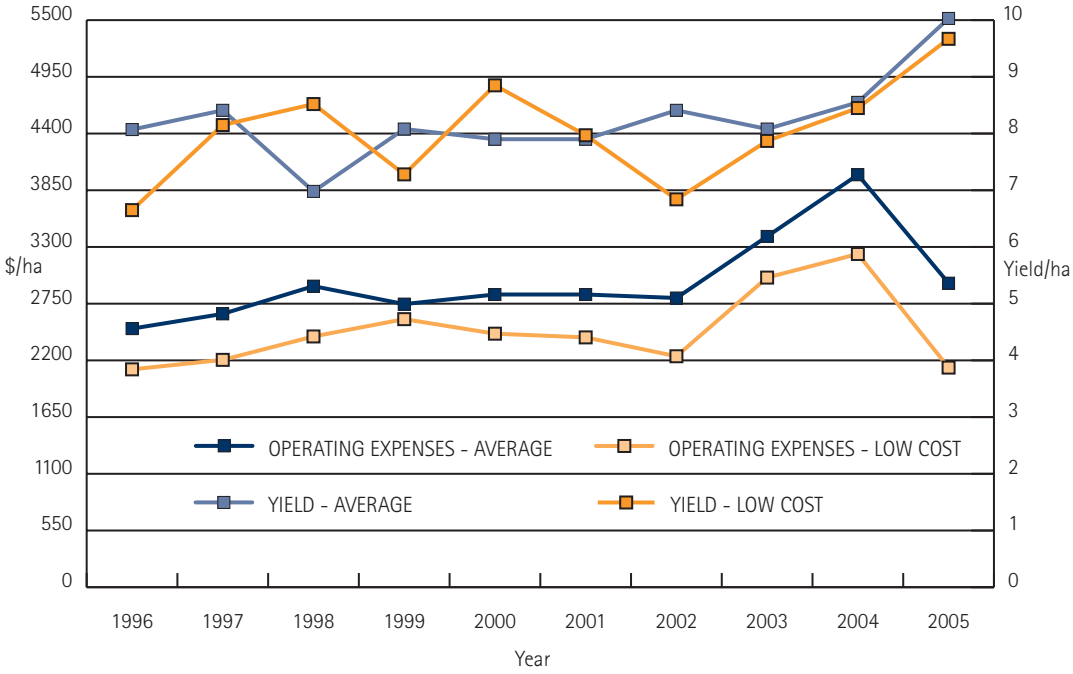
1996	1997	1998	1999	2000	2001	2002	2003	2004		2005
									INCOME	
3,546	3,774	4,027	3,176	3,857	3,521	2,916	3,318	4,513	Cotton proceeds - Lint	4,195
					349	381	543	539	Cotton proceeds - Seed	393
					(443)	(382)	(425)	(450)	Ginning	(518)
					(28)	(25)	(26)	(37)	Levies	(32)
27	21	20	12	0	0	0	240	0	Cotton proceeds - Hail claims	0
3,573	3,795	4,047	3,188	3,857	3,399	2,890	3,650	4,565		4,038
									EXPENSES	
32	28	33	33	44	50	51	58	75	Administration	33
57	91	84	73	78	65	53	72	54	Cartage	106
121	118	104	129	95	133	90	91	133	Chemical application	88
131	115	110	123	104	128	93	125	112	Chemicals - Herbicides	139
413	339	315	556	289	348	182	222	304	Chemicals - Insecticides	206
109	76	104	85	86	95	74	65	68	Chemicals - Defoliants	54
22	14	110	11	16	9	9	8	7	Chemicals - Others	5
54	70	91	81	75	53	71	47	25	Chipping	40
22	46	37	48	40	45	61	40	67	Consultants	49
82	171	207	184	211	165	129	155	139	Contract picking	131
20	40	60	43	80	80	69	106	192	Contract farming and ripping	36
17	17	16	6	13	11	9	11	12	Cotton picking sundries	20
27	14	13	28	21	48	23	41	9	Electricity	13
133	153	185	166	178	205	208	269	200	Fertiliser	141
111	80	110	77	106	127	107	201	223	Fuel and oil	222
2	3	7	6	3	8	43	8	11	Hire of plant	1
64	60	66	57	84	55	62	103	121	Insurance	83
138	161	142	250	224	152	163	245	248	Leasing, depreciation and hire purchase charges	111
0	25	22	28	54	50	58	52	54	Licence fee - Ingard	72
0	0	0	0	0	0	0	16	19	Licence fee - Roundup ready	2
15	14	22	14	20	10	17	26	20	Motor vehicle expenses	9
143	99	78	106	115	120	110	130	145	R & M - Farming plant	132
42	48	64	51	59	53	76	113	66	R & M - Pumps and earthworks	44
32	35	42	43	44	53	70	73	108	Seed	68
20	36	88	67	91	37	95	274	402	Water charges	17
183	245	225	245	241	227	232	301	274	Wages - Employees	224
86	77	55	70	64	61	56	64	65	Wages - Proprietors	46
37	30	42	44	24	35	29	87	79	Other farm overheads	38
2,113	2,205	2,432	2,624	2,459	2,423	2,240	3,003	3,232		2,130
1,460	1,590	1,615	564	1,398	976	650	647	1,333	OPERATING PROFIT/(LOSS)	1,908
									ADD:	
86	77	55	70	64	61	56	64	65	Wages - Proprietors	46
1,546	1,667	1,670	634	1,462	1,037	706	711	1,398	FARM OPERATING PROFIT/(LOSS)	1,954

3. COMPARATIVE STATISTICS



1996	1997	1998	1999	2000	2001	2002	2003	2004		2005
									DEDUCT:	
314	280	323	199	361	102	258	654	569	Interest and bank charges	389
20	14	5	2	46	6	0	28	9	Interest - Crop terms	5
135	119	328	201	407	108	258	682	578		394
$492	$554	$1,342	$433	$1,055	$929	$448	$29	$820	FARM NET PROFIT/(LOSS)	$1,560
									CROP RESULTS	
568.60	568.60	1,004.33	839.11	1,016.77	1,049.70	746.30	720.50	505.34	Hectares of cotton grown	1,394
3,775.20	4,759.14	8,559.08	5,986.73	8,995.12	8,370.52	5,102.18	5,671.56	4,320.17	Total yield (bales)	13,481.96
6.65	8.15	8.52	7.13	8.85	7.97	6.84	7.87	8.55	Yield per hectare (bales)	9.67
$534.12	$463.15	$474.88	$446.81	$435.92	$426.21	$422.66	$463.70	$533.93	Value per bale	$417.57
$317.66	$270.88	$270.85	$367.65	$278.14	$304.01	$327.94	$381.34	$378.05	Cost of production per bale	$220.36
$220.47	$194.80	$204.03	$79.16	$157.79	$122.21	$94.72	$82.36	$155.88	Operating profit per bale	$197.21
3.95	4.77	4.86	5.87	5.64	5.69	5.30	6.47	6.05	No. of bales per hectare required to cover operating expenses	5.10
4.57	5.40	5.55	6.32	6.58	5.94	5.92	7.94	7.14	No. of bales per hectare required to cover total expenses	6.04
									LABOUR	
185.12	176.96	204.97	194.64	217.88	205.82	236.63	169.53	194.36	Number of ha per permanent person (excluding proprietors)	171.25
									AVAILABLE TRACTOR HORSE POWER	
666.18	518.86	442.98	425.45	377.56	329.52	291.03	716.08	545.38	Tractor horse power/500 ha	604.79
									AVAILABLE PICKING CAPACITY	
5.78	2.98	1.69	1.46	1.42	1.52	1.22	3.47	3.17	Picker heads per 500 hectares	3.07
									ROTATION	
74.71%	58.90%	24.24%	22.38%	24.37%	24.50%	23.53%	46.44%	60.90%	% of the current years' crop being grown on fallow fields or new fields (developed within the last 3 years)	73.82%
									WATER USAGE	
	6.79	8.12	7.83	8.91	9.13	7.33	8.55	7.17	Megalitres per hectare	10.54
	0.85	0.95	1.10	1.01	1.15	1.07	1.09	0.84	Megalitres per bale	1.09

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



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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

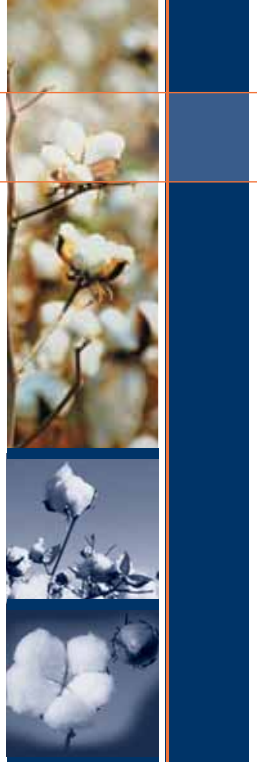
Only includes pickers owned by the farmer.

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.



APPENDIX B - GUIDE TO INCOME & EXPENSE ALLOCATIONS

COTTON PROCEEDS

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

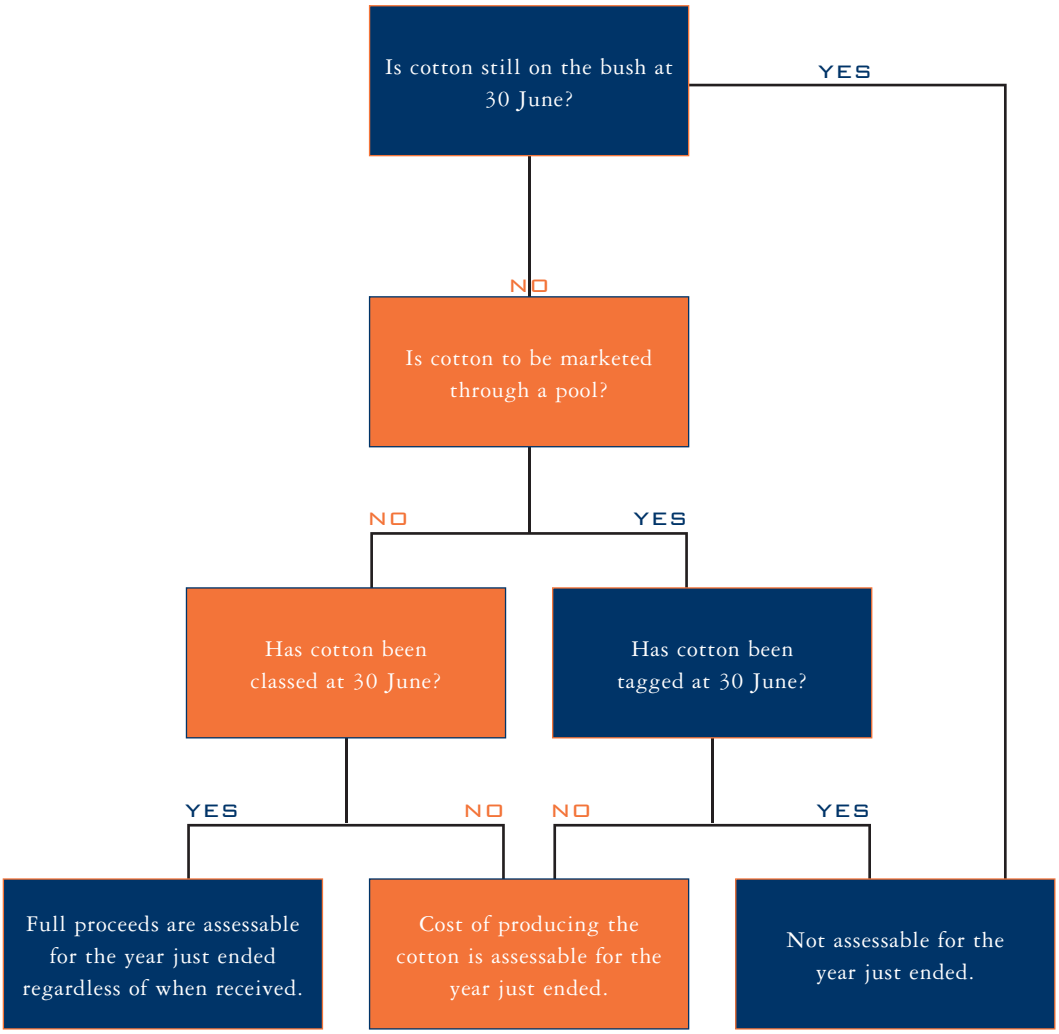
For farmers who received hail insurance claims, the amount received has been shown separately in the analysis. Where possible the hail claim has been grossed up to reflect the bales lost due to hail and the costs saved or additional costs incurred have been added or subtracted to reflect comparable figures.

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 - Defoliants	all defoliants 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

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 - Ingard	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)

APPENDIX C - TABLE ON ASSESSABILITY OF COTTON PROCEEDS



NB.The guaranteed minimum price of a GMP pool is assessable 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.

APPENDIX D - COMMON SHAREFARMING AND LEASING ARANGEMENTS

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.

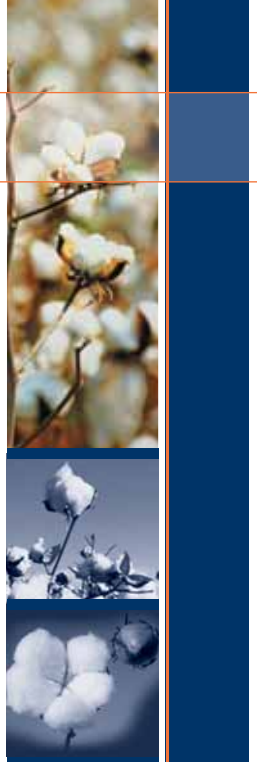
Sharefarmer pays all labour and machinery operating costs.
Landholder pays all land-related costs.
All variable crop costs are split 50%-50% including contract picking.

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

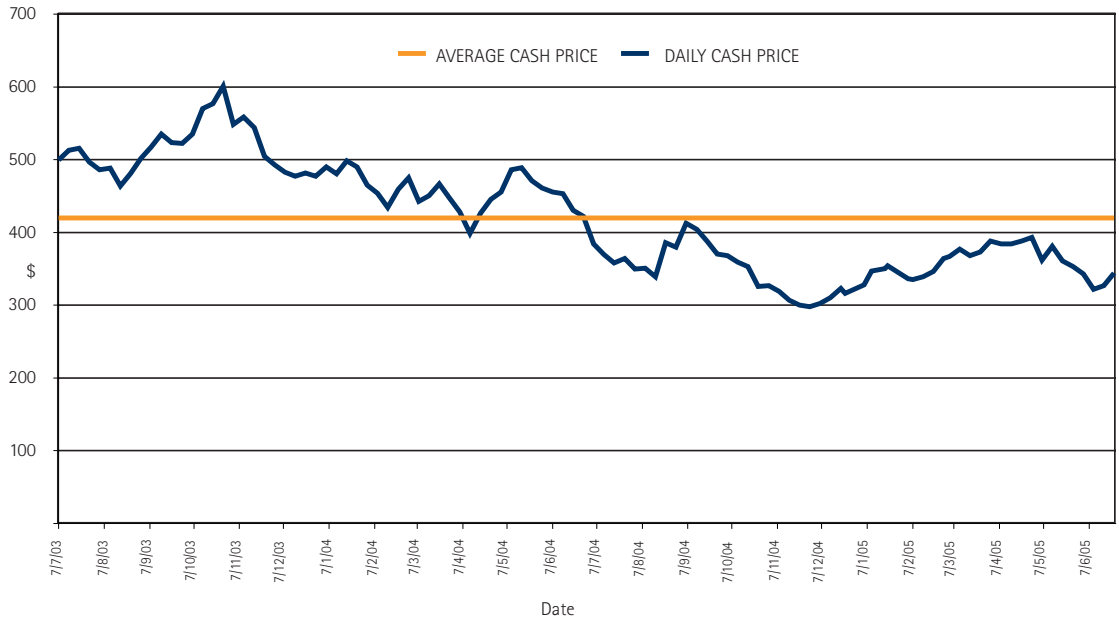
iv) Leasing

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

Range $445 - $620 / hectare.



APPENDIX E - CASH PRICE GRAPH FOR YEAR ENDED 30 JUNE 2005



Cotton Research & Development Corporation
2 Lloyd Street (P.O. Box 282)
Narrabri NSW 2390
Ph: 02-6792 4088 Fax: 02-6792 4400
Email: crdc@crdc.com.au Web: www.crdc.com.au

Cotton Catchment Communities CRC
Locked Bag 1001
Narrabri NSW 2390
Ph: 02-6799 1500 Fax: 02-6793 1171
Email: crcadmin@cotton.crc.org.au
Web: www.cotton.crc.org.au

BOYCE Chartered Accountants
39 Albert Street, Moree NSW 2400
Ph: 02-6752 7799 Fax: 02-6752 7130
Email: infomoree@boyceca.com
Web: www.boyceca.com