

COTTON INDUSTRY INFRASTRUCTURE FORUM.

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CAPITAL INFRASTRUCTURE - GINNING

Australian companies have approximately \$500 million invested in Ginning Infrastructure in Qld and NSW. In recent years due to the prolonged drought these investments have in many if not all areas been under utilized eg. During the 2008 ginning season eleven out of thirty seven gins were closed and the remainder on greatly reduced production.

With ever-increasing costs especially labour, power, gas, and all other consumables along with greatly reduced production what are the options available to the ginning industry to obtain an acceptable return on capital or even survive?

1. Rationalise by closing gins on a temporary or permanent basis, combine gins that are in close proximity to each other or do ginning companies merge to survive with other ginning companies or with growers.
2. Spend even more capital in order to become more efficient by automating various processes within the gin in order to increase production rates and reduce seasonal labour costs especially in the pressroom by installing automatic baggers etc. There is also a need to reduce seasonal staff as in recent years such staff have become increasingly more difficult to find. The ever-increasing costs incurred by ginning operations are very difficult if not impossible to recover from customers who are also in a similar position of spiralling costs and lower production. Also with the future introduction of the picker-baler by John Deere which produces a round plastic wrapped bale, ginning companies are going to have to find funding for their handling both in the module yard and the feeder bay, also for the disposal of the plastic wrapping.
3. Utilize gin sites for other purposes eg. the storage of grain in seed or bale sheds or in silo bags on the module pads.
4. A further unknown is what will be the effect on cotton volumes of the States and Federal Governments water licence buy back schemes and is there an opportunity for ginning companies adversely effected financially to seek compensation for losses incurred due to such schemes ? Also make Governments aware of Socio-Economic effects on the rural communities in which the cotton industry operates. This along with the increasing uncertainties of future weather patterns presents some daunting problems well into the future for the cotton industry in general and the ginning industry in particular with the only possible areas for expansion in volumes being the Burdekin in the north and the Lachlan in the south.
5. I am of the opinion that it will take a whole-of-industry approach with a need for all stakeholders to play their part in seeking answers to the very difficult problems facing our industry. This will include all involved in the industry from plant breeders through to the marketers.
