

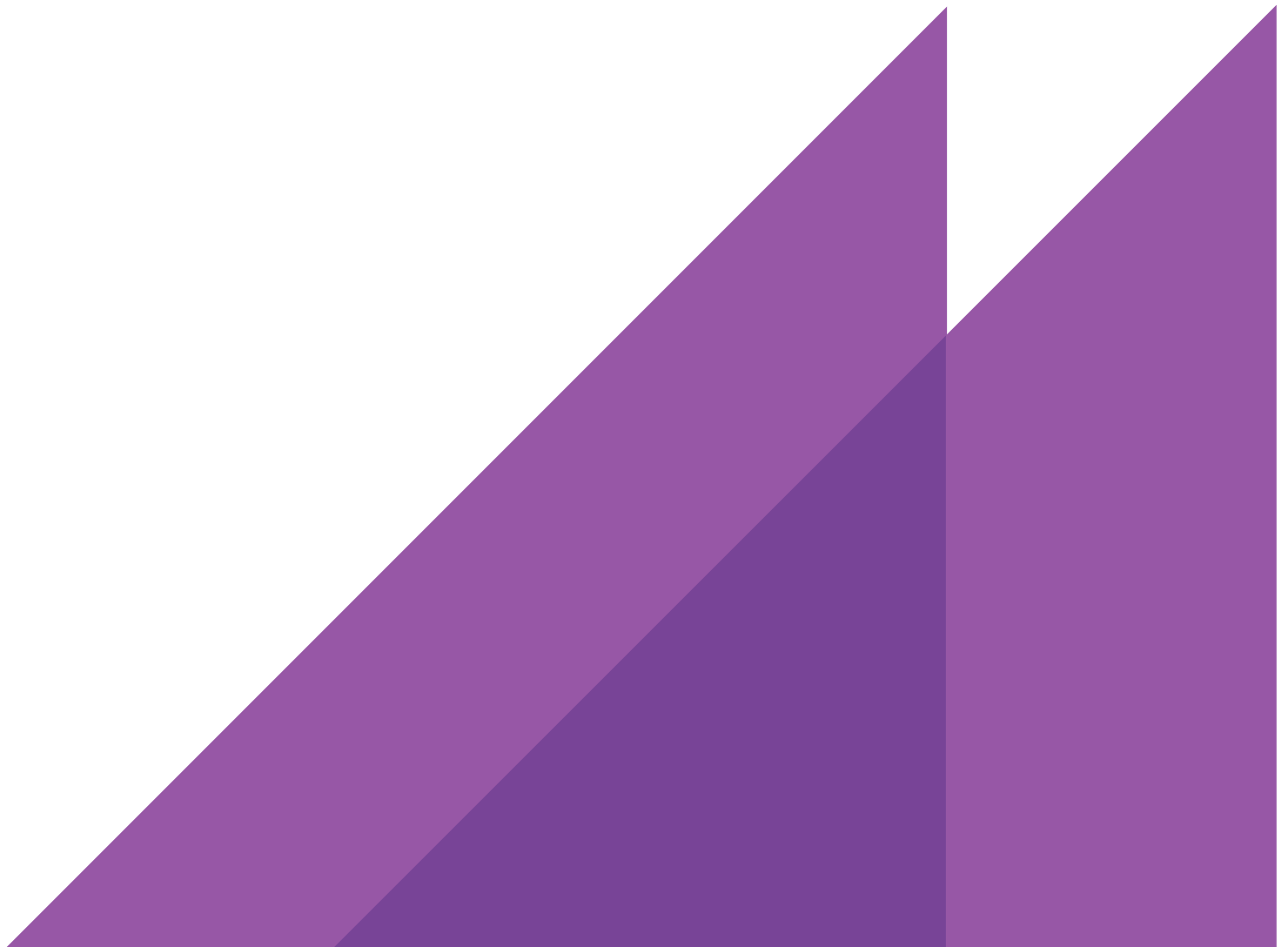
REPORT TO
MEAT AND LIVESTOCK AUSTRALIA

APRIL 2016

PERFORMANCE REVIEW



OF MEAT AND LIVESTOCK AUSTRALIA
AND THE MLA DONOR COMPANY





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ACIL ALLEN CONSULTING (2016) INDEPENDENT PERFORMANCE REVIEW OF MEAT AND LIVESTOCK AUSTRALIA AND THE MLA DONOR COMPANY

C O N T E N T S

EXECUTIVE SUMMARY	I
--------------------------	----------

GLOSSARY OF TERMS	III
--------------------------	------------

1

<i>Introduction</i>	1
1.1 Context	1
1.2 Purpose	2
1.3 Methodology	2
1.4 Report structure	4

2

<i>Operating context</i>	6
2.1 Industry representation and service organisations	6
2.2 Industry structure	9
2.3 Environmental factors and market conditions	15
2.4 Findings	19

3

<i>Governance and operations</i>	21
3.1 Governance – MLA	21
3.2 Governance – MDC	26
3.3 MLA operations	27
3.4 Findings	34

4

<i>Stakeholder engagement</i>	35
4.1 Engagement processes	35
4.2 Stakeholder expectations and feedback	39
4.3 Capacity and capability to engage with key stakeholders	42
4.4 RDC collaboration	43
4.5 Findings	44

5

<i>Strategic and operational plans</i>	45
5.1 The planning hierarchy	45
5.2 Implementation of plans (effectiveness)	46
5.3 Implementation of plans (appropriateness)	54
5.4 Implementation of plans (efficiency)	59
5.5 Findings	60

6

<i>Benefits delivered to industry</i>	61
6.1 Portfolio investments	61
6.2 Analysis of CIE benefits study	62

C O N T E N T S

6.3	Alignment with feedback from ACIL Allen's consultation process	75
6.4	Areas that require further analysis	75
6.5	Findings	76

7

	<i>Obligations and past recommendations</i>	77
7.1	Assessment of obligations under the SFA	77
7.2	Progress against recommendations from the 2010 review	87
7.3	MLA's response to the Senate Inquiry	93
7.4	Findings	96

8

	<i>Conclusions and recommendations</i>	97
8.1	Overall conclusion	97
8.2	Key findings	98
8.3	Recommendations	100

APPENDICES

A

	<i>Stakeholders consulted</i>	A-1
--	-------------------------------	-----

B

	<i>Supporting information</i>	B-1
B.1	Overview of MLA's planning hierarchy	B-1
B.2	MLA's detailed response to the LPI review	B-6

FIGURES

FIGURE 2.1	RED MEAT POLICY/STRATEGY AND INDUSTRY SERVICES ORGANISATIONS	6
FIGURE 2.2	AUSTRALIAN CATTLE AND SHEEP HERD (1974 – 2014)	9
FIGURE 2.3	UNIT VALUE (\$) – CATTLE AND SHEEP: AUSTRALIA (2000 – 2015)	10
FIGURE 2.4	AUSTRALIAN SALEYARD PRICES OF LIVESTOCK (1989 – 2014)	11
FIGURE 2.5	PRODUCTION, DOMESTIC CONSUMPTION AND EXPORTS OF RED MEAT (30 JUNE, 1974 – 2014)	12
FIGURE 2.6	EXPORTS OF FRESH, CHILLED, FROZEN AND PROCESSED MEAT (JUNE, 30 1988 – SEPTEMBER QUARTER 2015)	13
FIGURE 2.7	CONSUMPTION PER CAPITA OF RED MEAT: AUSTRALIA (1974 – 2014)	13
FIGURE 2.8	LIVE CATTLE AND SHEEP EXPORTS FROM AUSTRALIA ('000 HEAD) (2000 – 2015)	14
FIGURE 2.9	AUSTRALIAN RAINFALL PERCENTILES (JULY 2013 – JUNE 2014)	15
FIGURE 2.10	RAINFALL DEFICIENCIES: AUSTRALIA (2012 – 2015)	16
FIGURE 2.11	AUSTRALIAN LIVE EXPORTS: QUANTITY AND PRICE (2007 – 2015)	17
FIGURE 2.12	LIVE CATTLE EXPORTS BY DESTINATION FROM AUSTRALIA (1989 – 2015)	18
FIGURE 3.1	EMPLOYEE ENGAGEMENT AT MLA	30
FIGURE 4.1	CONSULTATION IN MLA'S STRATEGY PHASES	36
FIGURE 4.2	THE SOCIO-POLITICAL LEGITIMACY GAP	37
FIGURE 4.3	CONTEMPORARY LEVELS OF STAKEHOLDER ENGAGEMENT	38
FIGURE 4.4	NATURE AND TONE OF ENGAGEMENT WITH STAKEHOLDERS ACROSS SOCIO-POLITICAL MANAGEMENT SPECTRUM	39
FIGURE 4.5	MLA AND MDC EXPENDITURE BY PARTNER CATEGORY	41

C O N T E N T S

FIGURE 4.6	MLA INCOME FROM AMPC AND LIVECORP	43
FIGURE 4.7	MLA FUNDING PROVIDED TO OTHER RDCS (2010-11 – 2104-15) (\$M)	44
FIGURE 5.1	MLA STRATEGIC PLANNING INSTRUMENT OVERVIEW	46
FIGURE 5.2	AVERAGE KPI PERFORMANCE OVER TIME*	54
FIGURE 6.1	MLA EXPENDITURE AND BCR BY INVESTMENT AREA	62
FIGURE 6.2	SECTORAL BCRS – MAINTAINING AND IMPROVING MARKET ACCESS	63
FIGURE 6.3	BCR BY INDUSTRY SECTOR AND BY RESEARCH AREA (MARKET ACCESS)	64
FIGURE 6.4	BENEFITS IN TERMS OF NET INCOME BY SECTOR (MARKET ACCESS) (\$M)	65
FIGURE 6.5	BCRS FOR THE GROWING DEMAND AREA OF ACTIVITY	65
FIGURE 6.6	SECTORAL BCRS (GROWING DEMAND)	66
FIGURE 6.7	BCR BY INDUSTRY SECTOR AND BY RESEARCH AREA (GROWING DEMAND)	66
FIGURE 6.8	BENEFITS IN TERMS OF NET INCOME BY SECTOR (GROWING DEMAND) (\$M)	67
FIGURE 6.9	BCRS FOR THE INCREASING PRODUCTIVITY AREA OF ACTIVITY	68
FIGURE 6.10	SECTORAL BCRS (INCREASING PRODUCTIVITY)	68
FIGURE 6.11	BCR BY INDUSTRY SECTOR AND BY RESEARCH AREA (IMPROVING PRODUCTIVITY)	69
FIGURE 6.12	BENEFITS IN TERMS OF NET INCOME BY SECTOR (IMPROVING PRODUCTIVITY) (\$M,%)	70
FIGURE 6.13	BCRS FOR THE INTEGRITY AND SUSTAINABILITY AREA OF ACTIVITY	71
FIGURE 6.14	SECTORAL BCRS (INTEGRITY AND SUSTAINABILITY)	71
FIGURE 6.15	BCR BY INDUSTRY SECTOR AND BY RESEARCH AREA (INTEGRITY AND SUSTAINABILITY)	72
FIGURE 6.16	BENEFITS IN TERMS OF NET INCOME BY SECTOR (INTEGRITY AND SUSTAINABILITY) (\$M)	72
FIGURE 6.17	BENEFITS AND INVESTMENTS BY SECTOR – ALL MLA PROGRAMS (\$M)	73
FIGURE 6.18	BENEFITS OVER TIME – BY ACTIVITY AREA (\$M)	73
FIGURE 8.1	RELATIONSHIP BETWEEN KEY FINDINGS AND RECOMMENDATIONS	101
FIGURE B.1	MLA CORPORATE PLAN 2010-2015 ALIGNMENT TO MISP 2010-2015	B-3

TABLES

TABLE 2.1	RED MEAT MOU CORE AND JOINT FUNCTIONS	7
TABLE 3.1	PRINCIPLES AND RECOMMENDATIONS OF CORPORATE GOVERNANCE THAT MLA IS OBLIGED TO MEET	21
TABLE 3.2	ADHERENCE TO THE ASX'S PRINCIPLES AND RECOMMENDATIONS OF CORPORATE GOVERNANCE	23
TABLE 3.3	RESULTS OF BOARD ASSESSMENTS (2011, 2012-2015)	24
TABLE 3.4	CHANGES TO THE EXECUTIVE MANAGEMENT STRUCTURE OF MLA (2011-15)	27
TABLE 3.5	STAKEHOLDER FEEDBACK ABOUT THE OPERATIONAL IMPACTS OF ORGANISATIONAL CHANGE	29
TABLE 3.6	MLA'S RESPONSE TO THE RECOMMENDATIONS OF THE LPI REVIEW	32
TABLE 5.1	ACHIEVEMENT OF MILESTONES UNDER IMPERATIVE 1	47
TABLE 5.2	PERFORMANCE OF OBJECTIVES UNDER IMPERATIVE 2	48
TABLE 5.3	PERFORMANCE OF OBJECTIVES UNDER IMPERATIVE 3	50
TABLE 5.4	PERFORMANCE OF OBJECTIVES UNDER IMPERATIVE 4	52
TABLE 5.5	STRATEGIC ALIGNMENT OF MLA PLANNING OBJECTIVES	55
TABLE 5.6	SUMMARY OF MLA REVENUES AND EXPENDITURE, 2010-2015	58
TABLE 5.7	MLA OVERHEADS (2010-11 TO 2014-15)	59
TABLE 7.1	ASSESSMENT OF MLA'S OBLIGATIONS UNDER THE SFA (2012-16)	77
TABLE 7.2	MLA'S RESPONSE TO THE RECOMMENDATIONS FROM THE 2010 PERFORMANCE REVIEW	88
TABLE 7.3	RECOMMENDATIONS FROM THE SENATE INQUIRY (2013-14)	93
TABLE A.1	STAKEHOLDERS CONSULTED FOR THE REVIEW	A-1
TABLE B.1	CORPORATE PLAN 2010-15 FOCUS AREAS	B-3
TABLE B.2	CORPORATE PLAN 2010-15 OBJECTIVES	B-4
TABLE B.3	CHANGES TO IMPERATIVES IN THE NEW STRATEGIC PLANNING MODEL	B-5
TABLE B.1	MLA'S RESPONSE TO THE RECOMMENDATIONS OF THE LPI REVIEW	B-6

C O N T E N T S

BOXES

BOX 1.1	TERMS OF REFERENCE	3
BOX 2.1	SENATE INQUIRY ON INDUSTRY STRUCTURES AND SYSTEMS GOVERNING LEVIES ON GRASS-FED CATTLE (2013-14)	8
BOX 5.1	RESPONDING TO CLIMATE CHANGE	52
BOX 5.2	NATIONAL RESEARCH AND RURAL RESEARCH PRIORITIES	55
BOX 7.1	FINDINGS FROM THE 2010 INDEPENDENT PERFORMANCE REVIEW OF MLA	87
BOX B.1	PLANNING OBJECTIVES UNDER THE MEMORANDUM OF UNDERSTANDING	B-2



EXECUTIVE SUMMARY

Meat and Livestock Australia (MLA) is one of three legislated industry services bodies for Australia's red meat industry and one of fifteen rural Research and Development Corporations (RDCs) which support the needs of primary producing industries. MLA delivers research, development and marketing services to approximately 50,000 cattle, sheep and goat producer members. These members have entitlements in the company under its Constitution and the Statutory Funding Agreement (SFA) between MLA and the Australian Government which MLA must honour. A range of industry and national/industry-level priorities, strategies, plans and agreements also shape the way MLA discharges its duties. This report presents the findings of an independent performance review that was conducted by ACIL Allen Consulting (ACIL Allen) between late-2015 and early-2016. The Review is a requirement under the current SFA (2012-16) and is an important input to the next SFA between MLA and the Australian Government. The Review also considered the role and performance of the MLA Donor Company (MDC) as one of two fully-owned subsidiaries of MLA.

Over the current Review period (2011-15) MLA and the MDC have performed well against its SFA obligations. MLA's (and the MDC's) governance arrangements, practices and procedures met each of the principles and recommendations required by the ASX's Corporate Governance Council, and the operational structure is constantly evolving to better meet the imperatives of the MLA Strategic Plan. MLA has satisfactorily met all of the SFA requirements, and has provided ACIL Allen with ample evidence to demonstrate high levels of compliance with its formal obligations to Government, levy payers and other stakeholders in the red meat value chain.

MLA's Strategic Plan identifies the strategic imperatives, comprised of MLA's core objectives and accompanying strategies. The Annual Operating Plan (AOP) expands on and aligns with the direction articulated in the Strategic Plan. Each of these plans align strongly with the Meat Industry Strategic Plan (MISP) and the National Research and Rural Research Priorities. This Review highlighted relatively consistent performance against the core objectives and strategies of MLA. It identified that MLA met a large percentage of its Key Performance Indicators (KPIs) in almost all areas, with the exception of some investments associated with beef and lamb domestic market promotion where external market factors impacted outcomes. It also highlighted a trajectory of improvement over the Review period which is highly consistent with the feedback gained during the Review.

This Review also highlighted that MLA is delivering benefits to industry and the community through its strategic investments. These benefits are not isolated to one stakeholder group; and benefit stakeholders across the entire value chain to the value of \$4.03 billion over the Review period. That being said, there is evidence to suggest that benefits are concentrated more heavily in some parts of the value chain (i.e. grass fed cattle) than in others (i.e. processing).

Since the previous Review (2010), MLA has operated in a difficult and often fractious external environment. Despite this context, MLA has effectively responded to the recommendations of the ARCHE Consulting Review and implemented (or demonstrated progress towards) all of the

recommendations to the 2013-14 Senate Inquiry to the Grass Fed Levy which were supported by Government and the company.

Overall, MLA is meeting its obligations to the Australian Government and delivering effective results to levy payers. There is ample evidence to suggest that MLA is a mature organisation that has significantly improved its internal organisational arrangement to ensure it is accountable to producers, industry and Government.

That being said, the Review has highlighted four key findings which are important to the future success of MLA and MDC. First, MLA is an organisation that has implemented considerable internal reform over the Review period. Much of this reform was required to re-invigorate the company's performance and to enhance its flexibility and external engagement capabilities. However, these changes need to be completed and become fully operationalised.

Second, MISP is critical to MLA's success and meeting its obligations under funding and other industry agreements. However, a number of stakeholders consulted for this Review have identified that MISP is an underutilised planning, investment, engagement and communication tool.

Third, MLA deploys a wide range of mechanisms for strategy development, value chain investment, service procurement, information sharing, and performance reporting. These functions are distributed across the organisation through a complex matrix of consultative structures that often engage the same stakeholders multiple times. However, stakeholders expressed frustration about the observed rate at which MLA changed over the Review period which created a widely held view that MLA had "stopped listening" and was unresponsive to stakeholder concerns.

Fourth, sourcing and procurement generates performance issues for MLA and MDC. Under MISP, MLA has a clear mandate to develop markets and improve across the supply chain to ensure a sustainable, competitive industry. The various strategies and consultative mechanisms refine the priorities to a scale where MLA and the MDC can source and procure services to deliver against them. While there is scope to improve priority setting and investment allocation there is much if not more to be gained in strengthening sourcing and procurement which is equally contentious and increasingly fragmented and transactional. The fragmentation of the portfolio to align with stakeholders, focus areas, business units, funding streams and other factors has created an intensely complicated and often interdependent structure with increasing numbers of projects and programs. While MLA does deliver benefits to industry across the portfolio, the structure is unwieldy and challenging for MLA and stakeholders to understand and manage which limits performance.

To address these performance issues the Review has identified four recommendations which will assist in driving the future performance of MLA:

1. Maintain current company structures – to ensure MLA has the 'breathing space' necessary to operationalise the internal reforms that have been implemented over the past 2-3 years. This recommendation supports the continuation of the MDC (but with enhancements) as a fully-owned subsidiary of MLA.
2. Use MISP 2020 as the access and exit point to MLA – to reinforce the role of MISP 2020 as a strategic planning and operational tool which drives internal and external company interactions.
3. Improve MLA's strategic partnership model – to ensure stakeholder engagement is meaningful, focused on building trust, oriented to evolve from transactional communication to seeking stakeholder involvement, and be calibrated to generate mutual benefits for stakeholders and MLA.
4. Identify and then implement a leaner and more flexible procurement process – to achieve more from its investments and to accelerate realisation of MISP 2020 for the industry's benefit.



GLOSSARY OF TERMS

ALEC	Australian Livestock Exporter's Council
ALFA	Australian Lot Feeders Association
AMIC	Australian Meat Industry Council
AMPC	Australian Meat Processor Corporation
AOP	Annual Operating Plan
BCR	Benefit Cost Ratio
CCA	Cattle Council of Australia
CRRDC	Council of Rural R&D Corporation
eNVD	Electronic National Vendor Declaration
ESCAS	Exporter Supply Chain Assurance System
FTA	Free Trade Agreement
GHG	Greenhouse Gases
GICA	Goat Industry Council of Australia
GPV	Gross Value of Production
ICA	Industry Collaborative Agreements
ISO	International Standards Organisation
KPI	Key Performance Indicator
MDC	MLA Donor Company
M ISP 2015	Meat Industry Strategic Plan 2010-2015 (3 rd Edition)
MISP2020	Meat Industry Strategic Plan 2016-2020 (4 th Edition)
MLA	Meat and Livestock Australia Ltd

MLT	MLA Leadership Team
MCA	Multi criteria analysis MCA
MOU	Memorandum of Understanding (with Government)
NLIS	National Livestock Identification System
NLRS	National Livestock Reporting Service
PIC	Peak Industry Council
R&D	Research and Development
RDC	Research and Development Corporation
RMAC	Red Meat Advisory Council
SFA	Statutory Funding Agreement (with Government)
SCA	Sheepmeat Council of Australia
WTO	World Trade Organisation



1.1 Context

Meat and Livestock Australia (MLA) is one of three legislated industry services bodies for Australia's red meat industry. It is one of fifteen rural Research and Development Corporations (RDCs) which support the needs of primary producing industries through the delivery/oversight of services on behalf of levy payers and industry.

MLA delivers research and development, and marketing services to approximately 50,000 cattle, sheep and goat producer members. Members have entitlements under MLA's Constitution and MLA's Statutory Funding Agreement (SFA) with the Australian Government.

MLA's mission is to work 'in collaboration with the Australian Government and the wider red meat industry "to deliver value to levy payers by investing in initiatives that contribute to producer profitability, sustainability and global competitiveness'.¹ MLA achieves this mission through actions and investments that are guided by a Strategic Plan (2010-2015), which is in turn guided by the Meat Industry Strategic Plan (MISP2015 for the review period). The objectives and actions of the Strategic Plan support five key focus areas, namely:

1. Strategic R&D partnerships. This focus area seeks to:
 - a) Build industry capability
 - b) Increase on-farm productivity
 - c) Develop industry leadership skills.
2. Stakeholder needs. This focus area seeks to:
 - a) Deliver strategies targeted at the needs of segments
 - b) Promote MLA.
3. Value chain efficiency and profitability. This focus area seeks to:
 - a) Maximise the value of the meat and livestock industry for the producer
 - b) Actively assist the live export industry.
4. Building demand. This focus area seeks to:
 - a) Build industry capacity
 - b) Anticipate and deliver to customer demands.
5. Roles, responsibilities, accountability. This focus area seeks to:
 - a) Assist industry to deliver on the MISP 2015
 - b) Create industry awareness of industry structures and MLA's role.¹

¹ <http://www.mla.com.au/About-MLA/Who-we-are>

As part of the company, MLA has two fully-owned subsidiaries which seek to deliver benefits to levy payers and the red meat industry, which are the National Livestock Identification Scheme (NLIS) Ltd and MLA Donor Company (MDC).

The NLIS is a national system for identification and traceability of livestock. It was introduced in 1999 to track cattle during disease and food-related incidents. Since then it has expanded to enable not only cattle, but also sheep and goats to be traced from property of birth to slaughter for: biosecurity; meat safety; product integrity; and market access.²

NLIS is endorsed by major bodies across the red meat value chain. It is also underpinned by State/Territory legislation, which forms the system's regulatory framework. NLIS operates the central NLIS Database on which the livestock movements must be recorded. State/Territory NLIS authorities provide information on: Property Identification Codes (PIC); ordering NLIS devices imprinted with PICs; and NLIS regulations for cattle, sheep and goats.³

The MDC is within the scope of this assessment and is considered in more detail throughout the report. The MDC facilitates voluntary investments in R&D across the red meat supply chain. The Australian Government matches voluntary partner contributions (up to 50 per cent) through the MDC, where eligible projects deliver outcomes that address broader industry and/or government priorities and benefit the entire industry. The partner may, or may not, be a provider to the project i.e. carry out the work. While no MLA producer levies are invested in MDC-funded projects, the model complements levy investment through voluntary contributions and supports some of the more commercial aspects of R&D, benefiting the whole supply chain.³

1.2 Purpose

This report provides the outcomes of an independent performance review of MLA and the MDC undertaken by ACIL Allen during late-2015 and early-2016. The requirement to conduct such a review is specified in the SFA between MLA and the Australian Government and covers the period of the agreement (2012-16) as well as progress since the 2010 performance review. The outcomes of this independent review will inform the development of future SFA's between MLA and Government, as well as provide insight as to the future directions of the company.

The terms of reference (TOR) set for the Review are outlined in **Box 1.1** overleaf.

1.3 Methodology

The methodology used for this Review was underpinned by the following phases, which included data collection, documentary review, stakeholder consultation and analysis.

1.3.1 Document review

This phase considered a range of resources that provided context and evidence for Review outcomes. The main documents reviewed for this phase included: foundation or primary documents; plans and reports; governance documents; compliance and financial reports to Government; selected operational documents; previous reviews and evaluations; and other relevant research.

MLA supported the Review with the collection and storage of a large volume of documents in a secure online document library.

² <http://www.mla.com.au/Meat-safety-and-traceability/National-Livestock-Identification-System>

³ <http://www.mla.com.au/About-MLA/MLA-Donor-Company>

BOX 1.1 TERMS OF REFERENCE

1. Assess the Meat and Livestock Australia's (MLA) and the Meat and Livestock Australia Donor Company's (MDC) performance in delivering, where applicable, research, development, extension and marketing services. This will include an assessment of:
 - a) The performance in meeting obligations under the applicable Deeds of Agreement with the Commonwealth
 - b) The development, implementation and the efficiency in the delivery of strategic, annual operational, risk management, fraud control and intellectual property plans and the effectiveness of the companies in meeting the priorities, targets and budgets as set out in these plans
 - c) The structure, operations and policies and procedures of the companies, to ensure good practice and systems of corporate governance, including the management of voluntary contributions via the MDC and changes to MLA's operational model for managing R&D delivery with the Australian Meat Processors Corporation
 - d) The effectiveness of the arrangements for engagement, consultation, and communication with, and feedback to stakeholders, including the opportunities for levy-payers and other contributors to influence the investment of levies
 - e) Efforts in cross-RDC collaboration
 - f) Any relevant matters relating to performance referred to in the Senate Inquiry report into industry structures and systems governing levies on grass-fed cattle, including:
 - i) examining levy revenue and expenditure, and options to improve transparency and accountability to, and engagement with levy payers
 - ii) governance and operating frameworks
2. Assess the delivery of benefits, including the achieved value for money and return on investment to levy-payers, the industry and the community in general, and the contribution to increasing farm-gate profitability. This would also include, but not limited to, an assessment of:
 - a) The investment at a portfolio level
 - b) Achievements against the strategic plan and annual operational plan performance information
 - c) Portfolio of activities undertaken in collaboration with co-investors via the MDC
 - d) Assess the effectiveness in addressing and implementing the recommendations from the June 2010 performance review of MLA
3. Make findings, conclusions, and if necessary, recommendations for performance improvement in delivering research, development, extension and marketing services and outcomes
4. Make recommendations for the improvement of reporting and evaluation systems to ensure efficient and effective interim reviews are conducted against the next series of recommendations for the performance review.

SOURCE: REQUEST FOR TENDER DOCUMENT 2015

1.3.2 Stakeholder consultations

As part of the project, a large number of stakeholder organisations were asked to participate in the Review. The approach included consultation with 76 stakeholders to capture data, insights and observations for analysis.

The consultation approach was supported by an initial workshop with the MLA Leadership Team (MLT) which helped to identify the most important stakeholders, and to map them using criteria including influence, legislative and social-political role, MLA's need for the stakeholder to be engaged, and the stakeholder's need to be engaged.

A consultation guide was developed for stakeholder sessions to provide consistency in the consultation approach and to assist stakeholder preparation for the meetings.

The consultation meetings were conducted using a mixture of face-to-face and teleconference formats. Details of the consultation meetings are provided in Appendix A of this report.

1.3.3 Performance in delivering services

Following the data collection phases, analysis of MLA/MDC's performance against the terms of reference were undertaken by the Review Team. This analysis initially involved:

- A review of MLA's and MDC's operating and external context.
- A review of MLA's and MDC's compliance with their obligations set out under the Deed of Agreement with the Commonwealth Government.
- Analysis of MLA's and MDC's implementation of strategic and operational plans.
- Analysis of MLA's and MDC's governance and operational arrangements.

- Consideration of MLA's and MDC's collaborative efforts with other RDCs.

1.3.4 Delivery of benefits

MLA/MDC funds a wide range of R&D and marketing efforts that aim to deliver value to Australian cattle, sheep and goat producers. MLA's R&D and marketing portfolio of activities align with its five imperatives and are guided by the results of its planning and consultations with producers. Broadly speaking, MLA/MDC invests in initiatives that are intended to contribute to producer profitability, sustainability and global competitiveness.

To assess the benefits of these investments a detailed review was undertaken by the Review Team of the separate CIE evaluation of MLA/MDC benefits between 2011 and 2015.⁴ These evaluations were compared to the stakeholder feedback gained during the project and used to inform the conclusions on the overall effectiveness of MLA/MDC's investment portfolio.

1.3.5 Response to past performance reviews

The Review also considered MLA's implementation of recommendations from the previous performance review.⁵ ACIL Allen used the results of the consultation process to clearly identify where progress has been made, and to identify the reasons why progress has been delayed, halted or impeded.

In addition, the Review analysed the key recommendations arising from the Senate Inquiry into the Grass Fed Levy and other reviews undertaken during the Review period.

1.3.6 Recommendations and reporting

In the process of developing draft and final reports, findings and recommendations were developed by the Review Team. These findings and recommendations were presented to MLA for feedback and critical comments before being presented in the final report. This provided MLA an opportunity to correct any errors of fact or to test the underlying assumptions in the report.

All final findings and recommendations presented in the report are ACIL Allen's and represent the independent nature of the review process.

1.4 Report structure

Chapter 2. This chapter considers the complex operating environment of MLA/MDC over the Review period. The chapter discusses the changing structural, environmental, market and socio-economic factors which have influenced MLA's operations since 2010, and its performance against the SFA 2012-16.

Chapter 3. This chapter considers the performance of MLA/MDC's governance and operational arrangements over the Review period. This chapter describes the key features of MLA/MDC's governance and operating model before analysing the performance of these features. Outcomes of this chapter also provide evidence which supports an assessment of MLA's obligations under the SFA with Government provided in Chapter 7.

Chapter 4. This chapter discusses issues relating to stakeholder engagement and communication. The chapter explores the consultation approach implemented by MLA and the perspectives of stakeholders about the performance of its engagement function. This chapter also explores the expectations of disparate stakeholders of stakeholders about their engagement with MLA compared with their engagement with other organisations in the red meat supply chain. Best practice in stakeholder engagement in Australia and internationally is canvassed also.

Chapter 5. This chapter considers MLA/MDC's effectiveness in executing its strategic and operational plans. The chapter discusses the planning hierarchy within MLA/MDC and the red meat industry more broadly, and the performance against these plans through the lens of MLA/MDC's Key Performance

⁴ CIE 2016, Impact Assessment of MLA Expenditure 2010-11 to 2014-15: Economic quantification of benefits', Project No. F.EVA.1601, Final Report.

⁵ ARCHE Consulting 2010, '3 Year Review of Performance', Final Report, June 2010.

Indicators (KPIs). The chapter also provides some analysis of the monitoring and evaluation system used by MLA/MDC to deliver against these KPIs and plans.

Chapter 6. This chapter considers the benefits that are being delivered to industry stakeholders through MLA/MDC's investment portfolio. The chapter reviews the results of MLA's own analysis of its portfolio investments which considers the economic, environmental and social impacts generated by the organisation.

Chapter 7. This chapter assesses MLA/MDC's compliance with its SFA with Government. The chapter assesses each obligation under the SFA and provides evidence of its compliance/non-compliance with Government requirements. The chapter also consider MLA/MDC's progress against the recommendations from the 2010 performance review, as well as the recommendations from the Senate Inquiry into the Grass Fed Levy.

Chapter 8. This chapter provides an overall assessment of MLA/MDC's performance over the Review period. The chapter also details the recommendations (and associated considerations) to flow from this Review.

Appendix A and Appendix B. The appendices provide the details of stakeholders consulted for this project and information which supports the analysis contained in this report respectively.

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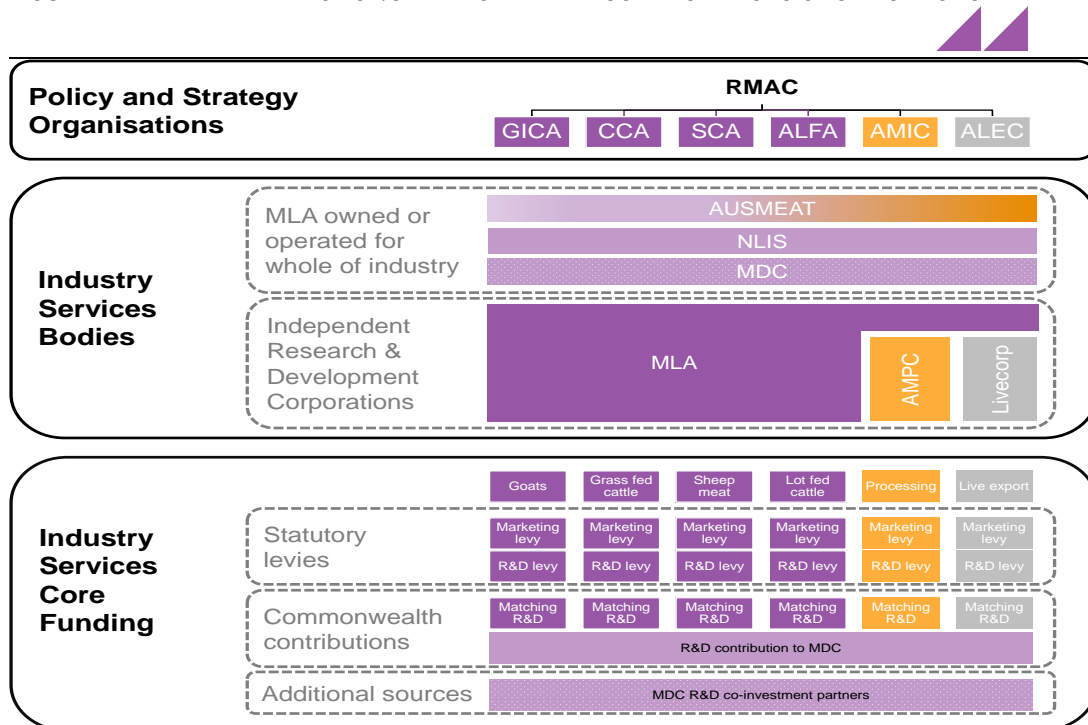
OPERATING CONTEXT

Australia is among the world's largest livestock exporters of red meat and live cattle and sheep. Because of this exposure to the export market, there are a number of global and domestic factors impacting the operation of the industry which are discussed in the following sections.

2.1 Industry representation and service organisations

Australia's red meat industry includes cattle, sheep, lamb and goats and comprises producers, lot feeders, processors, retailers and exporters. Approximately 350,000 people are involved directly in the supply chain or in businesses that service the industry (MISP 2020). The industry is made up of six sectors being the grass-fed cattle producers, grain-fed cattle producers, sheep producers, goat producers, livestock exporters, and processors (comprising retailers, smallgoods manufacturers and packers). The Red Meat Industry Memorandum of Understanding (MOU) provides the framework for coordinating industry's policy/strategy and services delivery responsibilities (**Figure 2.1** below).

FIGURE 2.1 RED MEAT POLICY/STRATEGY AND INDUSTRY SERVICES ORGANISATIONS



SOURCE: ACIL ALLEN CONSULTING ANALYSIS OF THE RED MEAT INDUSTRY MEMORANDUM OF UNDERSTANDING

Each of these individual sectors has an elected body for **policy and strategy formulation**; these are known as Peak Industry Councils (PICs):

- Australian Livestock Exporters Council
- Australian Lot Feeders Association
- Australian Meat Industry Council
- Cattle Council of Australia
- Goat Industry Council of Australia
- Sheepmeat Council of Australia.

These bodies (including Goat Industry Council of Australia as an associate member) come together to form the Red Meat Advisory Council Ltd (RMAC), making it the Peak Council for the red meat sector.

Six **service organisations** provide R&D and marketing services to the red meat industry:

- Australian Livestock Export Corporation (LiveCorp) – owned by livestock exports
- Australian Meat Processor Corporation (AMPC) – owned by meat processors
- Meat and Livestock (MLA) – owned by cattle, sheepmeat and goat producers
- MLA Donor Company (MDC) – owned and operated by MLA on behalf of the industry
- National Livestock Industry Scheme (NLIS) – owned and operated by MLA on behalf of the industry
- AUS-MEAT – owned by MLA and AMPC on behalf of the industry

Under the MOU, MLA is nominated as the lead organisation where services cover the whole supply chain, unless otherwise agreed, to avoid duplication and improve operational efficiency. Programs operated by MLA on are defined as core and joint functions depending on the number of red meat RDCs providing funds as shown in **Table 2.2**. This is the rationale for positioning the MDC, NLIS and AUS-MEAT (co-owned with AMPC) with MLA. There are also additional joint programs between MLA and the other red meat RDCs such as the Plant Initiated Projects Program (PIP Program) with AMPC and the Livestock Export Research and Development Program with LiveCorp.

TABLE 2.1 RED MEAT MOU CORE AND JOINT FUNCTIONS

Core functions	Joint functions
– producer beef marketing;	– market access;
– producer sheepmeat marketing;	– research and development;
– live export marketing;	– animal health and welfare;
– core producer R&D;	– database collection;
– core processor R&D;	– meat safety and hygiene;
– core live exporter R&D; and	– crisis and issues management; and
– levy collection.	– eating quality;
	– environment;
	– resource management; and
	– AUS-MEAT.

Note: Core functions are undertaken or arranged by MLA and funded by any one of MLA, AMPC or LiveCorp, or funded by a third party.

Joint functions are undertaken or arranged by MLA and funded by two or more of MLA, AMPC or LiveCorp.

SOURCE: RED MEAT MEMORANDUM OF UNDERSTANDING, 2010

Each organisation receives **core funding** from statutory R&D and marketing levies collected at different parts of the supply chain. The Commonwealth Government provides each organisation matching funds up to 0.5 per cent of the statutory R&D levies. Since the statutory R&D levies are set below the 0.5 per cent Gross Value of Production (GVP) cap, the red meat sector and Commonwealth Government established the MDC to receive additional voluntary R&D co-investment that is eligible for matching R&D funding up to the cap. The sum of R&D statutory levies and voluntary R&D co-investments will only be matched by the Commonwealth Government up to 0.5 per cent of GVP, which has not occurred since MLA and MDC were established.

Under their individual SFAs with the Commonwealth Government, MLA, AMPC and LiveCorp cannot provide funding to support the policy or advocacy functions of the PICs. Rather PICs rely on income

from membership, their own services and a Trust established under the MOU and administered by RMAC for these functions. Compliance with this requirement is being more stringently administered across all 15 RDCs.

Overall the MOU provides a set of principles to pull a large number of organisations and funding streams together into a single framework focused on developing the red meat industry. MLA faces considerable challenges in aligning stakeholder expectations across the MOU framework. Vertically MLA must align its services with their purpose (R&D or marketing), funding sources and industry priorities (as expressed by PICs, Government and others). Horizontally MLA must coordinate with other service bodies to avoid duplication and seek economies of scale and scope. Outside of that there are leverage opportunities arising from the providers contracted to deliver MLAs services and working with other sectors. This includes the important role PICs play in areas such as trade negotiations.

The complexity of this environment means there are inevitable tensions which MLA and the other organisations need to resolve. Over the past five years tensions have emerged around three key themes: position, communication and flexibility.

The ability of all the parties involved in the MOU and the wider Australian rural R&D model to sustain their position in terms of priorities, functions and funding is not fixed. For example:

- reduced Government rural R&D expenditure has lessened their ability to partner with MLA
- declining income and representation for some PICs has affected their ability to represent industry for and collaborate with MLA
- AMPC is seeking to manage core programs currently operated by MLA more independently which requires arrangements with MLA to change.

These changes put pressure on MLA to increase investment and/or change the way it interacts.

Allied to this is the challenge of how MLA communicates its strategy so that it is relevant to each stakeholder while being cognisant of changes in their position and the industry more widely. While this can be achieved for individual projects the task is significantly harder across the whole of MLA and Red Meat MOU investment portfolios which are interdependent. Stakeholders also want “to have a say” which occurs across a wide range of areas from Board selection, to strategy development, program design, project selection and progress reporting. The net result is a plethora of communications channels that are not necessarily fully understood or utilised by stakeholders and even MLA.

The combination of a complex interdependent investment portfolio and plethora of communications channels serving dynamically changing stakeholders has raised the question of whether MLA (and the Red Meat MOU) is sufficiently flexible and responsive. The question was widely raised and discussed during the Review consultations and considered in the 2014 Senate Inquiry (which is discussed in Section 7.3).

BOX 2.1 SENATE INQUIRY ON INDUSTRY STRUCTURES AND SYSTEMS GOVERNING LEVIES ON GRASS-FED CATTLE (2013-14)

During the Review period there were a number important political developments that occurred within the industry. The most telling of these for MLA was the Senate’s inquiry into the grass-fed cattle levy. In December 2013, the Senate referred the following matter to the Rural and Regional Affairs and Transport References Committee (committee) for inquiry:

The industry structures and systems governing the collection and disbursement of marketing and research and development levies pertaining to the sale of grass-fed cattle set out in subsections 6(1)(a), 6(1)(b), 6(2)(a) and 6(2)(b) of Schedule 3 (Cattle transactions) of the Primary Industries (Excise) Levies Act 1999, including:

- *the basis on which levies are collected and used*
- *the opportunities levy payers have to influence the quantum and investment of the levies*
- *industry governance arrangements, consultation and reporting frameworks*

- recommendations to maximise the ability of grass-fed cattle producers to respond to challenges and capture opportunities in marketing and research and development.

Senate Inquiry Final Report 2014 The inquiry was initiated following concern by some grass-fed levy payers that MLA's management of levy funds, investment decisions, as well as with the levy system and underpinning structures were not meeting industry expectations. In particular, the inquiry sought to better understand why the current systems are complex and difficult to understand while mechanisms available to influence investment decisions regarding levy revenue serve as barriers to participation in MLA.

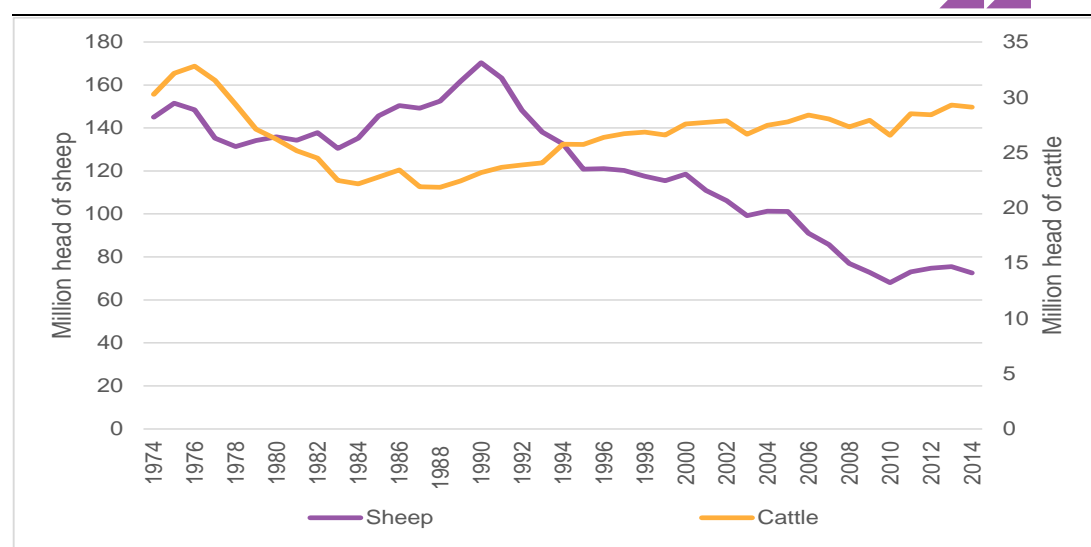
The Committee reported in March 2014, making seven key recommendations aimed at improving the effectiveness, transparency and accountability of the levy system to grass-fed levy payers.

2.2 Industry structure

2.2.1 Production

Australia has a large livestock industry with around 29.1 million cattle, 72.6 million sheep and 0.5 million farmed goats in 2014 (**Figure 2.2**). There has been a marked decline in the sheep flock particularly since 2000 and a plateau of the flock in the years since 2010. In contrast, there has been a comparatively stable Australian cattle herd over the past two decades with a reduction in the herd in 2014 and 2015 due to high turnoff associated with drought across many parts of Australia as well as high prices for processed and live export cattle in these years.

FIGURE 2.2 AUSTRALIAN CATTLE AND SHEEP HERD (1974 – 2014)



SOURCE: AUSTRALIAN BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCE, 2015. AGRICULTURAL COMMODITIES DECEMBER QUARTER 2015.

The total area operated by farms with beef cattle sheep and goats is around half of Australia's land mass. The Australia Bureau of Statistics⁶ (ABS) reports that of the 405 million hectares of agricultural land in Australia, 355 million hectares were used for grazing. The Northern Territory recorded the highest percentage of agricultural land mainly used for grazing (96 per cent), followed by Queensland (94 per cent) while Victoria had the lowest percentage (54 per cent).

There are significant cattle producing areas all around Australia with the majority of the 29.3 million cattle herd located in northern Australia. The largest cattle herds in 2013 were located in Queensland

⁶ ABARES, 2013. Agricultural Resource Management Practices, Australia, 2011-12

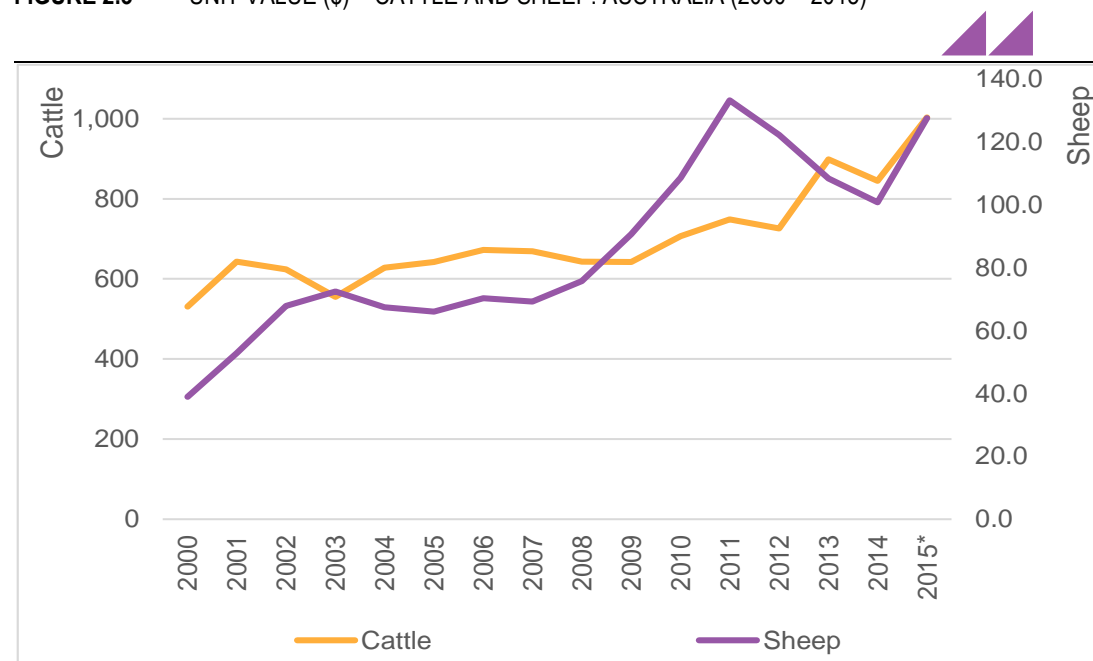
(12.8 million cattle), NSW (6 million), and Victoria (4.2 million). There are also large herds in Western Australia and the Northern Territory which each supported around 2 million cattle.⁷

Australia's sheep industry consists of around 75.5 million sheep held on 44,000 properties with prime lamb producers predominately located in the Riverina, the wheat-sheep zone of New South Wales, the Victorian and New South Wales-Murray region and the high rainfall areas in south-west Victoria and eastern South Australia. Sheep are primarily located in south west of Western Australia, the south western part of Victoria and the southern part of New South Wales. As of June 2013, the majority of the sheep flock was held in NSW (27.8 million sheep), Victoria (16.1 million) and Western Australia (15.5 million).⁸

2.2.2 Market conditions

Prices for cattle and sheep are currently high as illustrated in **Figure 2.3** which shows the per unit price of each since 2000. The gross per unit price for cattle has increased steadily since 2000 and has experienced large increases since 2012. These increases along with drought have contributed to the higher turnoff of cattle in Australia and correspondingly higher number of live exports and beef and veal exports. In contrast, the per unit price of sheep peaked in 2011 at \$133 per head before falling to \$100 per head in 2014. Prices have increased again and are currently at around \$127 per head.

FIGURE 2.3 UNIT VALUE (\$) – CATTLE AND SHEEP: AUSTRALIA (2000 – 2015)

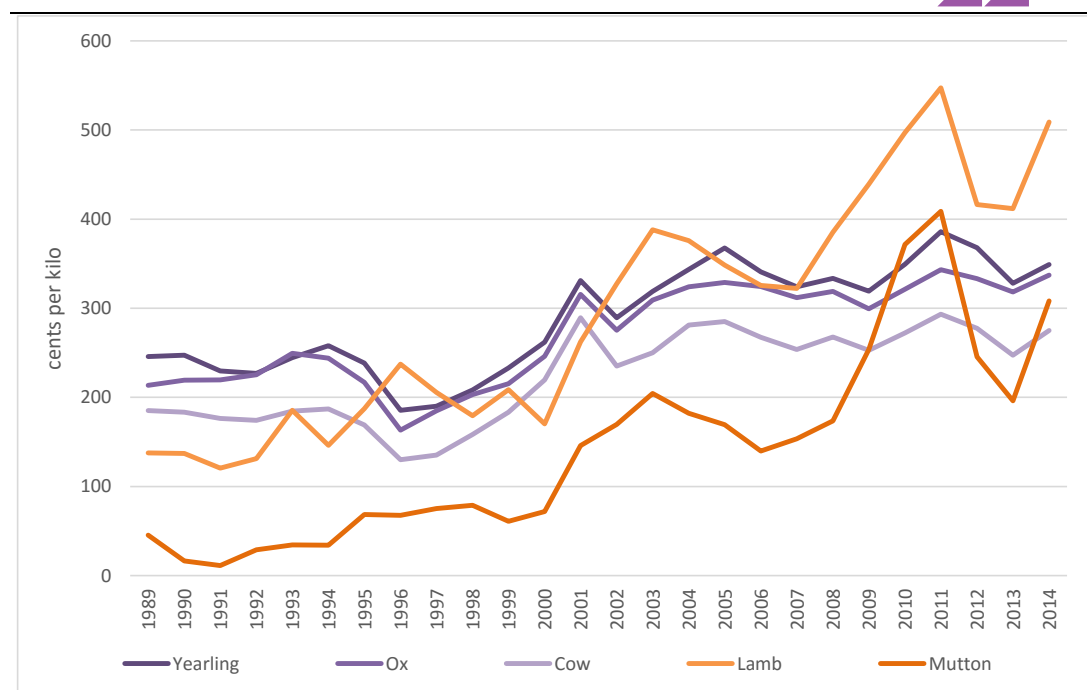


Note: * 2015 is to the September quarter only

SOURCE: AUSTRALIAN BUREAU OF STATISTICS, 2015. 7215.0 LIVESTOCK PRODUCTS, AUSTRALIA.

Figure 2.4 shows the saleyard prices of cattle and sheep in Australia. It shows that domestic prices for red meat are currently high however a comparison with **Figure 2.3** would suggest that the high prices for cattle are a result of the live export trade and demand from processors while the higher prices for lamb reflect the domestic market. Prices for lamb and mutton have fluctuated since 1989 while prices for beef have followed a less volatile trajectory.

⁷ MLA, 2014. Statistical Review: Key statistics for the Australian red meat and livestock sector July 2013 – June 2014

FIGURE 2.4 AUSTRALIAN SALEYARD PRICES OF LIVESTOCK (1989 – 2014)

SOURCE: AUSTRALIAN BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCE, 2015. AGRICULTURAL COMMODITIES DECEMBER QUARTER 2015.

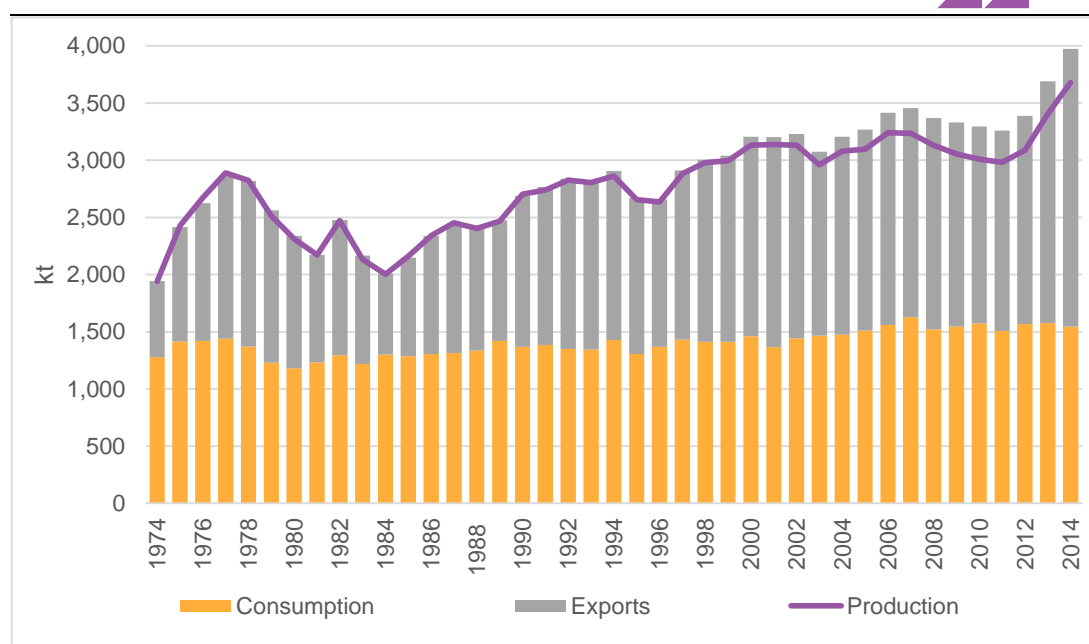
Red meat production

Australia produced 3.7 million tonnes (carcass weight) of red meat in 2014 as illustrated in **Figure 2.5** which shows the production, consumption and exports of red meat from Australia (including pig meat)⁸. The figure shows an increase in production of red meat since 2012 and a corresponding increase in the amount of red meat exports whilst the domestic consumption of red meat in Australia has remained fairly static. The figure shows that since 2004, the production of red meat has been lower than the combined exports and domestic consumption suggesting that Australia currently imports around 300,000 tonnes of red meat.

Red meat production in Australia has been trending upwards since the mid-1980s and has experienced a more rapid increase since 2012 when production was around 3 million tonnes to 2014 when production was just under 3.7 million tonnes. This increase is a result of higher prices for red meat during this time and drought conditions across much of Australia which has led to a higher turnoff of cattle. In addition to the production shown in **Figure 2.5** is the production of goat meat which is just under 33,000 tonnes per annum.

⁸ ABARES, 2015, Agricultural Commodities December Quarter 2015

FIGURE 2.5 PRODUCTION, DOMESTIC CONSUMPTION AND EXPORTS OF RED MEAT (30 JUNE, 1974 – 2014)



Note: Includes Beef and veal, mutton and lamb and pig meat production expressed in carcase weight

SOURCE: AUSTRALIAN BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCE, 2015. AGRICULTURAL COMMODITIES DECEMBER QUARTER 2015.

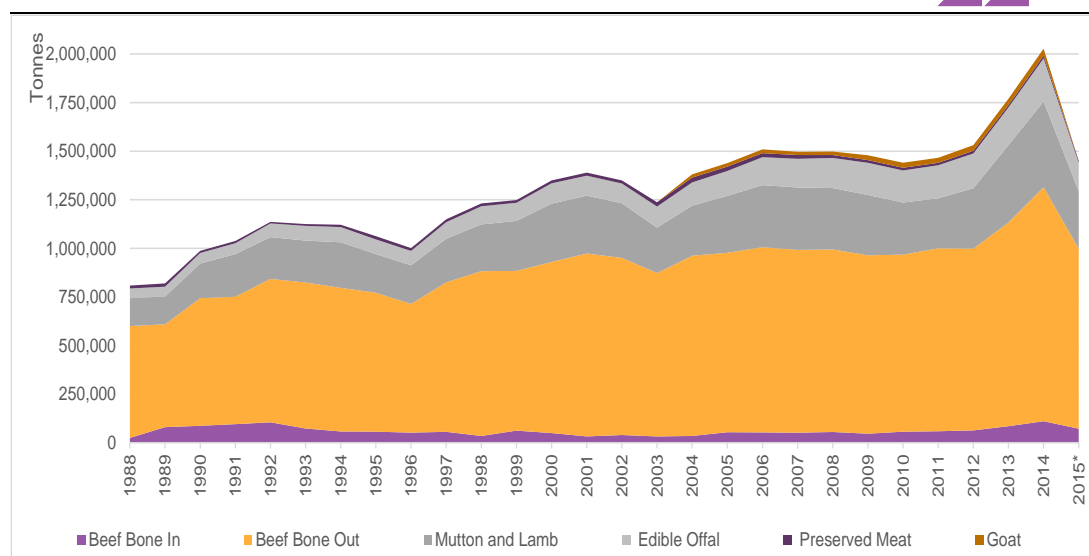
In terms of value, Australia is the world's largest exporter of red meat and the largest exporter of beef and veal, sheep meat and goat meat.⁹ In 2013-14, 2.4 million tonnes of red meat was exported from Australia equating to around two thirds of Australia's total red meat production. The remaining 1.5 million tonnes of production was consumed domestically. Exports of red meat from Australia have experienced sustained growth over time as illustrated in **Figure 2.6**. There has been a large increase from 2011-12 when 1.5 million tonnes was exported to 2013-14 when just over 2 million tonnes of red meat was exported.

This growth in exports is a result of large increases in the export of beef and veal which has risen from just under 1 million tonnes (shipped weight) in 2011-12 to nearly 1.3 million tonnes in 2013-14. There have also been large increases in the export of mutton which has risen from around 89,000 tonnes (shipped weight) in 2011-12 to nearly 110,000 tonnes in 2013-14.¹⁰ Exports of goat meat are also increasing with a rise of 10 per cent from 2012-13 to 2013-14. Key markets for Australian red meat in 2014-15 were the USA (\$4 billion), Japan (\$2 billion), China (\$1.1 billion) and South Korea (\$1.1 billion) (MISP 2020).

⁹ RMAC, 2010. Red Meat Industry Strategic Plan 2010-2015 (3rd Edition)

MLA, 2014.¹⁰ Statistical Review: Key statistics for the Australian red meat and livestock sector July 2013 – June 2014

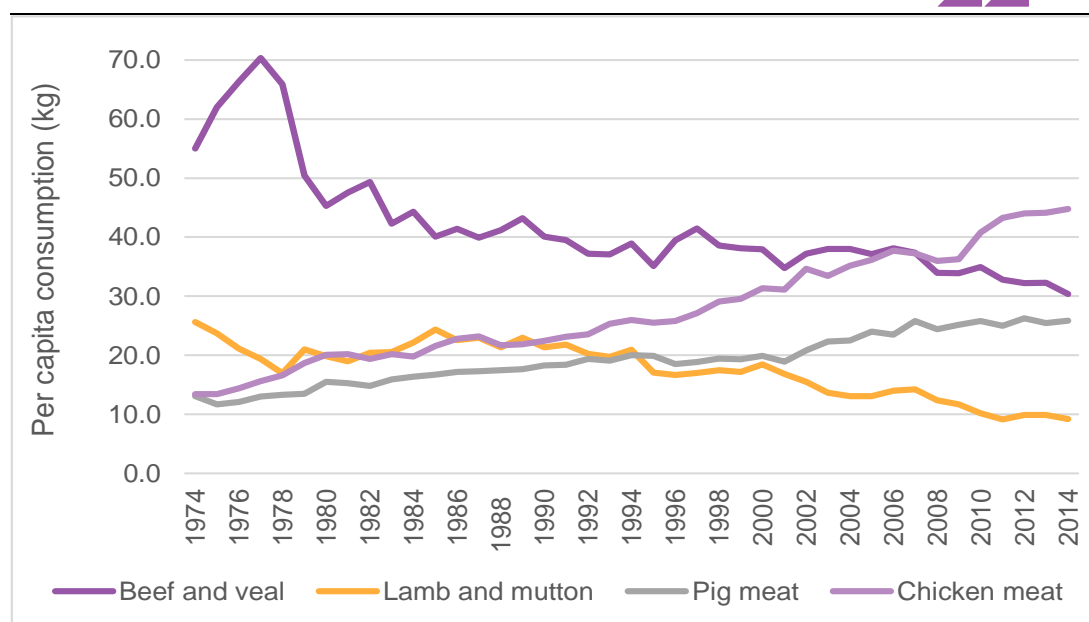
FIGURE 2.6 EXPORTS OF FRESH, CHILLED, FROZEN AND PROCESSED MEAT (JUNE, 30 1988 – SEPTEMBER QUARTER 2015)



note: * 2015 is to the September quarter only
 SOURCE: AUSTRALIAN BUREAU OF STATISTICS, 2015. 7215.0 LIVESTOCK PRODUCTS, AUSTRALIA.

Total consumption of red meat in Australia is fairly constant while population is increasing resulting in a declining per capita consumption rate as illustrated in **Figure 2.7**. The figure shows a declining consumption of beef and veal and lamb and mutton. In 2014, Australians consumed just over 30kg of beef and veal and just over 9kg of lamb and mutton per capita. In 2004, 38kg of beef and veal was consumed per capita along with 13.1kg of lamb and mutton. In comparison, the per capita consumption of other meats such as chicken is rising and to a lesser extent, the per capita consumption of pig meat is also increasing.

FIGURE 2.7 CONSUMPTION PER CAPITA OF RED MEAT: AUSTRALIA (1974 – 2014)



SOURCE: AUSTRALIAN BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCE, 2015, AGRICULTURAL COMMODITIES DECEMBER QUARTER 2015

Live exports

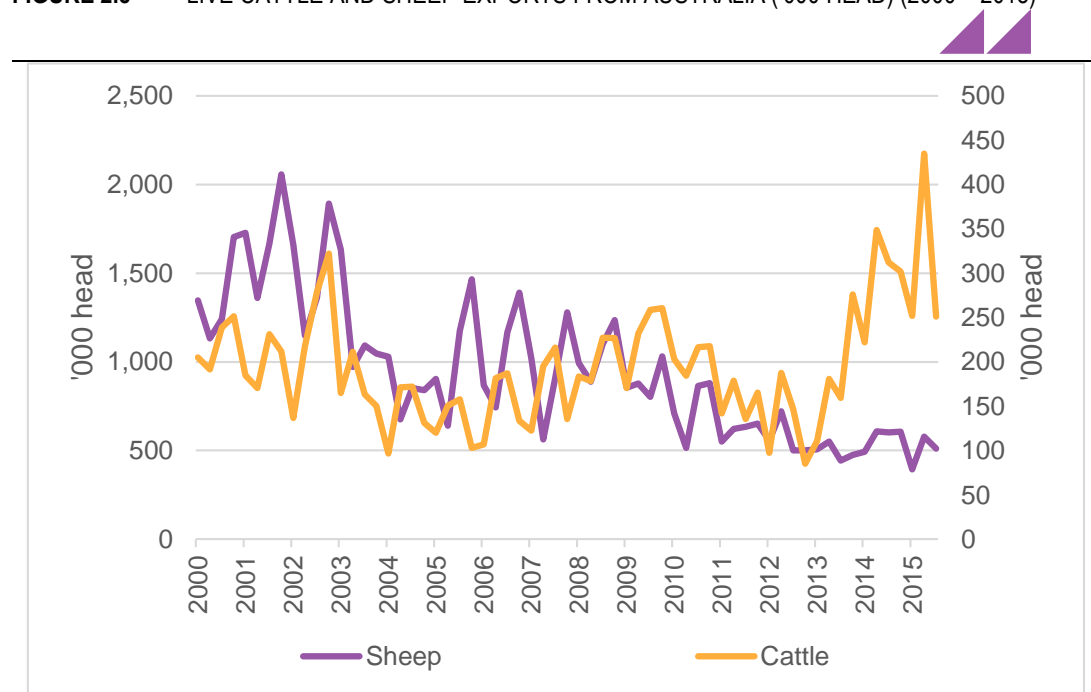
Approximately two thirds of Australia's beef and half of Australia's lamb meat production is exported.¹¹ As a result global conditions play a critical role in the Australian livestock industry. In addition, large number of live sheep and cattle are exported as illustrated in **Figure 2.8**. The figure shows a decline in live sheep exports since 2000 to reach current levels of just under 2.2 million head per annum in 2014-15. Live exports of cattle have trended upwards since 2000 despite a decline in exports in 2011 when there was a ban on the export of live cattle to Indonesia. Since that time, live cattle exports have increased to reach record levels of 1.3 million head in 2014-15.

The majority of live cattle are exported from northern Australia. The largest exporting state is the Northern Territory which exported over 500,000 cattle in 2014-15. Other major exporting states are Queensland which exported around 300,000 cattle and Western Australia which exported around 280,000 cattle in 2014-15. Together these three states accounted for 86 per cent of all live exports from Australia in 2014-15.

The largest live cattle export port in terms of throughput is the Port of Darwin which exported over 613,000 cattle in 2014-15. Other major exporting ports are the Townsville Port (297,000 cattle), and Fremantle Port (132,000). The Port of Broome and the Port of Portland are also key exporters of cattle accounting for around 100,000 cattle per year.¹² (Meat and Livestock Australia, 2016).

Nearly all of the live exports of sheep come from Western Australia. The Port of Fremantle is the largest live sheep export port in terms of throughput accounting for around 2 million sheep or around 84 per cent of live sheep exports from Australia. The next largest port is Port Adelaide which exports around 266,000 sheep.

FIGURE 2.8 LIVE CATTLE AND SHEEP EXPORTS FROM AUSTRALIA ('000 HEAD) (2000 – 2015)



SOURCE: AUSTRALIAN BUREAU OF STATISTICS, 2015. 7215.0 LIVESTOCK PRODUCTS, AUSTRALIA

Australia is the world's largest exporter of live goats. In 2014 Australia exported almost 89,000 live goats, up 18 per cent from the previous year. Almost all exports were destined for Malaysia, either directly or indirectly through Singapore.

¹¹ MLA, 2015. Annual Report 2014-15.

¹² MLA, 2016. Livelink

Imports

Australia imports small amounts of red meat in the form of beef and veal, and pig meat. MLA reports imports of 10,000 tonnes of beef and veal in 2014, a decline from 2012 when 12,000 tonnes were imported. There are much larger imports of pig meat into Australia with around 194,000 tonnes imported in 2012 and 190,000 in 2014.¹³

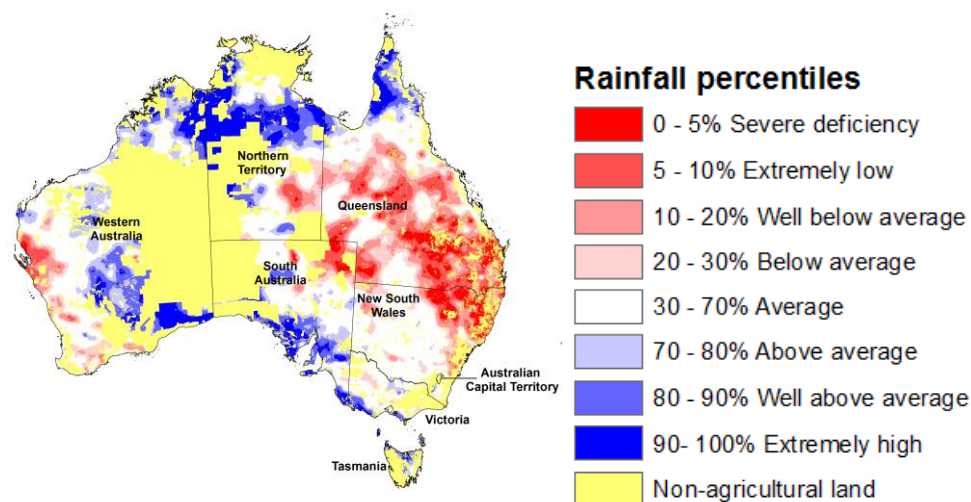
2.3 Environmental factors and market conditions

There are a number of factors that have impacted the Australian livestock industry in recent years. These changes are examined in the following sections.

2.3.1 Seasonal conditions

Unfavourable seasonal conditions in many parts of Australia have impacted the production of livestock. In 2012-13, below average rainfall through winter, spring and summer reduced pasture and crop growth in all states. In northern Australia, the wet season failed and by autumn dry conditions extended across most of the continental interior. In 2013-14, there were below average seasonal conditions and drought conditions worsened in Queensland, northern New South Wales and northern pastoral regions of South Australia as illustrated in **Figure 2.9** which shows rainfall percentiles in Australia. In the second half of 2013–14, seasonal conditions improved slightly in the Northern Territory, northern Western Australia, Cape York, southern New South Wales, Victoria, Tasmania and South Australia.

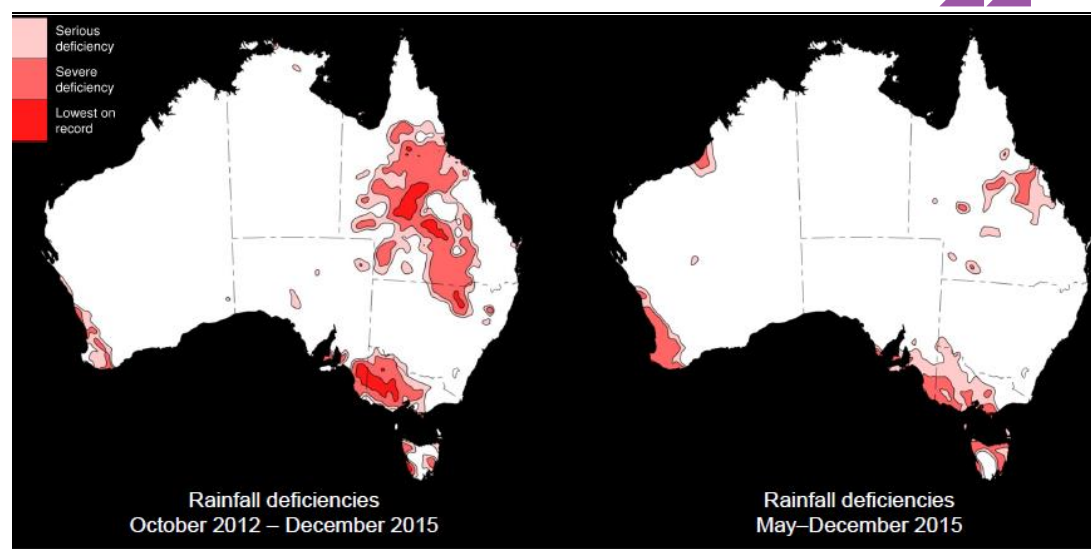
FIGURE 2.9 AUSTRALIAN RAINFALL PERCENTILES (JULY 2013 – JUNE 2014)



SOURCE: (DEPARTMENT OF AGRICULTURE ABARES, 2015)

Dry conditions have persisted throughout 2014-15 and in the first half of 2015-16 as illustrated in **Figure 2.10** which shows rainfall deficiencies in Australia from 2012 to 2015 and from May to December of 2015. The Figure shows very low rainfall in the south west of Western Australia, and most of Victoria and Queensland.

¹³ MLA, 2014. Statistical Review: Key statistics for the Australian red meat and livestock sector July 2013 – June 2014

FIGURE 2.10 RAINFALL DEFICIENCIES: AUSTRALIA (2012 – 2015)

SOURCE: (BUREAU OF METEOROLOGY, 2016)

ABARES has noted a correlation between seasonal conditions, turnoff and the corresponding impact on prices for livestock. As an example, turn-off of beef cattle increased significantly in 2012-13 as a result of low rainfall across a large area of northern Australia and particularly western Queensland. As a result, saleyard throughput and cattle slaughter spiked during the last quarter of 2012-13, leading to a fall in prices for slaughter age cattle. Continued dry seasonal conditions in 2013-14 resulted in a further increase in beef cattle turn-off and saleyard prices for all classes of cattle continued to fall. Factors contributing to downward pressure on the average saleyard price included higher numbers of cattle being offered for sale, an increased share of lower value cows in total sales and poorer condition of animals offered for sale. Furthermore, few producers were in a position to buy in stock, resulting in lower demand for younger store cattle.¹⁴

2.3.2 New markets – Free Trade Agreements

Australia is a net exporter of live cattle and sheep, and red meat. Maintaining international competitiveness is therefore a critical challenge for the industry. Australia is a high cost producer and so sustaining growth in sales in overseas markets requires differentiating Australian beef and lamb amongst consumers and retailers.

There are a number of free trade agreements which have been recently negotiated that will bring benefits to the Australian red meat industry through the elimination or reduction of tariffs as well as the improvements to other trade restrictions. Examples of these include the recently negotiated China Free Trade Agreement, ASEAN-Australia-New Zealand Free Trade Area, the Trans-Pacific Partnership, the Japan Australia Economic Partnership Agreement and the Korea Australia Free Trade Agreement.

The free trade agreements will reduce tariffs and provide the opportunity for an increase in the export of live animals and red meat to China driven by market forces over time. The diversification of markets is important as it reduces reliance on single markets. For example, in response to animal welfare concerns, the Australian Government implemented a ban on the export of live cattle to Indonesia in 2011. Furthermore, in 2015, the Indonesian government curbed import quotas on the export of live Australian cattle. Both events caused considerable impact on the live export sector.

Whilst new markets and less restrictive markets represent an opportunity for the industry, a challenge will be to meet the increased demand for product as a result of these changes.

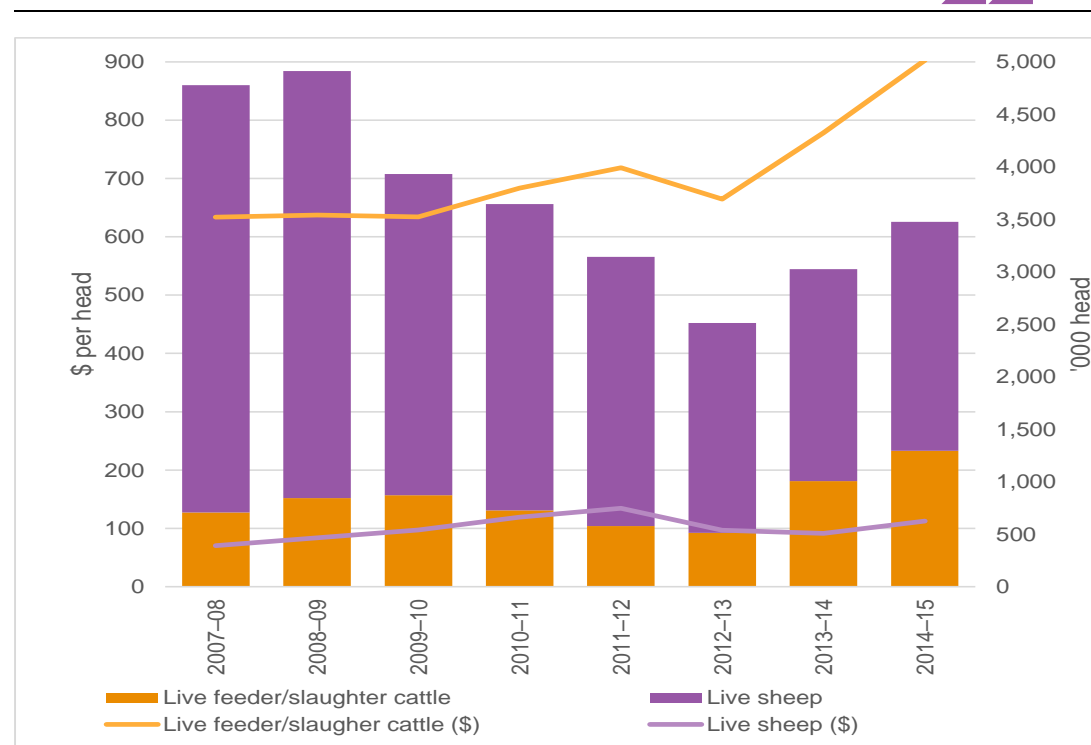
¹⁴ ABARES, 2015. Australian beef: financial performance of beef cattle producing farms, 2011–12 to 2013–14

2.3.3 Live exports

Approximately two thirds of Australia's beef and half of Australia's lamb production is exported.¹⁵ As a result global conditions play a critical role in the Australian livestock industry. The quantity and prices for live cattle and sheep exported from Australia is presented in **Figure 2.11**. The Figure shows the fall in the export of cattle in 2011 as a result of the ban on the live export of cattle to Indonesia due to animal welfare concerns. This reduction also had an impact on the price of live cattle. Despite this, the export of cattle to all countries since that time has shown significant growth to reach record high levels. Along with this growth has been a rapid increase in the price per head of export cattle.

The number of sheep exported from Australia has shown a marked decline since 2007-08 before stabilising in 2012-13. Prices for live sheep have fallen since 2011-12 but have shown signs of recovery in 2014-15 and are currently at around \$112 per head.

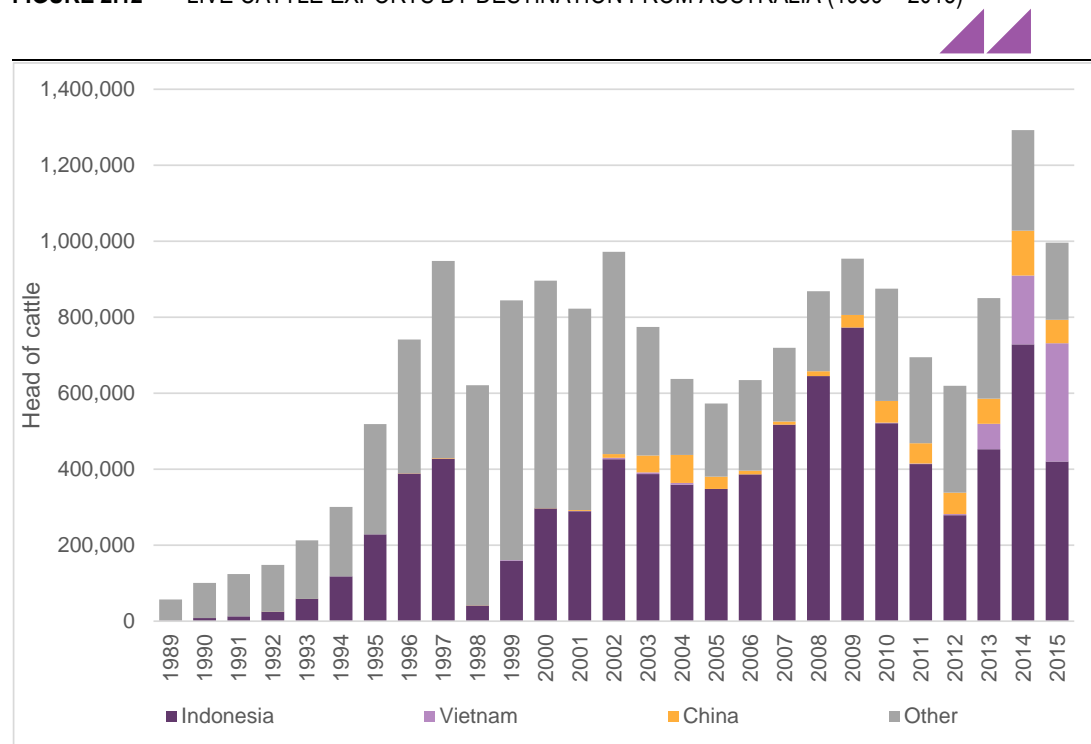
FIGURE 2.11 AUSTRALIAN LIVE EXPORTS: QUANTITY AND PRICE (2007 – 2015)



SOURCE: AUSTRALIAN BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCE, 2015. AUSTRALIAN BEEF: FINANCIAL PERFORMANCE OF BEEF CATTLE PRODUCING FARMS, 2011-12 TO 2013-14

The destination of live cattle from Australia is presented in **Figure 2.12** overleaf. The figure highlights the importance of Indonesia as Australia's key export market for cattle. It also highlights the impact on the ban on cattle exports in 2011 which saw the number of cattle exported from Australia fall from 521,000 in 2010 to just under 414,000 in 2012 and 279,000 in 2013 before recovering in subsequent years. The Figure also highlights the diversification of the live cattle export market since the ban was put in place with exports to Vietnam growing from under 1,300 cattle in 2011 to reach just over 181,500 in 2014. In the first three quarters of 2015, live cattle exports from Australia to Vietnam totalled over 311,000 cattle.

¹⁵ MLA, 2015. Annual Report 2014-15.

FIGURE 2.12 LIVE CATTLE EXPORTS BY DESTINATION FROM AUSTRALIA (1989 – 2015)

Note: 2015 is to September quarter only

SOURCE: MLA, 2016. LIVELINK

2.3.4 Price changes and fluctuations

There have been high prices for beef along with record high prices for live cattle destined for the overseas market (**Figure 2.3**, **Figure 2.4** and **Figure 2.11**) in recent years. This has contributed to the record slaughters and live exports of cattle in Australia in 2014 and 2015 evidenced in **Figure 2.5** and **Figure 2.8**. This has resulted in a reduction in the Australian cattle herd in these years (**Figure 2.2**).

After a period of decline, the price of sheep meat is also increasing to match historically high levels while the price per head of live sheep exports is currently recovering. This has resulted in a very high slaughter of sheep in recent years and a stabilisation of the number of live sheep exports.

The upward trend in prices provides improved profitability for producers. However, a key challenge, particularly for the cattle industry will be to rebuild herd numbers so that it can take advantage of the development of new markets and recent developments in infrastructure that will allow the industry to expand.

2.3.5 Changing nature of the value chain

There have been a number of key developments in the Australian cattle industry which will assist in growing and developing the industry. This includes the construction of the Livingstone Abattoir in Darwin which came into production in late-2014. The abattoir has the capacity to slaughter 1,000 cattle per day or 100,000 cattle per annum and as of September 2015 was reportedly slaughtering 400 cattle per day. In addition, the Coloustone Abattoir is currently under construction near Broome and is expected to be complete in April of 2016. At capacity it will slaughter 77,000 cattle per annum or 350 cattle per day.

Other developments include planned investments in the live cattle export industry including the construction of an export depot near Darwin by Wellards and government assistance to develop the beef cattle industry in the north of Australia through \$100 million grant to improve cattle supply chains through a northern Australia beef roads fund.

As well as the development of infrastructure to support the industry, there has been a general trend toward consolidation of this infrastructure. An example is the Australian processing sector which

supported 215 abattoirs in 1998 and 157 in 2014. Further, the five largest processors account for 54 per cent of the national sheep and cattle kill compared to 1996 when they accounted for 28 per cent of cattle slaughtered (Rural and Regional Affairs and Transport References Committee, 2014). The exception to this consolidation are the farming properties that grow beef cattle which form thousands of properties scattered throughout the country.

2.3.6 Stakeholder perceptions of market conditions, and how this may influence their interactions with MLA

Most stakeholders across all links in the red meat supply chain, as well as public policy and MLA stakeholders, noted during consultations that perceptions of MLA's development role and performance – especially its general and specific marketing – is influenced over time by price.

One external stakeholder interviewed for this review echoed the insights and opinions of many others:

"We've all seen the move before. When prices per head (of livestock) are buoyant or at the top of the price cycle, there is far less focus on MLA's marketing focus or performance, because the world looks pretty good.

"But when the cycle turns and is heading south, MLA's development piece is more in the frame, and there will be more critics and more scrutiny.

"And it's the same with research and its utility and application on-farm. When the times are good, MLA gets some scrutiny. But expectations are higher, and so its scrutiny, when price is squeezed. It's just the nature of the beast".

This is not to say that MLA should not be focused on high performance at the top of the price cycle, and when most of the industry is experiencing good returns.

However, our experience over three decades working to advise policy makers, industry, statutory entities and representative organisations, is that the degree and intensity of expectations of entities such as MLA, funded in part by levies on a distinct groups of stakeholders, can be greater or less at different points in the industry cycle.

We found during our consultations that many of MLA's most important stakeholders are aware of and understand the nuances associated with how the industry cycle affects their expectations of MLA.

ACIL Allen found also – and this will be canvassed in more detail in Chapter 4 – that from 2010 – 2015, MLA may not have always sought to use its insights to market conditions and the red meat supply chain to inform its approach to how it engaged its stakeholders, and subsequently, how it informed strategy and management decisions.

From about 2010 – 2011, there were significant developments in how large organisations in Australia – including governments and their entities and corporations – harnessed stakeholder engagement outputs and outcomes – important socio-political inputs - to inform the way they operated.

From 2015, MLA has significant opportunity to strengthen the manner in which it engages stakeholders, and applies insights and data from that engagement, to better understand the socio-political environment in which it operates, including the tone, mode and purpose of engagement.

2.4 Findings

MLA and the MDC operate in a complex environment influenced by the Red Meat Industry MOU as well industry structure and market conditions – which are all changing.

The MOU provides the framework for coordination between the red meat industry's representative and services bodies. All of the MOU signatories are facing pressure to adapt and maintain representativeness and/or financial viability and/or strategic focus to some degree. The renewal of MISP provides the logical pivot for MLA and all the others to define and align their strategic focus. None the less, the highly interdependent relationship between stakeholders across the strategy cycle (plan-do-review-report) will require improved collaboration.

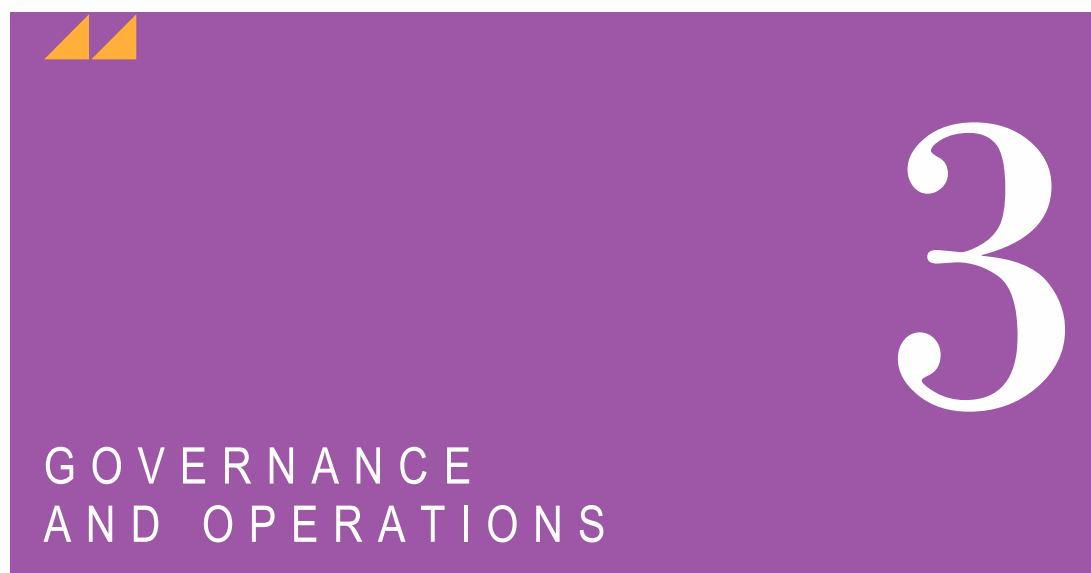
This is not a task for MLA alone – even if MLA improves its stakeholder engagement, leverages additional funds and strengthens strategic focus and delivery there will be residual unresolved issues.

These issues can only be addressed if the red meat industry revisits the MOU. The fact that the PICs are assessing their current positions, along with this report and last year's AMPC performance review, means that by mid-year the industry will have a strong understanding of the strengths and weaknesses of most organisations involved in the MOU. At that stage the industry needs to make a decision on whether clarification/re-confirmation of the MOU and introduction of more effective conflict resolution will suffice or more fundamental reform is required.

There are a number of factors that are creating structural pressure in the Australian livestock sector. These include rising prices for live cattle, beef and veal, and lamb and mutton which, in the cattle industry at least are resulting in higher turnoff as producers take advantage of increased returns. Increased sales are also a result of sustained changes in climatic conditions which has resulted in poor seasons in a number of regions of Australia. In addition, the industry is going through a period of change in the production supply chain with new infrastructure in the northern beef regions seeing an increase in the demand for slaughter cattle.

Along with these changes are market changes. A large number of newly negotiated free trade agreements will result in the reduction or elimination of tariffs on the red meat industry and the improvement in other restrictions over the coming years although some changes will not come into place until 2024. Furthermore, the sustained decline in per capita consumption of red meat in Australia will put pressure on the industry.

These changes will result in a number of opportunities for the Australian red meat industry including the challenge of rebuilding herds that have been reduced as a result of drought and a market with higher prices. There are also opportunities in servicing overseas markets as a result of diversification and improved trading conditions. However, meeting the demand from these markets and competition from competing countries with lower costs will be an issue for industry.



This chapter considers the efficiency and effectiveness of MLA and MDC's governance and operational arrangements.

3.1 Governance – MLA

3.1.1 Obligations

The SFA requires MLA to adopt good corporate governance as advocated by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition):

MLA should have a framework of good corporate governance practice in managing and investing the Funds drawing on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, Second Edition, August 2007, and any updates to these principles and recommendations, as appropriate. In particular, MLA should aim to have:

- (a) aboard which is structured to add value as outlined in Principle 2 of the abovementioned ASX Corporate Principles and Recommendations;
- (b) a Skills Based Board recommended by a Nomination Committee (subject to retirement and election requirements under the MLA Constitution); and
- (c) a process for evaluating the performance of the Board and its committees.

SFA (Section 5.1 (a-c))

The principles and recommendations prescribed by the ASX are provided in **Table 3.1**. Additional evidence of MLA's compliance with these requirements is outlined in Chapter 7.

TABLE 3.1 PRINCIPLES AND RECOMMENDATIONS OF CORPORATE GOVERNANCE THAT MLA IS OBLIGED TO MEET

Principle/Recommendation

Principle 1 – Lay solid foundations for management and oversight

1. Disclose: (a) the roles/responsibilities of the Board; and (b) those matters expressly reserved to the Board and delegated to management
2. An entity should: (a) undertake checks before appointing a person, or putting forward a director for election; and (b) provide all material information relevant to a decision on whether to elect or re-elect a director
3. An entity should have a written agreement with each director and senior executive setting out the terms of their appointment
4. The company secretary should be accountable directly to the Board on all matters to do with the Board
5. An entity should: (a) have a diversity policy; (b) disclose that policy; and (c) disclose it at the end of each reporting period
6. An entity should: (a) have and disclose periodic evaluations of Board performance; and (b) disclose the evaluations

Principle 2 – Structure the Board to add value

1. The Board should: (a) have a nomination committee; (b) if it does not have a nomination committee, disclose that fact

2. An entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board has
3. An entity should disclose: (a) the names of the directors considered by the Board to be independent directors; (b) if a director has an interest but the Board is of the opinion that it does not compromise the independence of the director that opinion should be explained
4. A majority of the Board should be independent directors
5. The Board Chair should be an independent director and, in particular, should not be the same person as the CEO of the entity
6. An entity should have a program for inducting new directors and provide opportunities to develop/maintain the skills and knowledge needed

Principle 3 – Act ethically and responsibly

1. An entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code

Principle 4 – Safeguard integrity in corporate reporting

1. The Board should: (a) have an audit committee which: (1) has at least three non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the Board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact
2. The Board should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records have been properly maintained and comply with accounting standards
3. An entity that has an AGM should ensure that its auditor attends its AGM and is available to answer audit-related questions

Principle 5 – Make timely and balanced disclosure

1. A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it

Principle 6 – Respect the rights of security holders

1. A listed entity should provide information about itself and its governance to investors via its website
2. A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors
3. A listed entity should disclose the policies and processes it has in place to facilitate participation at meetings of security holders
4. A listed entity should give security holders the option to receive communications from the entity and its security registry electronically

Principle 7 – Recognise and manage risk

1. The Board should: (a) have a committee(s) to oversee risk, each of which: (1) has at least three independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met and the individual attendees at those meetings; or (b) if it does not have a risk committee(s) disclose that fact
2. The Board should: (a) review the entity's risk management framework annually; and (b) disclose whether such a review has taken place
3. An entity should disclose: (a) how an internal audit function performs; or (b) disclose the fact that it does not have an internal audit function
4. An entity should disclose its exposure to economic, environmental and social sustainability risks and how it manages risks

Principle 8 – Remunerate fairly and responsibly

1. The Board should: (a) have a remuneration committee which: (1) has at least three independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met and the individual attendees at those meetings; or (b) if it does not have a remuneration committee, disclose that fact
2. An entity should disclose its policies regarding the remuneration of non-executive, executive directors and other senior executives
3. An entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it

SOURCE: ADAPTED FROM THE ASX CORPORATE GOVERNANCE COUNCIL (3RD EDITION)

These obligations are also grounded in the MLA Constitution which states that Board members (directors) are responsible to levy payers, Government and industry (through the MOU) for the management of the company:

The directors are responsible for managing the business of the company in a manner which is consistent with the arrangements for the industry set out from time to time in the MOU and exercise to the exclusion of the company in general meeting all the powers of the company which are not required, by the Corporations Act 2001 or by these articles, to be exercised by the company in general meeting.

MLA Constitution Clause 4.6(a).

3.1.2 Governance arrangements and processes

To meet the obligations outlined in the SFA, the MLA Constitution and the industry MOU, MLA should establish the arrangements and processes necessary to ensure the good governance of the company. **Table 3.2** provides an assessment of whether MLA, in ACIL Allen's opinion, has implemented the appropriate arrangements, processes and polices to ensure they meet the strict principles and recommendations as laid out by the ASX's Corporate Governance Council. The assessment is based on material that has been sighted by ACIL Allen which include a broad range of Board policies, plans, procedures and reports that have been developed and refined by MLA throughout the Review period. The assessment shows that MLA can demonstrate it has a high level of compliance with the best practice principles of the ASX Corporate Governance Council which requires a Board to maintain certain governance arrangements/policies and report against them on a regular basis.

TABLE 3.2 ADHERENCE TO THE ASX'S PRINCIPLES AND RECOMMENDATIONS OF CORPORATE GOVERNANCE

Principles	Year				
	2011	2012	2013	2014	2015
P1: Lay solid foundations for management and oversight					
R1.1 – R1.3	✓	✓	✓	✓	✓
R1.4	✓	✓	X (Role not specified in the 2013 org charts)	X (Role not specified in the 2013 org charts)	✓
R1.5 – R1.6	✓	✓	✓	✓	✓
P2: Structure the Board to add value					
R2.1	✓	✓	✓	✓	✓
R2.2	X Skills matrix not made available to ACIL Allen	X Skills matrix not made available to ACIL Allen	✓	✓	✓
R2.3 – R2.6	✓	✓	✓	✓	✓
P3: Act ethically and responsibly					
R3.1	✓	✓	✓	✓	✓
P4: Safeguard integrity in corporate reporting					
R4.1 – R4.3	✓	✓	✓	✓	✓
P5: Make timely and balanced disclosure					
R5.1	✓	✓	✓	✓	✓
P6: Respect the rights of security holders					
R6.1 – R6.4	N/A	N/A	N/A	N/A	N/A
P7: Recognise and manage risk					
R7.1 – R7.4	✓	✓	✓	✓	✓
P8: Remunerate fairly and responsibly					

Principles	Year				
	2011	2012	2013	2014	2015
R8.1 – R8.2	✓	✓	✓	✓	✓
R8.3	N/A	N/A	N/A	N/A	N/A

NOTE: ✓ = ADHERENCE TO CORPORATE GOVERNANCE PRINCIPLE; X = DID NOT ADHERE TO CORPORATE GOVERNANCE PRINCIPLE; N/A = NOT APPLICABLE TO MLA
SOURCE: VARIOUS MLA POLICIES AND REPORTS

3.1.3 Board performance/effectiveness

To ensure the Board meets its accountability obligations under the SFA, Constitution and industry MOU, regular reviews are conducted of director and Board committee performance. These reviews are undertaken by an independent reviewer and focus on the:

- roles and responsibilities of the Board
- timelines of advice and direction given to Senior Management by the Board
- effectiveness of Board meetings
- interaction with the Board of MLA owned companies (i.e. MDC)
- interaction with Senior Management
- Board's contribution to the ongoing performance of MLA.

Independent assessment of the Board's performance has occurred on four occasions (2011, 2013, 2014 and 2015) during the Review period. The 2012 Board assessment report was not able to be located by MLA and provided to ACIL Allen for the purposes of this performance review.

Each Board assessment follows a standard Board review process which includes:

- a review of Board documents – including the agendas, minutes and papers from Board meetings conducted in the twelve months leading up to the review
- a survey of selected Directors and Senior Management
- follow-up interviews with Directors and senior members of the company
- observation of Board meetings by the independent reviewer.

The key results from these assessments are provided in **Table 3.3** below.

TABLE 3.3 RESULTS OF BOARD ASSESSMENTS (2011, 2012-2015)

Identified strengths	Areas for improvement	Recommendations
2011 assessment		
<ul style="list-style-type: none"> – The introduction of new CEO and Chairman 	<ul style="list-style-type: none"> – Several issues including: defining strategy; reducing the tendency to be involved in company operations; agreeing on KPIs; and improving Board and management interaction with stakeholders 	<ul style="list-style-type: none"> – The Board should clarify MLA's role; this should then generate consensus on what the KPIs should be and how the Board should monitor progress/success – The Board should modify its stakeholder engagement to include more involvement with participants in the industry. Site visits by executives and directors should be considered – The Board, under the MD and the Remuneration Committee, should regularly review management performance/succession – The Chairman should provide structured feedback to each director – The Chairman should ensure that dissenting views are expressed, positions are constructively challenged – The incoming and continuing Board members should be involved in the Chairman's expected

Identified strengths	Areas for improvement	Recommendations
		external representation role
2012 assessment		
2012 assessment report was not available for consideration		
2013 assessment		
<ul style="list-style-type: none"> - Board composition and collegiality - Improved governance – namely, improved policies and increased numbers of Directors who completed the AICD course - Positive working relationships between the Board and management - Management transparency and improved Board information – namely, improved Board papers - Effective, well-functioning Board Committees – namely, the Audit and Risk Committee and the Remuneration Committee 	<ul style="list-style-type: none"> - Board focus – in particular, focus on areas that will add greatest strategic value - Board engagement with strategy – in particular, the need to focus on long term strategies/issues - Oversight of risk management – Directors do not feel Senior Management is effectively managing company risks - The quality of debate and decision making at Board meetings – in particular, variable quality of debate - Chair succession planning - Board's exposure to the managers who report to the Executive Team 	<ul style="list-style-type: none"> - Increase the strategic focus of the Board - Improve the quality of debate - Address the implications for MLA of the industry's instability - Institute a Chair succession process - Increase the Board's exposure to management below the Executive Team
2014 assessment		
<ul style="list-style-type: none"> - Role of the Board Chair – which includes the leadership, management of meetings and the preparedness of meetings - Board composition, collegiality and team work - Clarity Board responsibilities 	<ul style="list-style-type: none"> - Board exposure to managers and the work of management - Management's level of transparency - Board focus – sometimes involved in management level issues 	Not offered in this Board assessment
2015 assessment		
<ul style="list-style-type: none"> - Structure of the Board & committees - The Board's role in relation to the appointment, incentivisation/remuneration, capability, application and the CEO - The role of the chair 	<ul style="list-style-type: none"> - Quality and timeliness of Board information - Trust and confidence of stakeholders in the Board and executives resulting in the lack of support for initiatives and strategic directions - Lack of a disciplined process for succession planning - Lack of appropriate objectives for Board succession planning - Structure and discipline of the current Board evaluation process - Induction process for new members and development of existing members 	<ul style="list-style-type: none"> - Improve Board papers by reducing their length and increasing their clarity - Maintain values/Ethics Code to ensure lapses do not occur - Ensure strategic sessions draw on best practice and thought leadership - Consider increasing the frequency of Board meetings (10 per year was suggested) - Further CEO development needs - Work as a collegiate group, including ensuring discussions outside of the boardroom are consistent with boardroom decisions - Do not take on management matters - Maintain transparency in Board decision making

SOURCE: BOARD ASSESSMENT REPORTS, VARIOUS YEARS

The overall results of these assessments suggest that the Board and its processes are effective in helping MLA to meet its governance obligations. This effectiveness is reflected in the relatively high Board satisfaction ratings given by Board members, Senior Management and other MLA staff over the entire Review period.

However, the assessment reports have also highlighted some areas where improvement was required during the Review period. In the first three years of this Review period the need to improve succession planning, strategic focus, interactions with MLA Senior Management and risk management were identified in the Board assessment reports as requiring attention/rectification. While in the next two years the focus shifted to matters of succession planning at the Board committee level, professional development of the CEO and issues related to Board cohesion (i.e. ensuring discussions outside of the boardroom are in line with boardroom decisions). According to consultations with Board members and MLA senior staff, the Board continues to address these concerns and provide an effective governance body for the company. There is no evidence to suggest the current Board is underperforming or not meeting its obligations under the SFA, the MLA Constitution or the MOU.

3.2 Governance – MDC

3.2.1 Obligations and arrangements

The *Australian Meat and Live-Stock Industry Act 1997* provides MLA with the legislative authority to establish a Donor Company for the purposes of distributing Commonwealth Government funding to facilitate voluntary investments in R&D innovations across the red meat supply chain:

Declaration of approved donors

- (1) The Minister may, by legislative instrument, declare a body (other than the industry research body) to be an approved donor.
- (2) The Minister must not declare a body to be an approved donor unless satisfied: (a) that the body is a company limited by guarantee incorporated under the *Corporations Act 2001*; and (b) that, having regard to its membership, its constitution, and any undertakings it has given, or agreements or arrangements it has entered into with other industry bodies or the Minister (or both), whether before or after the commencement of this section, the body can appropriately represent the industry in relation to the industry's research and development interests; and (c) that the body has consented to the declaration.

Section 61 (1-2)

Established in July 1998, the MDC provides the vehicle for the Australian Government's to match voluntary partner contributions (up to 50%), where eligible projects deliver outcomes that address broader industry and/or government priorities and benefit the entire industry.

The partner may, or may not, be a provider to the project i.e. carry out the work. MDC's Constitution identifies its objectives as the donor company for the industry:

The objects for which the company is established are:

- (1) to be an approved donor under section 61(1) of the Act for research and development matching funding purposes;
- (2) to improve the production and quality of meat and live-stock production in Australia;
- (3) to improve the methods of production, handling, storage, transport and marketing of Australian meat and live-stock and to encourage the production of live-stock and the marketing of meat and live-stock to be more efficient;
- (4) to investigate and evaluate the needs of the industry for meat and live-stock research and development and to encourage and facilitate the exploitation and commercialisation of the results of meat and live-stock research and development;
- (5) to undertake, co-ordinate and fund meat and live-stock research and development activities;
- (6) to collect information and statistics relating to the industry and to prepare, analyse and distribute information and statistics relating to the industry for the benefits of the industry;
- (7) to collaborate with government and with government departments and agencies...
- (8) generally do all other things that may appear to the company.... to the attainment of the objects...

MDC Constitution, Section 2(a).

The MDC is a fully owned subsidiary of MLA, the MDC Board is directly accountable to the Board of MLA. Currently the MDC Board is comprised of 3 directors, who are:

- Lucinda Corrigan (Chair and MLA Director)

- Geoffrey Maynard (MLA Director)
- Richard Norton (MLA Managing Director)

Dr Christine Pitt (Value Chain Innovation General Manager) is the Company Secretary.

A key role of the MDC Board is to oversee MDC activities against its strategies, and Annual Operating Plans (AOPs). The MDC strategies are closely aligned with the innovation and R&D priorities of MLA (MLA Strategic Plan), industry (MISP) and government (National and Rural R&D Priorities and Innovation Priorities). The AOPs are also closely aligned to MLA's revised *2010-15 Corporate Plan*.

3.2.2 Performance

As part of this Review, ACIL Allen have not uncovered any significant issues relating to the structure or performance of MDC's governance arrangements. The MDC Board processes and policies mirror those used by the MLA Board, which have already been assessed as meeting good practice principles and recommendations.

Also, it is entirely appropriate that the MDC's Board is appointed by and directly responsible to the MLA Board. This approach is consistent with Commonwealth legislation and the MLA Constitution and there is no substantive evidence or clear rationale for changing these arrangements while MDC remains a fully-owned subsidiary of MLA.

Moreover, while the MLA Board Assessment Reports did not specifically focus on the performance of the MDC Board, they also did not identify any significant issues with the performance of MDC Board members nor any issues associated with the MDC's Board processes.

For these reasons, there is evidence to suggest that the MDC Board (and its supporting processes) meet the core principles and recommendations laid out by the ASX Corporate Governance Council, and are entirely suitable for the governance of the MDC.

3.3 MLA operations

3.3.1 Operational arrangements, systems and processes¹⁶

MLA's organisational structure

Changes to the organisational structure of MLA have been a key feature of the organisations operations over the Review period. The changes can be understood from the perspective of leadership and organisational change across two distinct periods (2011-14 and 2014-15) which coincide with leadership change at the Chairperson and Managing Director levels. Each period is discussed in more detail below. Details of the changes that were introduced at the Executive Management level (and dropped down to MLA's operational levels) are outlined in **Table 3.4** below.

TABLE 3.4 CHANGES TO THE EXECUTIVE MANAGEMENT STRUCTURE OF MLA (2011-15)

Year	Divisional structure	Change since last year	Observation
2011	7 divisions	New MD and Chairman appointed	<ul style="list-style-type: none"> – 6/7 positions filled – 1 acting
2012	9 divisions	<ul style="list-style-type: none"> – Global Marketing Manager introduced – Company Secretary elevated and included in EM structure – 2 new EM team members appointed to existing positions (i.e. GM Global Marketing & GM Livestock Innovation) 	<ul style="list-style-type: none"> – 8/9 positions filled – 1 acting

¹⁶ The MDC does not employ any staff under its current company structure. Rather MDC draws on MLA staffing, resources and processes to execute its functions/obligations. The MDC applies a nominal administration fee to help meet some of the costs associated with delivering MDC-funded projects. Under this model, the organisational performance of MDC is akin to the organisational performance of MLA and the comments provided in this section can be equally applied to MDC as they are applied to MLA.

Year	Divisional structure	Change since last year	Observation
2013	8 divisions	<ul style="list-style-type: none"> – GM Corporate Services and GM Business Capability no longer in EM team – Responsibilities divided amongst 2 new roles: 1) GM Legal & HR; 2) GM Finance & IT – GM Industry Communications & Engagement position filled 	– All positions filled
2014	8 divisions	– No substantive changes to the EM structure	– New Chairman & MD appointed
2015	8 divisions	– 7/8 GMs appointed to new roles	– All positions substantially revised to reflect new divisional structure

SOURCE: MLA ORGANISATIONAL CHARTS 2011-2015

Period 1: 2011-13

The appointment of a new Managing Director (MD), Scott Hansen, and Chair, Rob Anderson, in 2011 brought with it a new phase which redefined MLA's purpose, vision, mission and values to focus on cattle, sheep and goat producers.

In order to better service the new mission, MLA more clearly aligned the organisational structure to reflect its role as a marketing and R&D service provider. This involved enhancing the efficiency and flexibility of its marketing, by bringing together the domestic and international marketing teams, including its regional offices, into a single Global Marketing team under the direction of a new General Manager (GM).

In addition, MLA's on-farm R&D team was restructured in line with the goals of – productivity and sustainability – while the extension and adoption program was merged with the communications team to create a single business unit responsible for producer engagement and information dissemination.

To support these changes, revisions to the Corporate Plan were introduced which consolidated the five strategic imperatives into four: two defining MLA's marketing activities and two its R&D activities. A re-shaping of the organisation's corporate functions in 2013 (which were reflected in the positions of GMs at the EM level) were also introduced to support the corporate plans.

A series of business plans, one for each specific strategy were introduced to support these four strategic imperatives. The revised plans introduced the concept of 'focus areas' that put renewed emphasis on the major investment areas of the company. These focus areas ranged from growing demand for beef in emerging export markets to improving reproductive efficiency in sheep flocks and northern cattle herds.¹⁷

Period 2: 2013-15

The appointment of a new Chair, Michele Allan, in 2013 and MD, Richard Norton 2014 brought with it a second phase of organisational change during the Review period. In the first quarter of 2014-15 MLA embarked on a significant restructuring to become more transparent, more efficient, and more closely aligned with the needs of industry. The structural changes were supported by the appointment of seven (out of eight) new GMs to the company's executive management team.

The structural changes were also supported by the introduction of a new annual R&D investment consultation model for on-farm grass-fed beef and sheepmeat R&D investment that built on existing structures, but provided more opportunities for levy payers to engage with the company.

The new structure prioritised on-farm R&D and livestock productivity, with new appointments to executive level positions in this part of the business. The changes were intended to give a greater focus on productivity gains arising from the R&D on-farm agenda.

¹⁷ Based on MD's reports contained in the Annual Report's from 2011-13.

The structural changes also sought to enhance the focus on MLA's marketing efforts. With the majority of growth occurring in emerging markets, the distribution of marketing resources and the organisational arrangements reflected this focus.¹⁸

Stakeholder views about these changes

Changes to the organisational structure and operational arrangements of MLA over the Review period was a significant issue for some stakeholders, while for others it was only of minimal concern and they believe that the changes were necessary to improve the level of responsiveness within MLA to industry concerns. A summary of the feedback from key stakeholders and an assessment of the impact the changes had on MLA-stakeholder operations is provided in **Table 3.5** below.

TABLE 3.5 STAKEHOLDER FEEDBACK ABOUT THE OPERATIONAL IMPACTS OF ORGANISATIONAL CHANGE

Stakeholder grouping	Type of impact on MLA-stakeholder operations (positive/negative/mixed (positive & negative))	Key issues
Established service/research providers	Negative impact	<ul style="list-style-type: none"> – Loss of corporate memory within MLA due to staff turnover when dealing with longer term or multi-year contracts/projects – Delays in project/contract decision making by MLA – Some loss of continuity amongst contract and program managers (i.e. some contract decisions fell into black holes) –
New service/research providers	Mixed (i.e. positive and negative) impact	<ul style="list-style-type: none"> – Lack of responsiveness to project proposals – Lack of transparency in the project decision making and approval processes – Removal of some blockages at the program and manager level through the introduction of new personnel
PICs	Negative impact	<ul style="list-style-type: none"> – Organisational and staffing changes at senior levels made it difficult for PICs to engage with decision makers in the company on key issues regarding direction setting – Comments relate more specifically to the period 2012-14
State and territory governments	Mixed (i.e. positive and negative) impact	<ul style="list-style-type: none"> – Loss of corporate memory within MLA due to staff turnover when dealing with longer term or multi-year contracts/projects – Delays in project/contract decision making by MLA – Removal of some blockages at the program and manager level through the introduction of new personnel
Commonwealth Government (Agriculture and others)	Positive impact	<ul style="list-style-type: none"> – Changes did not impact MLA's compliance with the SFA during the Review period – Changes allowed MLA to effectively support the needs of other agencies (such as AusTrade and DFAT during Free Trade negotiations) – Changes addressed concerns of levy payers about MLA responsiveness to industry concerns
Levy payers (producers) Levy payers (processors)	Mixed (i.e. positive and negative) impact	<ul style="list-style-type: none"> – Removal of some blockages at the program and manager level through the introduction of new personnel – Some loss of continuity amongst contract and program managers (i.e. some contract decisions fell into black holes) – Increased opportunities to participate in the project prioritisation and design process

¹⁸ MLA 2013-14 Annual Report, Managing Director's Report.

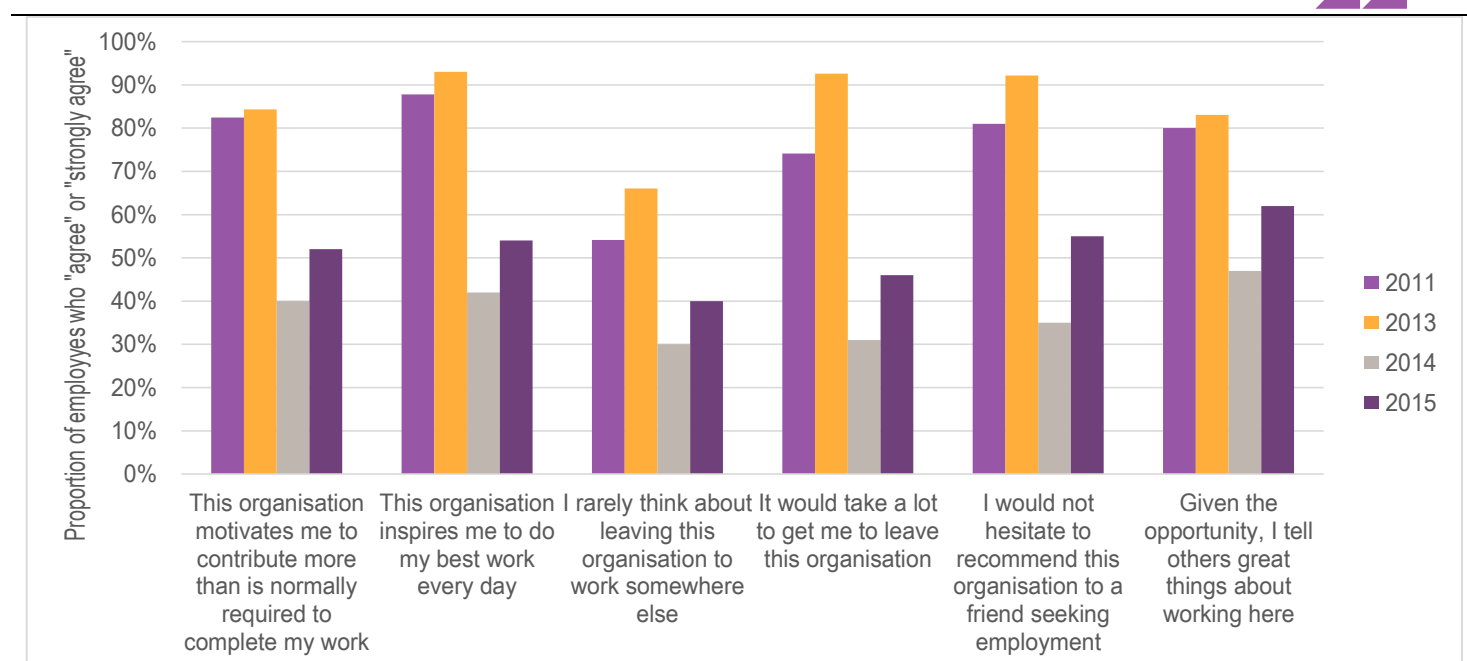
Stakeholder grouping	Type of impact on MLA-stakeholder operations (positive/negative/mixed (positive & negative))	Key issues
Other supply chain	Negative impact	– Changes in key personnel throughout the limited the ability of MLA to effectively engage with these stakeholders on an ongoing basis (i.e. constant changes had implications for the continuity MLA-stakeholder engagement)
Other red meat industry RDCs	Negative impact	– Changes in key personnel throughout the period impacted on the ability of MLA to maintain strong working relationships with other red meat industry RDCs

SOURCE: BASED ON A SUMMARY OF CONSULTATION FINDINGS

Staff views about these changes

While organisational reform drew mixed responses from external stakeholders (depending on the depth of their existing relationship with MLA), it had distinct implications for MLA's employees. Consultation with a number of internal stakeholders identified that the uncertainty associated with organisational change had implications for the satisfaction of staff and their commitment to the company over the Review period. To test the feedback from stakeholders, ACIL Allen undertook an analysis of staff satisfaction survey responses between 2011 and 2015. **Figure 3.1** shows the results of employment engagement surveys conducted at MLA from 2011 to 2015 (no survey was conducted in 2012). The survey changed between 2013 and 2014, both in terms of the wording of questions asked, and the scale used to respond, however, the results are generally comparable over time.

FIGURE 3.1 EMPLOYEE ENGAGEMENT AT MLA



Note: The Likert agreement scale used for the employment satisfaction survey changed from a 5 point to a 6 point scale between 2013 and 2014. Note there was some variation in the questions asked and the questions used in this figure are those used in the 2014 survey.

SOURCE: MLA EMPLOYER ENGAGEMENT SURVEYS, 2011, 2013, 2014 AND 2015.

The results in **Figure 3.1** show that employee satisfaction declined significantly between 2013 and 2014, but improved significantly during 2015. The areas of most significant decline were:

- “it would take a lot to get me to leave this organisation” (62 per cent decline)
- “I would not hesitate to recommend this organisation to a friend seeking employment” (55 per cent decline)

- “This organisation inspires me to do my best work every day” (51 per cent decline).

Such results reflect the uncertainty of an organisation undergoing reform and are entirely reasonable given the level of reform that has been implemented across the organisation since June 2014. According to the MLA staff consulted for this project it is likely that staff satisfaction ratings will continue to improve over the next 12 to 18 months as the organisational changes of 2014-15 further bed down across the company.

3.3.2 Procurement processes (including contract management)

In the past, MLA has mostly procured through direct/selected tenders on a continual basis and specific purpose partnerships (e.g. Sheep CRC). While this approach efficiently spreads procurement over the year it limits transparency in terms of who is invited and how they are selected to some PICs, external partners and internally, even where full information is provided. In response, MLA is implementing an annual call where a proportion of on-farm R&D for grass fed and sheepmeat levy-funded projects will be publically tendered. MLA has also increased PIC involvement in marketing procurement.

MDC has a series of long-standing procurement partnerships (e.g. the PIP program) and also actively pursues new co-investors to partner with. The requirement to provide voluntary additional contributions and lack of awareness by many public providers has led to more commercially oriented projects and a larger proportion of private co-investors than MLA. Declining funds and increased awareness has increased public co-investment in the MDC.

External partners, particularly when first working with MLA or the MDC, often find the comprehensive contracting and project management system daunting, time consuming and slow. Most external partners consulted believe there is scope to improve contracting, intellectual property agreements and project management by establishing fit for purpose arrangements where the requirements are commensurate with the monetary value of the investment and its potential commercial returns and risks.

3.3.3 LPI review

The restructure of MLA took place from the August 2014 announcement date through to March 2015 as the final business units were reviewed and where appropriate refreshed. The impact of the restructure included the loss of significant corporate knowledge however it also provided a refocus of priority areas for RD&E as well as marketing investment. A key driver of the restructure is MLA's review of its Livestock Production Innovation (LPI) business unit's functions, operations and engagement model.

In 2013, the LPI business unit commissioned a review of its systems for investment in on-farm R&D. The review sought to:

- clearly identify and document the current capacity, skills, policies, procedures and practices with respect to the R&D planning, investment, management and extension processes
- have the capacity, skills, policies, procedures and practices reviewed by an external committee to ensure they are appropriate and best practice (benchmarked against other RDCs; R&D business units in commercial organisations, Australian Research Council) and to identify weaknesses, gaps and areas of improvement.
- suggest improvements to current capacity, skills, policies, procedures and practices to more effectively and efficiently manage the R&D process and recommend how these improvements are implemented.¹⁹

In order to assess LPI's systems and recommend improvements, the review conducted extensive interviews with stakeholders. The Review also undertook a detailed assessment of documents and reports in order to fully understand the current LPI process. The review outcomes called for MLA to consider fundamental reform to this area of its operations, and offered 11 recommendations for improvement:

¹⁹ LPI Review Final Report, Terms of Reference'.

The status quo is not viable if MLA/LPI is to help deliver the technological advances that the industry urgently needs in the foreseeable future. Equally, the status quo will not support the retention of key research capacity in partner organisations over the coming decade, and beyond. Major changes are therefore required if MLA/LPI is to effectively adapt to its new and evolving operating environment and deliver the beneficial impacts that industry urgently requires to enhance competitiveness, productivity and profitability.

LPI Review, Final Report, p.4.

MLA's response to the LPI review

As part of the review exercise, MLA compiled a detailed list of activities and actions undertaken in response to the key recommendations of the LPI review. The recommendations address issues relating to strategy, stakeholder engagement and project selection, portfolio balance and management, collaboration (international and private sector), and capability and capacity development. A summary of MLA's response to the recommendations is provided in **Table 3.6** below. It shows that significant progress has been made against all but one of the recommendations. A detailed description of the implementation activities undertaken by MLA against each recommendation is presented in Appendix B.

TABLE 3.6 MLA'S RESPONSE TO THE RECOMMENDATIONS OF THE LPI REVIEW

Recommendation	Progress/Status
1. MLA should publicly and unambiguously take 'ownership' of the National RD&E Strategies for Beef Production and Sheep Meat Production (the 'red meat strategies') including leadership of their ongoing review and revision of strategic priorities, and of the implementation of these Strategies in partnership with its co-investors in RD&E. The research related aspects of MISP, BISP and SISP should also be included.	On track – progress in line with expectations
2. MLA/LPI should adopt a formal process for stakeholder engagement in setting priorities, implementation of strategy and two-way industry communication, with the following elements: <ul style="list-style-type: none"> – Establish Advisory Panels of credible, experienced industry leaders and other stakeholders that would recognise regional (e.g. north, south) and industry (e.g. beef, sheepmeat) diversity across the red meat industries – Panels would: <ul style="list-style-type: none"> – Identify and monitor issues of national and regional importance; o Identify, develop and recommend on RD&E investment priorities and project selection via LPI to the MLA Board; – Interact with producer groups and other research advisory committees to exchange information; o Keep industry peak bodies, producers and advisors informed about MLA's strategic direction, investment portfolio and research projects; – Assist MLA managers in monitoring the effectiveness of the investment portfolio. 	On track – progress in line with expectations
3. Given the key role of extension agents in the research continuum, from engaging stakeholders, to advising research priorities, and brokering knowledge from R&D, MLA/LPI should reconsider the move of its extension capacity to the communications area.	On track – progress in line with expectations
4. MLA/LPI should focus a substantial proportion of its R&D portfolio on fewer, larger projects through strategic partnerships (including longer term funding arrangements to support capacity building and maintenance) with appropriate organisations that would change the portfolio balance in favour of higher-risk, longer-term research and include commitment to capability development and maintenance.	On track – progress in line with expectations
5. To complement the establishment of these larger strategic partnerships and to help retain responsiveness and agility, MLA/LPI should adopt a clearly-defined and well-publicised annual cycle for setting priorities - including industry input - and solicitation, evaluation, selection and funding of projects, that clearly address aspects of the 'red meat strategies'. A small portion of funding should also be set aside to deal with emergencies and other contingencies.	On track – progress in line with expectations
6. MLA/LPI should reduce its reliance on formal ex ante BCA for initial project evaluation and selection and increase its reliance on the experience and judgement of credible industry stakeholders, including the Panel system, and MLA/LPI senior staff.	On track – progress in line with expectations
7. MLA/LPI should develop and implement a policy on strategic engagement with selected international R&D agencies with expertise that complements the capability of Australian research providers in order to leverage the best global research capacity onto the challenges and opportunities for the Australian red meat industry.	On track – progress in line with expectations

Recommendation	Progress/Status
8. MLA/LPI should develop a proactive plan to engage with commercial companies within Australia and overseas to ensure that relevant new technologies in the red meat sector are available to Australian producers.	On track – progress in line with expectations
<p>9. MLA/LPI urgently needs to develop a more inclusive culture that is also more outward looking and cognisant of the needs and concerns of all of its key stakeholders, including producers and all research partners whether from CSIRO, other national organisations, State-based agencies, universities or the private sector. This necessary change will be facilitated by:</p> <ul style="list-style-type: none"> – adoption of a contemporary best-practice performance management system that includes 540 analyses - involving key external stakeholders - as part of employee evaluation. This is seen as key to supporting the changed behaviours required – movement to a cascading approach to objectives - setting and performance management that also reflects the cultural changes necessary for new approaches and directions – development of a thorough understanding within MLA that the company's values and business objectives must be the key drivers of any new PMS. – MLA's approach to employee development which achieves a greater balance between self-identified needs and the means to meet them; and the capability needs of the company. 	On track – progress in line with expectations
10. MLA should adopt contemporary best practice in succession planning, for which the key driver should be the company's business objectives.	On track – progress in line with expectations
11. MLA should consider adopting a robust approach to Thought Leadership. Many leading professional services firms are exemplars in this area. The new knowledge management system provides the ideal platform for enabling MLA to capture, codify and disseminate its Thought Leadership.	Limited progress made

SOURCE: BASED ON A REVIEW OF INTERNAL MLA'S DOCUMENTATION

3.3.4 Integrity systems – SAFEMEAT review

MLA assists the livestock industry to maintain its reputation for producing safe red meat by managing on-farm risk management systems and advanced food safety science.²⁰ SAFEMEAT is a partnership between the meat and livestock industry and the state and federal governments. The partnership ensures that Australian meat and livestock products achieve the highest standards of safety, integrity and traceability from the farm to the consumer. SAFEMEAT initiates research and development, develops communication linkages, monitors the status of Australia's products, reviews standards and examines emerging issues that could impact on the industry in the future.²¹

In 2011 a committee (comprised of key industry stakeholders) was established to oversee a review of SAFEMEAT with a view to developing and ensuring:

- Nationally consistent minimum standards for traceability, biosecurity, food safety and animal welfare developed and applied to each supply chain sector, with integration along the supply chain
- Strengthened through-chain industry assurance programs that are underpinned by national standards, complemented by government oversight
- Robust, industry driven, performance and compliance monitoring programs at each point in the chain, reinforced by regulation and government enforcement
- Increased adoption of assurance programs and supply chain technologies through incentives, communication and education
- Flexible program frameworks that enable program scope to be adjusted to support emerging customer and regulatory requirements
- Cost savings and operational efficiencies captured through technology adoption, system integration, and information exchange and utilisation through the chain
- Industry investment in its assurance programs that maximises program performance.²²

²⁰ Annual Report 2011-12

²¹ Safemeat Review Initiatives Committee, Final Report', 2013.

²² Safemeat Review Initiatives Committee, Final Report', 2013

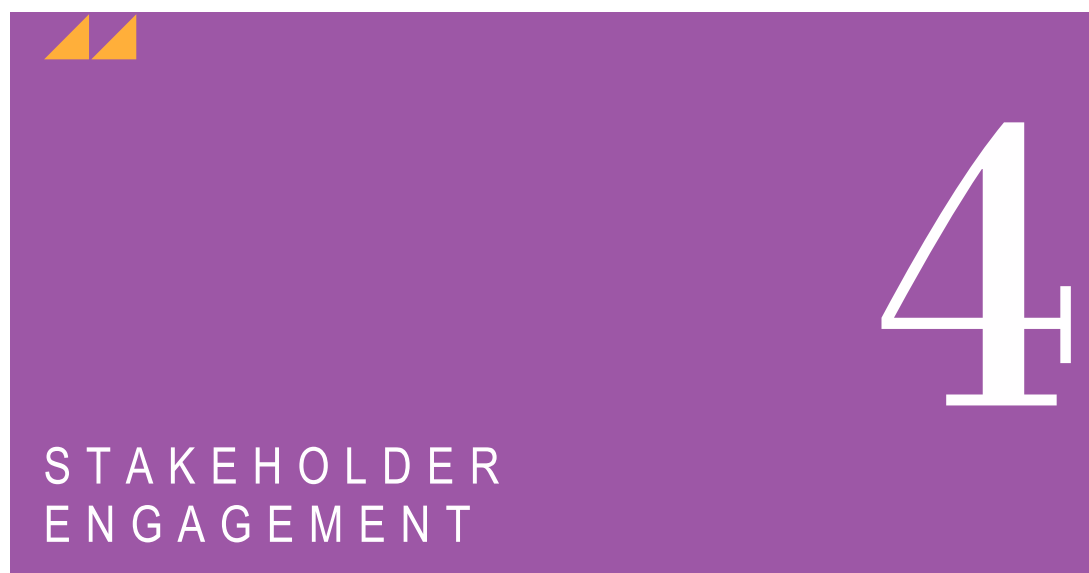
Since that time, MLA has played a significant role in the delivery of SAFEMEAT to the benefit of the entire supply chain. It has provided the organisational resources and funding to ensure projects commissioned under SAFEMEAT deliver against their objectives and to ensure the road map recommended by the SAFEMEAT review are delivered in line with an implementation plan.²³

3.4 Findings

This chapter has demonstrated that MLA and MDC have in place the governance arrangements, policies and processes to meet best practice principles and recommendations as ascribed by leading authorities.

It also demonstrates that MLA is an organisation which has endured considerable internal reform over the Review period. This reform has received mixed praise from external stakeholders depending on the nature of the stakeholders' relationship with MLA. By comparison, this reform has impacted staff satisfaction levels, which dropped dramatically during the middle years of this Review period, but are now starting to improve as the reforms bed down across the organisation.

²³ Annual Report 2012-13.



MLA and the MDC have a large and complex network of stakeholders, defined by the legislation and memoranda that established and governs their operations.

Because MLA and MDC are externally-facing organisations, with stakeholders within and on the periphery of the red meat supply chain, research entities engaged with the organisation, Ministers of state, government departments, and ultimately, levy payers and the taxpayer who fund its activities, it is what many of its stakeholders state is a “stakeholder-rich” entity.

By the nature of its statutory remit and governance, MLA is an organisation that necessarily interacts with stakeholders who themselves frequently have interests and expectations that are not aligned.

Levy payers do not have a choice to pay levies, and some would rather not contribute to the company’s funding. The interests of the PICs to which MLA is accountable to varying degrees do not always share the same strategies or agendas.

Other agribusiness groups and communities of interest manage agendas where their interests do not intersect with the MISIP and MLA’s own strategic imperatives.

The Minister for Agriculture and their department, other Members of the Commonwealth Parliament, elements of the news media and its commentators, as well as MLA’s own employees, are also stakeholders.

Not only is MLA a stakeholder-rich organisation, given the interests and agendas of all of its stakeholders, it also operates in a socio-politically ‘issues-rich’ environment.

For an organisation to engage stakeholders effectively in such an environment, and for it to do so adroitly and effectively, it requires good to best practice stakeholder engagement capability and capacity.

From 2010 – 2015, MLA has not always demonstrated such a capability.

“They (MLA) have a pretty tough job trying to marry up the expectations of competing interests. They are getting better at listening, but that is only one part of what they need to do. Involving the people who can help them deliver their strategy – and making sure those people understand the strategy – is fundamental, and they need to do much more around this”.

MLA stakeholder

4.1 Engagement processes

MLA engages stakeholders on strategy development, investment allocations, service procurement, implementation collaboration, information sharing and performance reporting. These functions are widely distributed across the organisation through a complex matrix of consultative structures that often engage the same stakeholders multiple times through MLA’s strategy phases (**Figure 4.1**).

FIGURE 4.1 CONSULTATION IN MLA'S STRATEGY PHASES

SOURCE: ACIL ALLEN CONSULTING ANALYSIS OF MLA STAKEHOLDER ENGAGEMENT POLICIES AND PROCEDURES

At the strategy and investment phase MLA consults RMAC, PICs, Australian Government, AMPC, LiveCorp and other stakeholders as part of developing its Strategic and Annual Operating Plans. This involves MLA using a combination of individual liaison with key organisations, standing stakeholder committees and direct industry and partner consultation. MLA also contributes to stakeholders' own strategies through participating in and in some cases contributing to funding their planning processes.

Marketing Taskforces, Research Committees and PICs provide advice to MLA on the strategies and investment allocations in these plans and as part of selecting projects. Marketing Committees have limited involvement in sourcing providers and contracting projects. Individual Marketing Taskforce Committee members may be more deeply involved as co-investment and/or delivery partners.

The Research Committees are more involved in sourcing and commissioning, advising the MLA the selection of providers. Again individual Research Committee members may be involved in sourcing and contracting as co-investors and/or delivery partners. Stakeholders are also extensively involved in the delivery and adoption phase as delivery partners and industry and/or technical advice at program and project levels. In the final phase stakeholders may contribute evaluating the outcomes of investments and receive corporate and program level information on progress and results achieved.

All in all MLA operates more than three dozen consultative committees and taskforces, involving hundreds of individuals' representing a plethora of organisations, to seek advice and report performance across the strategy cycle at multiple scales. This requires MLA to produce a wide range of information and considerable commitment from stakeholders who vary in their willingness and ability to understand and engage.

MLA is not alone in being an organisation that needs to operate and deliver strategy in a multi-stakeholder and issues rich socio-political and broader business environment.

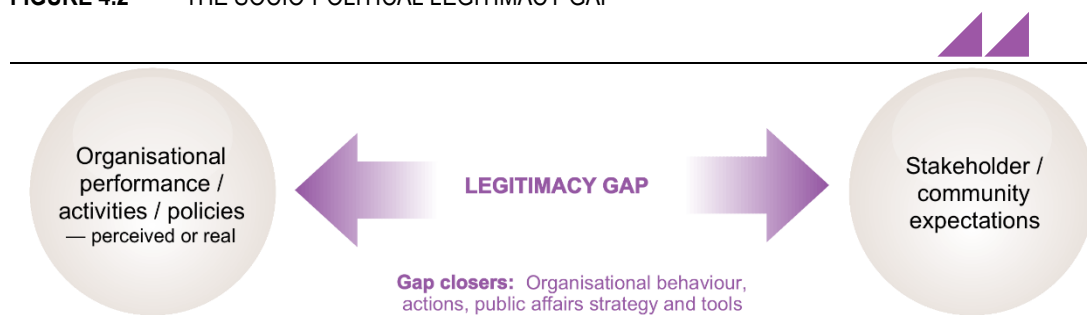
Other RDCs, public and privately held corporations and government agencies and government business agencies operate in similarly complex environments.

ACIL Allen notes that since about 2005, many Australian corporations and large organisations (and this is the case internationally also), have invested management time and other resources into formal processes, approaches and tools to better understand the socio-political environment in which they operate, including how they can interact with and influence stakeholders in that environment to secure 'social license to operate' – the permission that stakeholders give them to get on and do business, and deliver organisational strategy.

One of the key objectives for many corporations working in issues-rich and sensitive socio-political environments (mining and resources, carbon intensive, food and food supply chain, pharmaceuticals, forestry, fishing, Big Data) is to work to understand and close gaps between stakeholder expectations of organisational performance, and the perceived or actual performance of that organisation.

As noted in **Figure 4.2**, any deficit between stakeholder expectations of an organisation, and its real or perceived performance, is referred to as ‘the legitimacy gap’.

FIGURE 4.2 THE SOCIO-POLITICAL LEGITIMACY GAP



SOURCE: CENTRE FOR CORPORATE PUBLIC AFFAIRS, 2010

For entities such as MLA, the wider the legitimacy gap, the more its social license to operate afforded by stakeholders is truncated.

Organisations with a truncated social license to operate are less able to influence their enabling environment and deliver strategy and business outcomes.

Legitimacy gap ‘closers’ (organisational and management actions that can close legitimacy gaps) include organisational culture and behaviour, including meaningful engagement with stakeholders, and funnelling outputs from that behaviour into business strategy, management decisions, and organisational behaviour.

Many stakeholders interviewed for this Review perceived the Senate Inquiry was a response to perceptions that MLA had developed a legitimacy gap with many of its important stakeholders, in part because it was not listening to stakeholder views and concerns. The following stakeholders comment was indicative of scores of others.

“You got the impression that MLA was more interested in pushing out information it thought people wanted to hear, and was not interested in having a discussion about what was on the minds of its stakeholders, and then factoring that into its priorities, or in the way it went about business.”

“The Senate Inquiry (into grass-fed industry levies) was partly about MLA not listening and relating back to levy payers what is had been hearing. It’s getting a bit better after a change of (MLA) leadership, but MLA had a tin ear.”

MLA stakeholders

This comment from another stakeholder was indicative also.

“Before Richard (Norton) began as Managing Director, you got the feeling you were talking to MLA like on a mobile phone going through a tunnel. You know you were sort of still connected, but you couldn’t be sure they were hearing you, or if they’d hung up and stopped listening.”

MLA stakeholder

ACIL Allen’s consultations with stakeholders (including MLA senior executives), as well our analysis of MLA stakeholder engagement and stakeholder communications documentation between 2010-15 concludes that up until 2014 especially, what MLA cited and noted in various strategies and plans as stakeholder engagement was primarily stakeholder communication, with low opportunity for stakeholders to influence or be ‘involved’ in decisions (**Figure 4.3**).

“MLA has tended to tell the world how good it is, instead of listening to what its constituents (stakeholders) think of it, and taking that on Board in how it manages itself. And because it has not been listening, it hasn’t had a clue that many people don’t understand what it stands for, and that its strategy is.”

“The problem with MLA – and especially its communications area – is that there is really little opportunity for me as a stakeholder to provide feedback and ideas that I can believe and trust will be

used in any meaningful way. Trying to manage stakeholder expectations through the media and pushing our good news stories is not stakeholder engagement.”

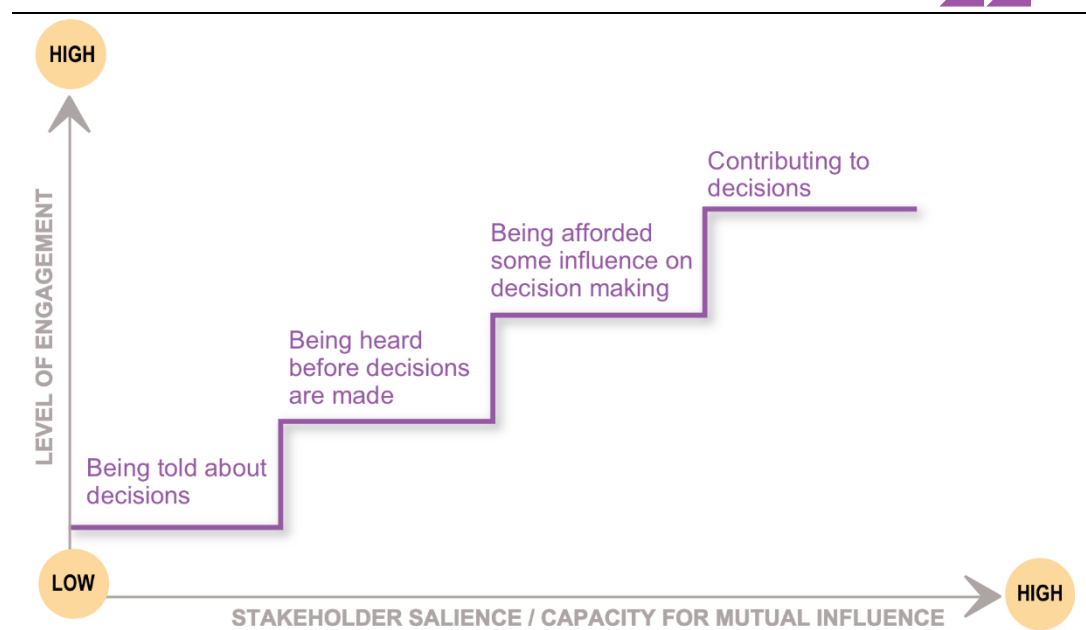
MLA stakeholders

This is not to say that MLA did not have stakeholder engagement or that all mechanisms were ineffective. Rather they had reached a level of maturity and complexity where they were not fully understood or utilised to their potential.

Applied against Figure 4.2, this suggests MLA has operated traditionally between a low to medium level of salience for the inputs and outputs of broad stakeholder engagement to be analysed by MLA, and used an active input to decision-making.

We note this was the perception also of most stakeholders interviewed for this Review.

FIGURE 4.3 CONTEMPORARY LEVELS OF STAKEHOLDER ENGAGEMENT



SOURCE: WORLD BANK, 1999

We note also that between 2010 – 2015, based on analysis of MLA documentation and stakeholder interviews for this Review, and applied against a continuum of the mode in which organisations interact with their stakeholders, MLA appeared to vacillate between using crisis management and stakeholder management approaches and tools to interact with its significant stakeholders, characterised by reactive, anticipatory, defensive and episodic engagement (as shown in **Figure 4.4** overleaf).

The position of extension within MLA and the recent revitalisation of industry consultative mechanisms provide examples of this behaviour.

At the start of the Review period on-farm extension was located within LPI, the business unit investing on-farm R&D. It was then transferred to corporate communications before being established as a separate unit. The changes were driven by the need to increase adoption, a critical driver to realising benefits, and structural shifts in traditional providers and industry. Despite these changes increasing adoption remains an unresolved issue for MLA and industry.

The recent restructuring of consultative mechanisms in response to stakeholder pressure to improve engagement has led to the re-establishment of SAMRC and creation of WALRC and 20 regional committees. While a tangible demonstration of MLA’s commitment to “listen”, the advice provided needs to be acted on and there is potential to duplicate and conflict with other advice and even MLA’s strategy. These risks were widely raised in the consultation as shown in the following quotes.

“The committees are a great start but I reserve my judgement as to whether things will improve.”

“Finally we can tell MLA what to do.”

What are they going do with all the advice and will anything really change?”

‘It may be on the mend, but it (MLA) does not have a compelling story – what is it in 2016, what does it stand for, where is it going, what’s the value for the industry and the consumer. It would do itself a favour if this was better spelled out.’

MLA stakeholders

“Consulting is fine but will they listen and how do we deal with our own internal barriers?”

“MLA is a series of fiefdoms, complete with princes and hand maidens that do their own thing.”

MLA staff

The alternative to this mode of engagement (see **Figure 4.4** also) is an approach to engaging stakeholders characterised by interactivity, encouragement, inclusiveness and preparedness to change based on consideration of stakeholder suggestions, insights, and involvement.

4.2 Stakeholder expectations and feedback

4.2.1 Expectations

MLA stakeholders interviewed for this Review – from the farm gate to heads of large organisations – hold sophisticated insights to what good stakeholder engagement looks like.

“Stakeholder engagement these days can be competitive advantage for a corporation, and if the Senior Management is smart - as I believe it now is under (Managing Director Richard) Norton – it is about listening, forming relationships and involving the people outside your organisation who matter most to it doing business in the big decisions.

Also, good stakeholder engagement is about building trust and building partnerships. MLA won’t be able to get on the future if it cannot do this.”

MLA stakeholders

FIGURE 4.4 NATURE AND TONE OF ENGAGEMENT WITH STAKEHOLDERS ACROSS SOCIO-POLITICAL MANAGEMENT SPECTRUM

CRISIS MANAGEMENT	STAKEHOLDER MANAGEMENT	STAKEHOLDER ENGAGEMENT
Reactive	Proactive	Interactive
Vulnerable	Anticipate	Encourage
Episodic	Regular	Inclusive
Hostile	Defensive	Prepared to change

SOURCE: JEFFREY, STAKEHOLDER ENGAGEMENT: A ROAD MAP TO MEANINGFUL ENGAGEMENT, CRANFIELD UNIVERSITY SCHOOL OF MANAGEMENT, 2009

In broad terms stakeholders' views on MLA can be grouped into three categories. The "successful delivery" category consists of stakeholders who work with MLA, and the MDC, to provide an agreed service for a defined benefit. They tend to see MLA as professional and are more forgiving of any bureaucratic or inflexibility deficiencies. The "disaffected partners" category are providers and levy payers are not addressed or less so than in the past. They tend to question MLA's value, strategy structures, systems and people. Disaffected stakeholders sometimes don't understand why the priorities or their relationships with MLA have changed. The final category "frustrated stakeholder" category includes some organisations to whom MLA is accountable to and the stakeholders it or seeks advise from. These organisations have differing views on how to hold MLA to account and varying resources and support available to do so. The PICs and Commonwealth are also at the point in the system which much represent and listen to stakeholders who have concerns with MLA's performance and the Red Meat MOU. Many stakeholders who advise MLA represent the knowledge skills and interests of a particular part of MLA's portfolio. They often have limited interest and ability to engage with how MLA's broader strategy and potential improvements relate to the part of the portfolio they are engaged with.

None the less stakeholders these and other categories share some common expectations of MLA about the manner in which it relates to them, and includes and involves them in the organisation's future. These expectations are outlined below.

- Most stakeholders want MLA to "succeed". They perceive it employs some "very smart people", led by a "new management team" (since mid-2014) that is seeking to better engage stakeholders with MLA and "where it is going in the future.
- Stakeholders understand (and ACIL Allen concurs) that MLA operates in a complex stakeholder environment.
- All external stakeholders interviewed perceive MLA needs to strengthen its capability for stakeholder engagement.
- Stakeholders want to better understand MLA's strategy. ACIL Allen's analysis concluded there is significant opportunity to engage stakeholders (including MLA employees) with MLA's strategy, and the organisation's most pressing strategic objectives.
- Stakeholders perceive MLA does not have a coherent 'narrative' – a clear and compelling explanation that can be told readily, about its brand value proposition (who is it, what does it stand for), "where is it going and why", as well as "proof points" of the value it creates for stakeholders.
- Most stakeholders are critical of what they perceive as "push communications" by MLA (or any entity) about "good news" that they perceive may be "glossing over" what they perceive to be significant or "real" issues important to them.

4.2.2 Performance

From 2010 – 2015, MLA strategy and planning documents, and public statements have cited the desirability of stakeholder engagement as an input to strategy and management.

Our analysis suggests that more stakeholder communication (which in itself is desirable and can generate value) than stakeholder engagement has occurred with individual stakeholders and stakeholder groups.

In areas where MLA's investment is targeted, not contentious and requires limited internal and/or external collaboration, stakeholders consulted report engagement is effective. However these are countered by other views, especially when the engagement involves complex investments with competing stakeholder priorities:

"We work closely with MLA and while there are differences they are resolved and together we perform"

"They do a good job in herding the cats."

"Bloody MLA, they never listen and do their own thing rather than what industry needs."

"MLA is professional and an excellent organisation to partner with compared to others."

"MLA does a fantastic job in a complicated environment to deliver for industry."

They took a bit of getting used to, but now we understand each other I'm looking forward to the next project"

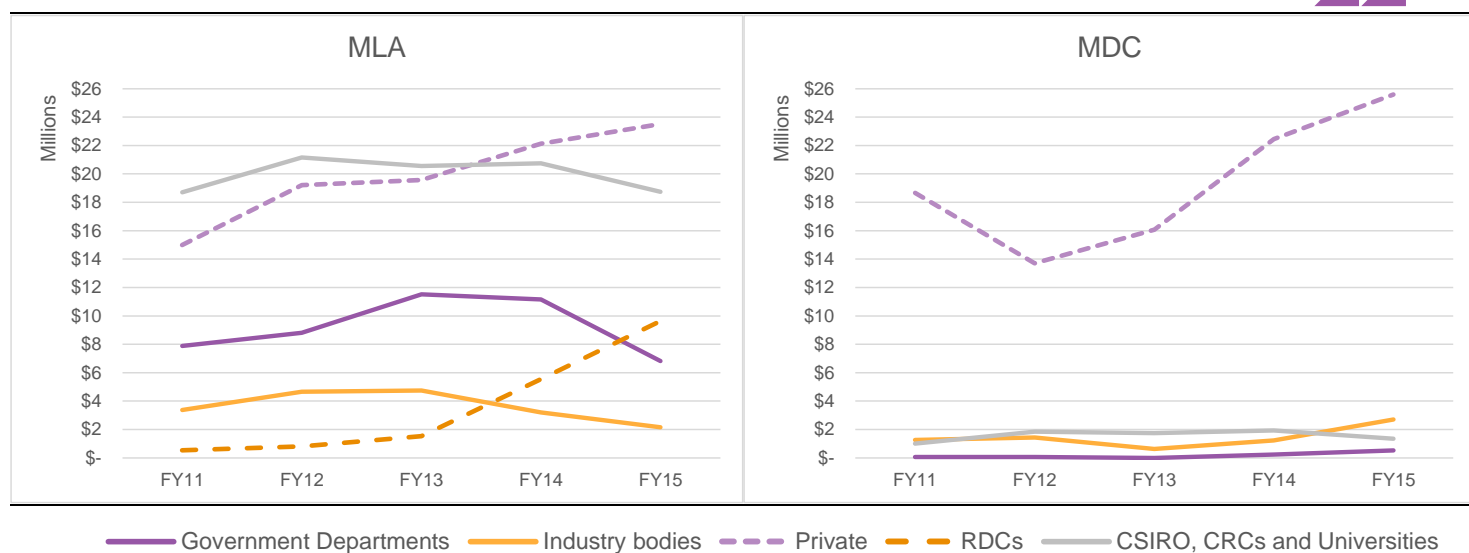
MLA stakeholders

In interviews for this Review, MLA itself acknowledges this, and since 2014 has taken steps to strengthen its capability and capacity for engaging stakeholders, especially in its Senior Management team.

Over the past five the level of MLA and MDC investment with some partners has also changed (**Figure 4.5**). MLA funding of private partners and RDCs has increased dramatically. Government Departments and industry bodies have received less MLA funding over the same time while funding to CSIRO, CRCs and universities is relatively constant. The shift appears to reflect the broader reduction in Government Department expenditure on rural research and industry bodies' resourcing levels which lessens their ability to commit and partner as highlighted in the LPI review.

The MDC has played a role in attracting additional investment through requiring partners to provide funds to the MDC. These are then eligible for matching Commonwealth contributions in addition to the levy funds already matched. Over the past five years the amount of private investment leveraged has increased significantly and other partners have been able to leverage their investment to a lesser degree.

FIGURE 4.5 MLA AND MDC EXPENDITURE BY PARTNER CATEGORY



Note: Expenditure for each category is based on the total MLA or MDC budget for the project, not the actual expenditure of each organisation involved.

SOURCE: ACIL ALLEN CONSULTING ANALYSIS OF MLA AND MDC EXPENDITURE

ACIL Allen’s interviews with stakeholders, review of strategy and planning documents, as well as analysis of KPIs and other measurement reports, concludes that the organisation has some way to go before it meets its own objectives to meaningfully engage stakeholders; and to meet also the expectations of its stakeholders.

“Comms is not what stakeholder engagement is about these days. Good engagement is not a transaction. It’s a relationship.”

MLA stakeholder

Contemporary and good management practice requires an approach to engaging stakeholders focused on building relationships, collaborations, involvement, and identifying opportunities to create shared value (a management approach focused on creating measurable business value in areas where the interest of an organisation and the interests of its stakeholders intersect [Porter, Harvard Business Review, 2006]).

The nature of stakeholder engagement managed by MLA over the Review period has been dominated by pushing its messaging to stakeholders, and in some instances providing a channel for replies to

that messaging. Stakeholder dialogue has been conducted primarily through channels such as the MLA Annual General Meeting, ad hoc social media activity, and research with stakeholders focused on their use of MLA communication channels.

I trust the people I work with but am sceptical of their corporate communications.”

MLA has so much information that is hard to find or lost in all the things they send me. Can't they make its simpler and give me what I need?”

MLA stakeholders

This activity has its merits. However, it does not meet stakeholder expectations, falls short of good practice, and will not serve MLA well as it seeks to collaborate with and involve its stakeholders with its 2020 Strategy.

It is the conclusion of this Review that MLA has significant opportunity to strengthen its stakeholder engagement approach, capability and the manner in which it seeks to capture and harness the outcomes of meaningful stakeholder engagement as a management tool; and the manner also in which it seeks to measure and understand the value of effective engagement.

Between 2010 – 2015, the focus of understanding the effectiveness or outcomes of MLA's engagement with stakeholders has focused on counting outputs (activity), rather than on outcomes (trust, relationships, willingness of stakeholders to collaborate, engagement with the MLA corporate brand and narrative, stakeholder perceptions of value).

4.3 Capacity and capability to engage with key stakeholders

Organisations which manage good and best practice stakeholder engagement capabilities are characterised by a few, but significant, elements:

- they seek to manage stakeholders, but instead *manage a process of stakeholder engagement*
- while stakeholder engagement is a process and responsibility of all employees in an organisation (almost every employee has her or his retinue of internal and external stakeholders), a specialist corporate public affairs management function within the organisation houses and nurtures socio-political capability, develops whole-of organisation stakeholder engagement strategy, and advises Senior Management and the Board on implementing strategy
- the corporate public affairs management function is effectively the specialist advisor on the 'window in' for the organisation (monitoring and supporting the entity to understand external socio-political dynamics), as well as the 'window out' (engaging with important external stakeholders so they understand and can engage with the organisation's strategy, narrative, priorities) and decisions.

ACIL Allen's analysis concludes that for most of the Review period, MLA has managed a communications rather than a complete stakeholder engagement function at a corporate level. The communications function has been competent at media relations, developing communication tools, monitoring communication channels, stakeholder communications, managing issues via the new media, and internal communications. This supported but did not fully meet the stakeholder engagement requirements of the various business units and consultative mechanisms across MLA who augmented them with additional processes that were not always fit for purpose or consistent.

“By 2015, its (MLA) stakeholder engagement ability was like diving into a swimming pool in summer - warm and comfortable at the top, and cold to chilly below that. It (MLA) has to do more to help its people below Senior Management form and nurture relationships that are important to it.”

MLA stakeholder

However, going forward, MLA requires a specialist corporate public affairs capability that can develop stakeholder engagement strategy and support its execution, assist the organisation steward its most important relationships, and ensure data and outputs from engagement are available across the organisation to informed; decisions, and that with middle and Senior Management, stakeholders are *involved* in important decisions.

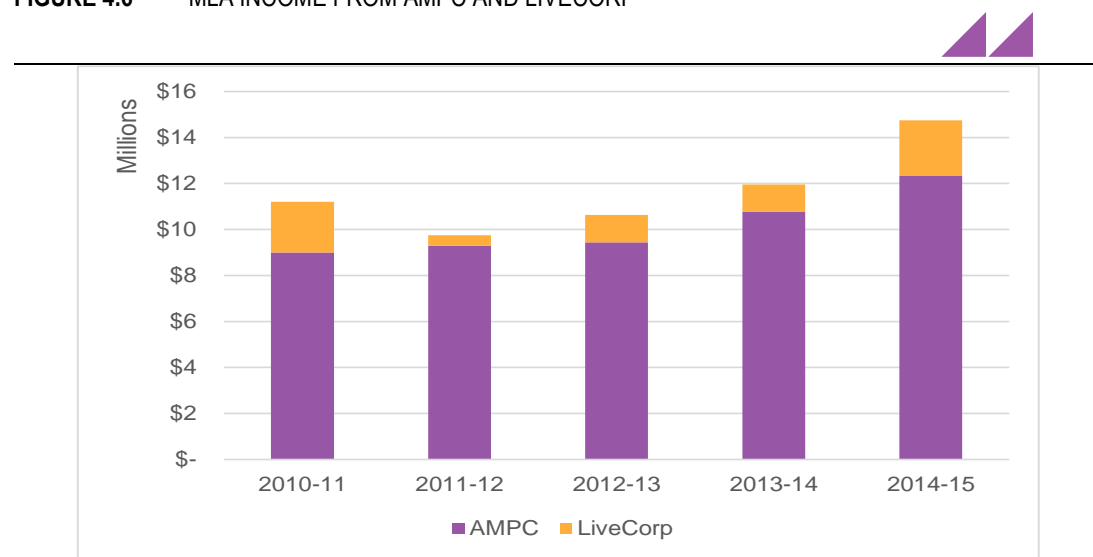
To achieve this, MLA will need to recalibrate its internal capability to develop and execute stakeholder strategy, and to build a professional corporate public affairs capability with astute socio-political capability.

In addition, if MLA is to successfully foster and manage more and effective collaborations with socio-political stakeholders to generate shared value, and with research partners to realise and commercialise innovation, it should consider also embedding stakeholder engagement as an enterprise-wide capability.

4.4 RDC collaboration

MLA collaborates with the AMPC and LiveCorp, under the Red Meat Industry MOU. Both invest in joint functions and other programs (e.g. PIP and Livestock Export Research and Development programs) managed by MLA. AMPC and MLA jointly own AUS-MEAT (**Figure 4.4**).

FIGURE 4.6 MLA INCOME FROM AMPC AND LIVECORP

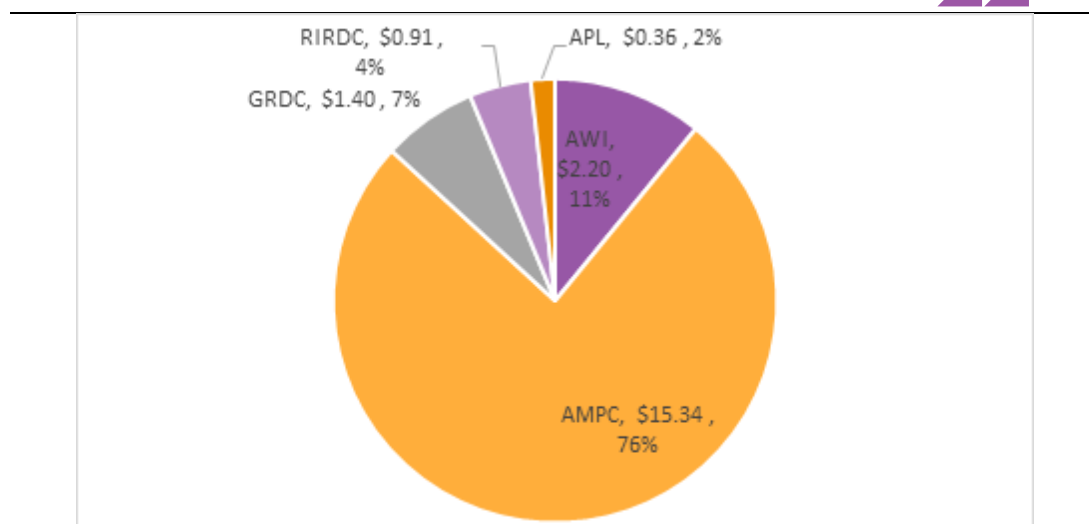


SOURCE: MEAT AND LIVESTOCK AUSTRALIA ANNUAL REPORTS

Over the last five years AMPC's investment with MLA has increased each year from \$9 million in 2010-11 to \$10.2 million in 2014-15. LiveCorp's investment increased from \$2.2 to \$2.4 million over the same period but was lower between 2011-12 and 2012-13.

LiveCorp is co-located with MLA and both report they share an effective working relationship. The relationship between MLA and AMPC is less close and to some degree reflects the supply chain tension between their respective levy payer bases and the strictures of the MOU. Historically AMPC contracts a significant proportion of its services through MLA as per the MOU. The decision by AMPC to seek more operational independence for core functions resulted in conflict with MLA throughout 2015. During the Review consultations both organisations reported they have established the principles for future collaboration which will be established during 2016.

AMPC also accounts for 76 per cent of the \$20M MLA invested with other RDCs between 2010-15 and 2014-15 (**Figure 4.7**). MLA also invests with AWI, GRDC, RIRDC, APL and the Sheep CRC (with AWI).

FIGURE 4.7 MLA FUNDING PROVIDED TO OTHER RDCs (2010-11 – 2104-15) (\$M)

Note: Excludes Research for Profit

SOURCE: MLA


MLA is collaborating with other RDCs through the Commonwealth Government's Research for Profit initiative. They were successful in three first round on three projects led by Dairy Australia, RIRDC and APL totalling \$3.3M.

During the consultations the other RDCs noted that MLA is a valued and professional collaborator. Some also stated MLA has a preference to collaborate "their way" and that MLA's contract and project management system is comparatively bureaucratic which makes collaboration harder.

4.5 Findings

The findings for this chapter are:

- Most of MLA's most important stakeholders want the organisation to succeed.
- MLA has considerable opportunity to better engage its stakeholders with its strategy, and with its value proposition as an organisation.
- Many of MLA's important stakeholders want to be engaged meaningfully by the organisation. During most of the Review period, stakeholders perceived they were being "communicated to", rather than engaged.
- MLA's narrative (why does it exist, where is it going, what value does it create, and why?) is not understood by its stakeholders, and was not apparent in its strategy (or its execution) in the five years to 2015. Ensuring all MLA employees are engaged with the corporate narrative should be a priority for management.
- The organisation's existing stakeholder engagement can be characterised more as *stakeholder communications*, and is not meeting the expectations of important stakeholders. MLA's past approach to stakeholder engagement was not meeting good, contemporary business practice.
- In line with good practice, MLA's engagement with stakeholders should be meaningful, be focused on building trust, oriented to evolve from transactional communication to seeking stakeholder involvement, and be calibrated to generate mutual benefits for stakeholders and MLA.
- There is considerable opportunity for MLA to develop a specialist corporate public affairs capability to develop and guide implementation of its stakeholder engagement strategy; and provide high-level socio-political counsel to MLA Senior Management as to how it can effectively involve stakeholders in how the organisation operates.
- There is considerable opportunity for MLA to develop stakeholder engagement as an enterprise capability.



5

STRATEGIC AND OPERATIONAL PLANS

This chapter examines the effectiveness and efficiency of MLA's implementation activities against its strategic and operational plans. The chapter first discusses outlines the planning structures and processes that are in place for the company. The chapter then provides an assessment of MLA's Key Performance Indicators (KPIs) against its Strategic Themes under the Meat Industry Strategic Plan (MISP 2015) and Imperatives under the Corporate Plan 2010-15. KPI analysis has been undertaken as a way of examining the MLA's effectiveness in the implementation of its strategies and plans. Finally, the chapter considers the efficiency of its implementation activities through an analysis of MLA expenditure against the strategies and plans.

5.1 The planning hierarchy

The MLA planning process involves several stages and utilises a number of different planning tools which are updated at regular intervals between one and five years depending on the plan. The structure of the planning process and key documents within the process are as follows:

1. Meat Industry Strategic Plan 2010-15 – This is the primary strategic document for the industry which was established by RMAC following detailed consultation.
2. MLA Corporate Plan 2010-15 – This plan is overseen by the MLA Board and managed by its Executive/Leadership Team.
3. R&D and Marketing Business Plans – These plans are managed by MLA's Executive/Leadership Team.
4. Annual Operating Plans – These plans are managed by MLA's Leadership Team and cover the key functions of MLA's business. They generally include a summary of the objectives, planned actions and KPIs for each area of the business.²⁴

The alignment and translation of these plans into actions is a core part of the planning process undertaken by MLA. **Figure 5.1** demonstrates how the strategic themes of MISP are translated into strategic themes/imperatives for MLA under the Corporate Plan. The strategic themes/imperatives of the Corporate Plan are then further broken down into focus areas and then specific objectives/milestones that the MLA is to achieve in a given year under its AOPs and other sub-plans.

²⁴ It should be noted that in June 2010 the MLA published a 5 year, MLA specific Strategic Plan 2010-2015 (MLA, 2010), which was replaced by the Corporate Plan 2010-2015 published in August 2012 (MLA, 2012, p. 1). The business plans referred to in are developed by the MLA in order to provide more detail around each of the objectives in the Corporate Plan 2010-15. At the time of writing there were 12 business plan summaries available on the MLA website.

FIGURE 5.1 MLA STRATEGIC PLANNING INSTRUMENT OVERVIEW

Note: Both the Red Meat Industry Strategic Plan and MLA Corporate Plan consider and align with the Commonwealth National Rural R&D priorities.

SOURCE: (RMAC, 2010), (MLA, 2012), (MLA, 2012)

A high level summary of the plans depicted in **Figure 5.1** is provided in Appendix B. The summary details the plethora of plans and priorities set for MLA under this hierarchy. It does not include the strategies and plans set by PICs, other red meat RDCs or other bodies operating across the industry. While a detailed assessment of all industry planning activity is beyond the scope of this work, it would reveal considerable effort is consumed developing strategies and plans which essentially mirror the MISP 2015 but account for organisational differences/preferences.

5.2 Implementation of plans (effectiveness)

The previous section identified the hierarchy which underpins MLA's strategies and plans. It demonstrated a close level of alignment between MLA's plans and those set for the industry by RMAC.

This section examines how effective MLA's has been in meeting the objectives and goals laid out in this strategies and plans. It considers MLA's KPIs (as reported in its Annual Reports) as a primary indicator of performance against these strategies, plans and priorities.

The colour coding system used for the tables in the following section shows the proportion of the KPI measures of each Imperative and Objective that were met. It is important to note that for each Objective under each Imperative a number of KPIs (based on Milestones) were used by MLA to measure performance.

- For Objectives where more than 66 per cent of KPIs were achieved, the colour **green** has been used.
- For Objectives where greater than 33 per cent and less than or equal to 66 per cent of KPIs were achieved, the colour **amber** has been used.
- For Objectives where 33 per cent, or less, of KPIs were achieved, the colour **red** has been used.

Where a KPI target was not met due to circumstances beyond the control of the MLA these are discussed in the text supporting each Imperative.

5.2.1 Imperative 1: Maintaining and improving market access

This Imperative focuses on supporting PICs and Government to deliver market access-based initiatives. The imperative includes initiatives aimed at improving access to export markets, providing support for free trade agreements as well as support for the Exporter Supply Chain Assurance System (ESCAS). The imperative also includes a focus on improving the delivery of on-farm risk management systems.

Table 5.1 shows the proportion of KPIs met under Imperative 1. The table shows that fewer KPIs set for the “developing and delivering industry systems to strengthen product integrity” objective (1.1) were met than the objectives set for Imperative 1. Additional detail about the KPIs for each Objective under the Imperative is provided below.

TABLE 5.1 ACHIEVEMENT OF MILESTONES UNDER IMPERATIVE 1

Imperative 1: Maintaining and improving market access	2010-11	2011-12	2012-13	2013-14	2014-15	Average
Proportion of KPIs met						
1.1 Develop and deliver industry systems that underpin product integrity	67%	33%	86%	80%	0%	53%
1.2 Support industry and government to maintain and liberalise world meat markets	0%	50%	100%	75%	75%	60%
1.3 Maximise market options for producers and exporters in the livestock export market	67%	100%	100%	100%	100%	93%
Number of Milestones per Objective						
1.1 Develop and deliver industry systems that underpin product integrity	3	3	7	5	5	5
1.2 Support industry and government to maintain and liberalise world meat markets	2	2	4	4	4	3
1.3 Maximise market options for producers and exporters in the livestock export market	3	3	1	2	4	3

SOURCE: MLA ANNUAL REPORTS 2010-11 THROUGH TO 2014-15.

Objective 1.1 Develop and deliver industry systems that underpin product integrity

The Milestones under this Objective relate to product systems such as food safety standards, disease monitoring databases, and overall traceability. There is also a measure of client satisfaction with MLA activities. Performance under this Objective is deemed to be average (with only 53 per cent of KPIs being met across the evaluation period) using the rating scale developed by ACIL Allen. The explanation identified for this performance outcome (particularly in 2014-15) included:

- A delay in the following strategies during 2014-15:
 - the National Livestock Identification System refresh program
 - the industry-wide rollout of the electronic National Vendor Declaration (eNVD), and
 - future funding for the SAFE MEAT programs.
- Continued decline in industry satisfaction with MLA food safety activities:
 - MLA established a high level for itself in 2012-13, requiring a satisfaction rating of 85 per cent across industry. A level of only 73 per cent was reached in 2012-13, but then rose to 82 per cent in 2013-14 and fell again to 78 per cent in 2014-15. These results would indicate that the KPI is perhaps slightly too ambitious.

Objective 1.2 Support industry and government to maintain and liberalise world meat markets

The Milestones under this Objective include the conduct of market research in selected international markets, improving access in international markets and maintaining Australia’s image overseas. MLA’s activities against these Milestones included positioning Australian meat and livestock for the WTO Doha Round and FTA negotiations as well as developing strategies to reduce market access barriers. Milestones under this Objective were expanded 2012-13 onwards and performance against these KPIs also improved over this period. These results are highly consistent with feedback from government stakeholders who highlighted the important role of MLA in supporting trade negotiations and reducing market access barriers in emerging markets.

Objective 1.3 Maximise market options for producers and exporters in the livestock export market

This Objective focuses on the live export trade which underwent some significant fluctuations over the period being reviewed. Milestones focussed on improving animal welfare practises in Indonesia and Malaysia, as well as in the live export trade more generally and maintaining community support for live exports. ESCAS was also introduced during this period and MLA strategies around this focus on implementing the system and on exporter experience and perceptions around this system.

5.2.2 Imperative 2: Growing demand

This Imperative focuses on growing the demand for red meat in domestic and international markets. The Imperative included seven Objectives which focused on increasing consumer demand, finding new sources of overseas demand by working with exporters to win customers in emerging global markets. Some Objectives under this Imperative have increased substantially in scope over the period as shown in the number of Milestones identified in **Table 5.2**.

Analysis of this Imperative show that MLA did not meet a significant proportion of its KPIs set for objectives 2.2-2.5. There are several reasons for this, many of which may be beyond the reasonable control of MLA to influence market factors. First, the clear decline in consumer perceptions about the nutritional value of red meat has impacted sales on the domestic market. These changes are not the fault of the MLA, however it appears as though the MLA has largely been ineffectual in terms of reversing this trend. Demand side factors may also be a consideration given that there has been a long term substitution of consumers towards poultry products and away from beef over the past 30-40 years (MLA, 2016) and that beef prices have risen sharply, particularly in recent years.

MLA goal setting over this period is also potentially a factor because, despite downward revisions of the targets for promotion of red meat in the domestic market, the MLA experienced a string of “near misses” for these Milestones. The language used in the milestones also changed from “growing demand” in 2012-13 to “maintaining demand” in 2014-15. While it is clearly positive to set ambitious goals, where targets are unrealistic and there is a consistent failure to reach goals this can damage the image of MLA performance and also impact motivation.

By comparison, MLA was successful in meeting a large proportion of its KPIs set for objectives 2.1 and 2.6-2.7. Once again, performance against these KPIs is highly consistent with a broad range of stakeholder views that suggest MLA’s investments in integrity systems and its support for export oriented activity have been a strength of the organisation over the Review period. Additional detail about the KPIs for each Objective under the Imperative is provided below.

TABLE 5.2 PERFORMANCE OF OBJECTIVES UNDER IMPERATIVE 2

Imperative 2: Growing Demand	2010-11	2011-12	2012-13	2013-14	2014-15	Average
Proportion of KPIs met						
2.1 Develop practices and drive programs that help industry deliver consistent and optimal eating quality	50%	80%	71%	71%	75%	70%
2.2 Enhance the nutritional reputation of red meat	50%	0%	50%	50%	50%	40%
2.3 Develop new products	0%	33%	100%	63%	100%	59%
2.4 Aggressive promotion of beef in the domestic market	25%	67%	0%	0%	33%	25%
2.5 Aggressive promotion of lamb in the domestic market			33%	0%	0%	11%
2.6 Aggressive promotion in export markets – beef	75%	67%	100%	75%	100%	83%
2.7 Aggressive promotion in export markets – sheepmeat		100%	75%	75%	100%	88%
Number of Milestones per Objective						
2.1 Develop practices and drive programs that help industry deliver consistent and optimal eating quality	4	5	7	7	8	6
2.2 Enhance the nutritional reputation of red meat	2	2	4	4	4	3
2.3 Develop new products	1	3	3	8	4	4

Imperative 2: Growing Demand	2010-11	2011-12	2012-13	2013-14	2014-15	Average
2.4 Aggressive promotion of beef in the domestic market	4	3	3	3	3	3
2.5 Aggressive promotion of lamb in the domestic market	-	-	3	3	3	2
2.6 Aggressive promotion in export markets – beef	4	3	4	4	4	4
2.7 Aggressive promotion in export markets – sheepmeat	-	3	4	4	4	3

SOURCE: MLA ANNUAL REPORTS 2010-11 THROUGH TO 2014-15.

Objective 2.1 Develop practices and drive programs that help industry deliver consistent and optimal eating quality

This Objective focuses on intervention and quality control processes, food standards implementation (e.g. four and five star Meat Standards Australia (MSA) standards) and consumer satisfaction surveys. The number of cattle graded under the MSA system increased significantly over the period, from 1.4 million sheep to 6.2 million and from 2.1 to 2.5 million cattle. This is a primary reason why MLA was able to meet a high percentage of its KPIs for this Objective over the Review period.

Objective 2.2 Enhance the nutritional reputation of red meat

This Objective focuses on societal perceptions of the health benefits of red meat. The actions under it range from mothers feeding red meat to their children to health professionals recommending that red meat be part of a healthy diet. There has been a decline in the percentage of mothers who agree that red meat is an essential part of a healthy diet (that this fell from 49 to 43 per cent from 2010-11 to 2012-13), and this has been sighted as primary reason for MLA's KPI performance under this Objective.

It is also important to note that the milestones under this Objective changed significantly over the Review period. For the same measure (mother perceptions of the nutritional value of red meat) the measure has changed from 2010-11:

Increase mothers with children who strongly agree that "red meat is an essential part of a healthy diet" to 49%:

to 2014-15:

At least 49 per cent of mothers with children in the household agree that beef makes healthy meals and 39 per cent agree that lamb makes healthy meals

While it is reasonable to change strategies and KPIs based on a changing operating context, annual recasting of these KPIs make it difficult to undertake a time series analysis. If the KPI were to remain more constant over the period of the strategy the MLA would have a strong basis for comparison of the trends within the industry and its performance over the medium term.

Objective 2.3 Develop new products

This Objective focuses on the development of new products which support the red meat value chain. Activities against this Objective grew in ambition over the Review period with the number of milestones used to measure performance growing from 1 to 4 and peaking at 8 in 2012-13. The KPIs used to measure performance of this Objective appeared to become much more realistic over the Review period as the benefits of enhanced internal planning and KPIs setting systems from 2014 onwards were realised by MLA.

Objective 2.4 Aggressive promotion of beef in the domestic market

Performance under this Objective was one of the worst performing areas to be assessed using the KPI analysis. The KPIs were only met in one year of the five, 2011-12, when the milestones were all based on community perceptions of red meat. KPIs set in other years included targets relating to consumer spending and market share which were largely missed by the MLA.

This analysis suggests that MLA should adopt a cautious approach to the setting of KPIs for investment areas where market conditions (not necessarily MLA investments) dictate outcomes.

Objective 2.5 Aggressive promotion of lamb in the domestic market

KPIs for this Objective were set with respect to surveys of consumer opinions and growth in the market share of lamb. There was a consistent failure to achieve the KPIs under this objective despite significant sums of money being invested (\$7.6 million in 2014-15) in the area.

This analysis suggests that MLA should adopt a cautious approach to the setting of KPIs for investment areas where market conditions (not necessarily MLA investments) dictate outcomes.

Objectives 2.6 and 2.7 Aggressive promotion in export markets – beef and sheep

Promotion of beef in export markets was by comparison, much more successful than domestic promotion. The analysis shows that a high proportion of KPIs set for this Objective were achieved by MLA over the Review period. The main reasons for this include tremendous growth in exports markets over a sustained period with eight major customers recruited globally and 80 per cent of exporters satisfied with MLA business development activities (2014-15).

Sheepmeat marketing is an area where a similarly high percentage of KPIs were met by MLA over the Review period. The milestones set for this Objective were aggressive milestones and included penetration of new markets and finding new customers.

5.2.3 Imperative 3: Increasing productivity across the supply chain

This Imperative is a production-based imperative which encompasses the entire supply chain. This Imperative focusses on efficiency, innovation and environmentally friendly productivity enhancements both on-farm and off-farm. The investment areas of this imperative are to improve reproduction efficiency, use genetic research to improve pasture and forage crop productivity and to improve labour efficiency and reduce the threat of livestock diseases. **Table 5.3** shows that the Objectives under this Imperative were achieved to a high standard, consistently over the Review period. Additional detail about the KPIs for each Objective under the Imperative is provided below.

TABLE 5.3 PERFORMANCE OF OBJECTIVES UNDER IMPERATIVE 3

Increasing productivity across the supply chain	2010-11	2011-12	2012-13	2013-14	2014-15	Average
Proportion of KPIs met						
3.1 Identify and deliver opportunities to increase on-farm productivity	80%	80%	71%	78%	57%	73%
3.2 Identify and deliver opportunities to increase off-farm productivity and capability	100%	100%	71%	100%	100%	94%
3.3 Deliver valued supply chain and market information	67%	75%	80%	75%	33%	66%
3.4 Support industry to improve animal health and biosecurity	50%	67%	100%	100%	80%	79%
3.5 Increase producer engagement with MLA tools and information to build capability			80%	67%	60%	69%
Number of Milestones per Objective						
3.1 Identify and deliver opportunities to increase on-farm productivity	5	5	7	9	7	7
3.2 Identify and deliver opportunities to increase off-farm productivity and capability	2	5	7	5	3	4
3.3 Deliver valued supply chain and market information	3	4	5	8	6	5
3.4 Support industry to improve animal health and biosecurity	2	3	5	5	5	4
3.5 Increase producer engagement with MLA tools and information to build capability	0	0	5	6	5	3

SOURCE: MLA ANNUAL REPORTS 2010-11 THROUGH TO 2014-15.

Objective 3.1 Identify and deliver opportunities to increase on-farm productivity

This Objective focuses on investments such as genetic improvement in livestock and feed as well as improving feedlot systems and developing and implementing new practises and technologies to increase labour efficiency. The analysis shows that MLA has been successful for achieving a high percentage of KPIs under this Objective over the Review period. The anomaly to this percentage occurred in 2014-15, however this is mainly due to the introduction of an aggressive milestone for producer involvement in R&D as well as private seed companies' trialling new breeding programs.

Objective 3.2 Identify and deliver opportunities to increase off-farm productivity and capability

The milestones set out for this Objective include off-farm technological improvements such as processing technologies or commercial innovations. There was also a strong focus on health and safety issues and reducing risk. Many KPIs set specific monetary targets. The MLA was highly successful in implementing and achieving the KPIs (with an average of 94 per cent achievement) for this Objective over the Review period.

Objective 3.3 Deliver valued supply chain and market information

The Milestones under this Objective focused on the quality information provided to stakeholders throughout the value chain. MLA has consistently achieved the KPIs set for it over the Review period. The main reasons for this achievement are the inclusion of more producer data into the Livestock Data Link, maintaining ISO standards with respect to the National Livestock Reporting Service, and a high proportion of clients finding the information provided by the MLA to be useful. The average value of 'not achieved' in 2014-15 was the result of particularly aggressive milestones being set in relation to data provision.

Objective 3.4 Support industry to improve animal health and biosecurity

MLA plays an important role in supporting the industry-level efforts to improve animal welfare and biosecurity. Under this Objective, it invests money in research on diseases and vaccines as well as maintaining and developing databases on disease in livestock herds and feed.

The Milestones set for this Objective have concrete outcomes in terms of published reports or scientific findings and these have been consistently achieved over the Review period.

Objective 3.5 Increase producer engagement with MLA tools and information to build capability

MLA consistently achieved its milestones in terms of reaching out to members and having members engage with MLA tools and information.

Performance against this Objective is highly consistent with the feedback received during stakeholder consultations. That is, internal reform and the implementation of a new Consultation Model during 2014 while initially impacted stakeholder perceptions of engagement have led to improvements in the way MLA communicates clear messages to its stakeholder community.

5.2.4 Imperative 4: Supporting industry integrity and sustainability

MLA manages a research portfolio that generates and disseminates information, tools, technologies and practices which support the ongoing development of the red meat industry. The aims of this Imperative are to deliver productivity improvements and more cost effective animal husbandry practises as well as to create media opportunities and events for the red meat community.

Table 5.4 shows that the Objectives under this Imperative were achieved to a high standard, consistently over the Review period, with some notable exceptions. Additional detail about the KPIs for each Objective under the Imperative is provided below.

TABLE 5.4 PERFORMANCE OF OBJECTIVES UNDER IMPERATIVE 4

Imperative 4: Supporting industry integrity and sustainability	2010-11	2011-12	2012-13	2013-14	2014-15	Average
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Proportion of KPIs met

4.1 Support on-farm environmental sustainability	33%	50%	100%	86%	50%	64%
4.2 (2010-12) Responding to climate change	100%	75%				88%
4.2 Support off-farm environmental sustainability			67%	100%	100%	89%
4.3 Provide industry with solutions to meet high standards of animal welfare without reducing productivity levels	75%	60%	80%	100%	60%	75%
4.4 Support industry's effective engagement with the community	100%	100%	100%	100%	100%	100%
4.5 Develop sustainable innovation capability within the industry and its service providers	80%	100%	67%	100%	50%	79%

Number of Milestones per Objective

4.1 Support on-farm environmental sustainability	3	6	5	7	6	5
4.2 Support off-farm environmental sustainability	0	0	6	3	3	2
4.2 (2010-12) Responding to climate-change	4	4	0	0	0	2
4.3 Provide industry with solutions to meet high standards of animal welfare without reducing productivity levels	4	5	5	4	5	5
4.4 Support industry's effective engagement with the community	2	3	3	4	4	3
4.5 Develop sustainable innovation capability within the industry and its service providers	5	5	3	2	2	3

SOURCE: MLA ANNUAL REPORTS 2010-11 THROUGH TO 2014-15.

Objective 4.1 Support on-farm environmental sustainability**BOX 5.1** RESPONDING TO CLIMATE CHANGE

Climate change objectives and strategies have been restructured in a slightly confusing manner during the restructure of planning arrangements as part of the MLA Corporate Plan 2010-15. Prior to the structural change "Responding to climate change" was a separate objective 4.2 which included the strategy "Develop mitigation strategies to reduce greenhouse gas emissions" (MLA, 2012a).

Post structural change, "Responding to climate change" is categorised as a strategy under objective 4.1 "Support on-farm environmental sustainability" in the MLA Corporate Plan. However, the strategy "Develop mitigation strategies to reduce greenhouse gas emissions" is now classified under objective 4.2 "Support off-farm environmental sustainability".

While it is reasonable that "Responses to climate change" can be both an "off-farm" and an "on-farm" activity, it would be preferable to implement structural changes such as these concurrently with overarching plan changes – in this case the MISP five year cycle. This would allow for improved continuity, traceability and accountability in MLA planning and performance evaluation.

SOURCE: (MLA, 2012)

MLA's performance against this Objective is underpinned by the successful execution of two key strategies: Natural resource management and Responding to climate change. Responding to climate change was a separate objective under the previous planning structure prior to the change in 2012-13. Achievement across each of these areas was strongest between 2012-13 and 2013-14, however the failure of a number of on-farm sustainability projects in 2011-12 impacted on the average number of KPIs met for the entire Review period under this Objective.

Objective 4.2 Support off-farm environmental sustainability and Responding to climate change (2010-12)

For the first two years of the evaluation period, Objective 4.2 was solely concerned with climate change strategy and made excellent progress with respect to identifying management options for pasture resilience, developing technologies to reduce methane emissions and improving energy efficiency.

This Objective focuses on the execution of off-farm strategies which include developing improved waste management systems, reduced GHG emissions and improving resource use efficiency. Further strategies under this Objective include responding to emerging market and regulatory requirements, encouraging better environmental stewardship and encouraging the use of technology to improve sustainability and climate change adaptation.

Across the entire Review period 89 per cent of KPIs were met by MLA.

Objective 4.3 Provide industry with solutions to meet high standards of animal welfare without reducing productivity levels

This Objective is focussed mainly on helping industry to meet community expectations with respect to livestock welfare, in particular at processing establishments. The key constraint to this activity is that productivity should not be impacted. Strategies include developing evaluation criteria for welfare assessments and testing and implementing more welfare-friendly methods of achieving the same production goals and reducing the impact of predators.

KPIs were broadly met for this Objective over the Review period, however there were some exceptions during 2011-12 and 2014-15. These exceptions were due to delays to producing a guideline for cattle welfare risk assessment (2011-12) and delays to producing a guideline to cattle euthanasia (2014-15) as well as two failed research projects into alternatives to surgical spaying in both 2011-12 and 2014-15.

Objective 4.4 Support industry's effective engagement with the community

Participation in effective community engagement is a critical aspect of MLA's obligations under the SFA and the Constitution. Maintaining community trust levels and confidence in the environmental and animal welfare practices is an explicit goal of the MLA under this Objective. The KPIs used to measure MLA's performance against this Objective are typically based on surveys of community attitudes and eating habits. MLA met 100 per cent of its milestones for this investment area over the Review period.

Objective 4.5 Develop sustainable innovation capability within the industry and its service providers

Under this Objective, MLA provides opportunities for innovation, promotes collaboration with industry and supports essential science, technical and extension capabilities. Scholarships and research initiatives are a key part of this Objective. Analysis of MLA's KPIs under Objective 4.5 shows that the organisation has performed well over the entire evaluation period.

5.2.5 Overall appraisal of KPIs

The appraisal undertaken for this report has shown that MLA is meeting its plans and strategies under the Imperatives 1, 3 and 4 through a generally high level of KPI performance. Across these Imperatives KPI targets were met approximately 74 per cent of the time (which represents a good result for an organisation with a diverse range of operational responsibilities).

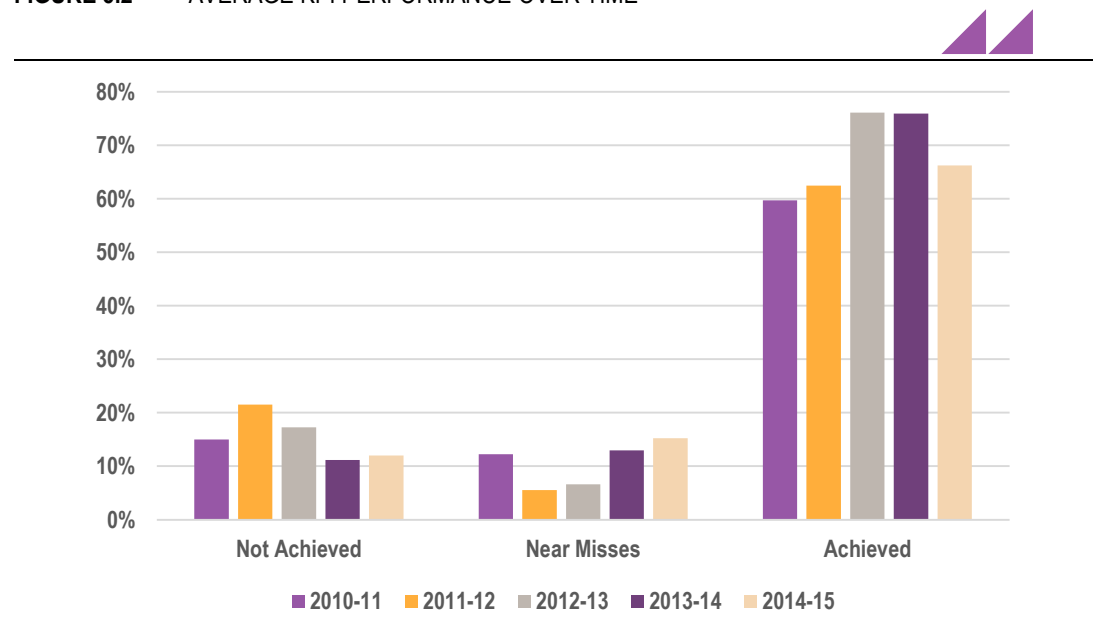
Over the Review period, the MLA performed better under Imperatives 1, 3 and 4 than under Imperative 2. Imperative 2 was the worst performing in terms of meeting the milestones set for each year. More specifically, in terms of promotion in the domestic market and enhancing the nutritional reputation of red meat, MLA met less of its performance targets than it met in other areas of the company.

The fact that the milestones for performance were also reduced each year, and still not met, provides some evidence that MLA KPIs for 'domestic demand for red meat' require more detailed consideration

before being implemented in future years. It is ACIL Allen's understanding that KPIs in this area are currently being reviewed by MLA and opportunities to improve them are being considered by the organisation.

Figure 5.2 shows the average proportion of KPIs-met-per-Objective for each year of the Review period. The Figure shows that the proportion of "Not achieved" has declined over time, while the proportion of "Near misses" and "Achieved" increased in the later part of the Review period. This story is highly consistent with broad ranging stakeholder feedback about the trajectory of improvement that has been displayed by MLA since 2014.

FIGURE 5.2 AVERAGE KPI PERFORMANCE OVER TIME*



Note: *The proportions displayed above are the average proportion of KPIs achieved under each Objective in a given year.

SOURCE:

5.3 Implementation of plans (appropriateness)

It is good practise for an organisations which operate in the interests of a broader industry, such as MLA, to ensure that its strategies and investments are in line with those of the industry and relevant national priorities. For MLA, this means ensuring that strategies are well aligned with the MISP, which is in turn aligned with national research and rural research priorities, as shown in **Box 5.2**.

BOX 5.2 NATIONAL RESEARCH AND RURAL RESEARCH PRIORITIES

The Corporate Plan 2010-2015 explains how MLA's plans are aligned with the National and Rural Research Priorities as shown below:

National Research Priorities

1. An environmentally sustainable Australia
2. Promoting and maintaining good health
3. Safeguarding Australia
4. Frontier technologies for building and transforming Australian industries

Rural Research Priorities

1. Natural resource management
2. Climate variability and climate change
3. Productivity and adding value
4. Supply chain and markets
5. Biosecurity
- Supporting the priorities
6. Innovation skills
7. Technology

SOURCE: (RMAC, 2010)

There is a clear line of sight between the KPIs outlined in the AOPs and the objectives and Imperatives outlined the MLA Corporate Plan.

Due to the split of Corporate Plan Imperatives across multiple MISP 2010-15 Strategic Themes, as discussed in Section B.1.2, there are some difficulties when aligning MLA Milestone performance with MISP Strategic Themes. For example, under Imperative 1 Maintaining and Improving Market Access, the Milestone "trade perception of the safety of Australian meat held at or above current levels in key markets" could also be considered part of 2.6 Promotion in Export Markets or 2.2: Enhance the Nutritional Reputation of Beef and Lamb.

The alignment between Strategies (at the AOP level) and Strategic Themes (at the MISP level) is not specified in the Corporate Plan or AOPs. Rather, strategies and Objectives under the Imperatives are aligned as shown in **Table 5.5** below.

TABLE 5.5 STRATEGIC ALIGNMENT OF MLA PLANNING OBJECTIVES

Strategic Theme	Objective	Strategies
Imperative 1: Maintaining and improving market access		
– Market Access – Marketing and Promotion – Economics and infrastructure	Develop and deliver industry systems that underpin product integrity	<ul style="list-style-type: none"> – Conduct scientific research to ensure food safety systems are at the leading edge of knowledge and practise – Develop and implement appropriate meat and livestock traceability systems – Support the development and uptake of food safety and quality assurance systems by all sectors of the red meat supply chain
	Support industry and government to maintain and liberalise world meat markets	<ul style="list-style-type: none"> – Support industry and government to defend existing favourable market access conditions in overseas markets – Assist in positioning the Australian meat and livestock industry for the WTO Doha Round – Assist in positioning the Australian meat and livestock industry for FTA negotiations – Develop strategies to remove access barriers – Provide issues management capability to avoid loss of market access due to meat safety concerns
	Maximise market options for producers and exporters in the livestock export market	<ul style="list-style-type: none"> – Assist supply chains to deliver continuous improvement in animal health and welfare – Provide research and support to enable improvements in supply chain efficiency

Strategic Theme	Objective	Strategies
		<ul style="list-style-type: none"> and performance – Support industry bodies to effectively contribute to community debate – Assist industry and government to defend and improve market access conditions and build demand for livestock
Imperative 2: Growing demand		
<ul style="list-style-type: none"> – Innovation – Marketing and Promotion 	Develop practices and drive programs that help industry deliver consistent and optimal eating quality	<ul style="list-style-type: none"> – Develop practices and drive programs that help industry deliver consistent and optimal eating quality – Develop and prove practices that deliver quantified, improved, consistent and optimal eating quality – Ensure sufficient integrity programs are implemented so accurate price signals drive eating quality improvement – Partner with supply chains to drive uptake of eating quality systems – Raise awareness of the MSA quality mark's role in underpinning the eating quality of company brands
	Enhance the nutritional reputation of red meat	<ul style="list-style-type: none"> – Increase our knowledge of the health benefits of red meat – Maintain consistent and fact-based dietary recommendations for red meat – Communicate and promote evidence-based nutrition information on red meat to health professionals and the broader community
	Develop new products	<ul style="list-style-type: none"> – Identify and evaluate emerging opportunities for new products – Develop technologies to improve the range of applications of co-products as commercial ingredients – Develop new technologies enabling transformation and value-adding of low value cuts – Improve industry capability to adopt and prosper from value adding innovations
	Aggressive promotion of beef in the domestic market	<ul style="list-style-type: none"> – Strengthen Australian consumers' emotional bond with beef, create desire and educate consumers to cook a range of seasonal beef meals/cuts – Work with retailers and foodservice operators to raise standards of presentation, quality, merchandising and promotion
	Aggressive promotion of lamb in the domestic market	<ul style="list-style-type: none"> – Maintain lamb as a routine habitual purchase by building national pride in lamb and encouraging consumers to buy and cook a wider range of lamb cuts/meals via consumer promotional efforts around specific community occasions throughout the year – Work with retailers and foodservice operators to raise standards of presentation, quality, merchandising and promotion
	Aggressive promotion in export markets – beef	<ul style="list-style-type: none"> – Disseminate comprehensive export market information – Develop new trade and consumer opportunities for Australian beef internationally – Position Australian beef as safe, consistent, versatile and nutritious via trade and consumer educational activities – Assist in the creation and promotion of strong brand identities through the implementation of individual co-operative programs (ICAs)
	Aggressive promotion in export markets – sheepmeat	<ul style="list-style-type: none"> – Disseminate comprehensive export market information – Grow awareness, trial and purchase of Australian lamb in overseas markets through various promotional activities – Position Australian lamb in overseas markets by leveraging its generic positive attributes (product integrity, Halal integrity, consistent quality, delicious, nutritious and easy to prepare) – Under co-operative programs support the growth of branded lamb supply chains to develop trade and consumer loyalty

Strategic Theme	Objective	Strategies
Imperative 3: Increasing productivity across the supply chain		
<ul style="list-style-type: none"> – Our people – Innovation – Economics and infrastructure 	Identify and deliver opportunities to increase on-farm productivity	<ul style="list-style-type: none"> – Enhance rates of genetic improvement in livestock and feedbase performance – Improve productivity in grazing and feedlot systems – Develop and implement new information technologies – Utilise producer participatory R&D to maximise the rate and effectiveness of the development and evaluation of new technologies
	Identify and deliver opportunities to increase off-farm productivity and capability	<ul style="list-style-type: none"> – Develop new technologies and systems that improve productivity and processing efficiencies – Assist the processing sector to improve work health and safety – Develop new systems to support processing decision making – Improve industry capability, knowledge and adoption of new technologies to increase productivity
	Deliver valued supply chain and market information	<ul style="list-style-type: none"> – Collect and maintain domestic and international meat market data of relevance to the Australian meat and livestock industries – Disseminate incisive analysis of relevant world meat market developments – Gather and analyse data on competitors – Facilitate improved information flows and risk management with supply chains – Work closely with peak councils and government and seek opportunities with like-minded organisations to identify priority industry issues and commission research to support these issues
	Support industry to improve animal health and biosecurity	<ul style="list-style-type: none"> – Improve animal health and biosecurity – Improve biosecurity measures at processing establishments that minimise risks to trade from exotic diseases
	Increase producer engagement with MLA tools and information to build capability	<ul style="list-style-type: none"> – Keep producers informed about activities and opportunities created by their levy investment in R&D and marketing – Facilitate the uptake of MLA information, tools and learning opportunities to influence positive practice change – Partner with producers and stakeholders who use and value MLA tools and information to help influence their peers as well as inform future MLA programs and activities
	Imperative 4: Supporting industry integrity and sustainability	
<ul style="list-style-type: none"> – Environment and ethics – Our industry – Innovation 	Support on-farm environmental sustainability	<ul style="list-style-type: none"> – Natural resource management – Responding to climate change
	Support off-farm environmental sustainability	<ul style="list-style-type: none"> – Conduct research to improve resource use efficiency – Develop technologies, tools and procedures that contribute to improved waste management systems and value add to waste products – Develop mitigation strategies to reduce greenhouse gas emissions – Engage industry stakeholders to demonstrate environmental stewardship and to respond to emerging regulatory and market requirements – Improve industry capability, knowledge and adoption of new technologies and processes to achieve sustainable resource management and adaptation to climate change
	Provide industry with solutions to meet high standards of animal welfare without reducing productivity levels	<ul style="list-style-type: none"> – Support industry to manage and improve livestock welfare to meet community expectations – Support industry to manage and improve livestock welfare at processing establishments to meet community expectations

Strategic Theme	Objective	Strategies
	Support industry's effective engagement with the community	<ul style="list-style-type: none"> Support industry to maintain the community's trust and confidence in the integrity and ethics of the Australian red meat industry by building knowledge and experience Equip and empower producers and their representatives to build industry's reputation through facts and engagement
	Develop sustainable innovation capability within the industry and its service providers	<ul style="list-style-type: none"> Work with stakeholders to promote opportunities for innovative people across the industry Collaborate with industry to implement professional and skills development programs Support the development of essential science, research, technical and extension capabilities

SOURCE: (MLA, 2015)

It is also good practice for an organisation, such as MLA to allocate resources in accordance with industry and national priorities. Such allocation can demonstrate that a company's investment decisions reflect those of the broader stakeholder group. A summary of MLA's revenue/expenditure over the Review period is shown in **Table 5.6**. This table sources data from the Income Statement provided in the MLA annual reports 2010 to 2015.

TABLE 5.6 SUMMARY OF MLA REVENUES AND EXPENDITURE, 2010-2015

CONTINUING OPERATIONS	2011 (\$000)	2012 (\$000)	2013 (\$000)	2014 (\$000)	2015 (\$000)	Avg. proportion of spending (Per cent 2011-15)	CAGR* (Per cent)
REVENUES FROM CONTINUING OPERATIONS	167,393	159,891	162,243	188,541	205,735		4
EXPENDITURE FROM CONTINUING OPERATIONS							
Improving market access	20,731	23,053	23,183	23,990	25,832	13.5	4
Growing demand	64,755	65,061	61,070	61,551	57,047	35.9	-2
Increasing productivity	20,371	24,669	36,451	39,068	36,219	18.1	8
Promoting integrity & sustainability	15,244	15,260	14,181	16,928	15,826	9.0	0
Increasing industry capability**	9,432	9,578				2.3	7
Communicating with stakeholders***	4,004	3,900	1,202	1,602	1,376	1.4	-19
Other	551	550	550	550	550	0.3	-1
R&D partnerships	20,826	17,458	18,201	25,966	30,000	12.9	6
Corporate costs	10,603	11,437	10,989	11,458	12,707	6.6	5
Total expenditure	166,517	170,966	165,827	181,113	179,557	100.0	1
NET SURPLUS FROM CONTINUING OPERATIONS	876	-11,075	-3,584	7,428	26,178		

Note: * Compound Annual Growth Rate. ** This Imperative was moved into the other Imperatives in 2012-13. ***This Imperative was replaced by "Supporting Initiatives" and was downsized after 2012-13.

SOURCE: MLA ANNUAL REPORTS 2010-2015

While it is difficult to directly align MLA's expenditure with the plans and contained in the industry's strategies and plans, **Table 5.6** shows the proportion of MLA spending on Growing demand and Increasing Productivity are the largest areas of spending. These two areas are described as key priorities in MISP 2010-15 particularly with respect to accessing global markets.

5.4 Implementation of plans (efficiency)

As part of this Review, ACIL Allen examined the efficiency of MLA's operations through the lens of company overheads and administration costs. The examination explored changing nature of these costs over the Review period to determine how efficiently the organisation had discharged its obligations under its strategic and operational plans.

Owing to the unique circumstances of MLA, the analysis was not extended to include a comparison with other RDCs. Such comparisons are misleading (and do not account for the individual circumstances of an RDC's investments, delivery models and value chains) and have therefore been avoided for this report.

In order to undertake this analysis, ACIL Allen worked with MLA to extract overhead data from its SAP financial database. This database collects expenditure for each project and is categorised by MLA Imperative, Activity Area and Sub Area and it is possible to isolate the overhead or indirect costs associated with MLA's activities, as shown in **Table 5.7**.

TABLE 5.7 MLA OVERHEADS (2010-11 TO 2014-15)

	Overhead Costs (\$)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Accounting, Legal & General	1,873,635	2,215,047	1,948,269	2,074,770	2,454,746
Human Resources Function	842,601	1,000,704	968,491	1,306,265	866,334
IT, Knowledge & Records	2,330,515	2,490,308	2,502,757	3,487,951	2,860,930
Communications & Customer Support	1,713,258	1,238,559	1,722,271	538,690	762,211
Premises & Rent	1,752,730	1,812,888	2,128,808	1,878,828	1,977,797
Levy Collection Fees	1,105,940	1,169,842	650,085	762,873	731,357
Board & CEO / Managing Director	1,746,494	2,070,250	2,153,723	1,905,406	1,670,963
Depreciation & amortisation	1,686,918	1,628,611	1,169,193	2,209,344	1,163,291
Total overheads	13,052,092	13,626,209	13,243,597	14,164,127	12,487,629
Year on year movement	-	4%	-3%	7%	-12%
Total Expenditure	166,517,000	170,966,000	165,827,000	181,113,000	179,556,742
Overheads as a % of total expenditure	8%	8%	8%	8%	7%

SOURCE: MLA FINANCIAL SYSTEM

An initial scan of the data found that it was difficult to isolate overheads associated with each project or against the Imperatives covered in the review period. The scan also revealed there has been a reasonably high degree of variation across the years regarding overhead allocation methodology and the overhead costs had to be 'normalised' in order facilitate a meaningful comparison. This variation can be explained for the perspective of key changes to the imperatives and organisational structure since 2010.

In basic expenditure terms, the data shows there has been a gradual increase across the years in MLA's overhead costs, which broadly aligns with the increases in the Consumer Price Index. However, expenditure growth was not linear across the Review period. For example, 2011-12

included a number of lumpy items, such as \$260,000 internal audit costs, before dropping significantly in 2014-15 with the benefits of the 2014 organisational restructuring and cost reduction initiatives being realised.

Overall, the results provided in **Table 5.7** below suggest that average overheads over the Review period were a small proportion of 'total expenditure', which demonstrate a recent trend of reduction since 2015.

5.5 Findings

Under the MOU the MLA is required to develop AOPs and Annual Business Plans which are to inform the AOPs. These plans guide strategies and operational activities that are aimed at meeting the objectives outlined in the five year Corporate Plan and MISP.

There is strong alignment between the strategies and the Imperatives, however there is a disconnect between the Strategic Themes and Imperatives that introduces a small degree of confusion when assessing how the MLA has performed in terms of the Strategic Themes outlined in the MISP. Further, it would be prudent for the MLA to introduce changes to the structure of planning instruments in cycle with broader changes outlined in the MISP and also to align with the MISP as far as possible.

It would also be prudent to reduce the complexity of the planning and KPI reporting structure adopted by MLA. This chapter has presented in KPI performance reporting system in as simple format as possible, however it has been difficult to distil the number of elements under the strategies and plans into easily readable and digestible analysis.

That being said, analysis of MLA's performance with respect to the Milestones set out in the AOPs shows a high level of performance almost all of the Imperatives. The most concerning area for the MLA is the continuing declining trend with respect to consumers' perceptions of the nutritional value of red meat. This issue is within the sphere of influence of the MLA, however it can be difficult to influence outcomes in this area despite continuing efforts to do so. In terms of providing the greatest benefits at the lowest cost to the industry at large, the MLA should focus its efforts where the marginal gains are greatest – this appears to be in supporting the growth in export demand for Australian red meat products and solidifying Australia's market share and image amongst consumers.



6

BENEFITS DELIVERED TO INDUSTRY

In late 2015 The CIE was commissioned to undertake an independent assessment of the value generated by MLA's investments for the red meat industry. This Chapter reviews the outcomes of this assessment in order to draw our own conclusions about the benefits MLA has delivered to the industry. The Chapter considers the approach used by CIE to undertake the assessment, the nature and scale of the benefits identified in the study, and how these benefits were distributed among post- and pre-farm gate stakeholders.

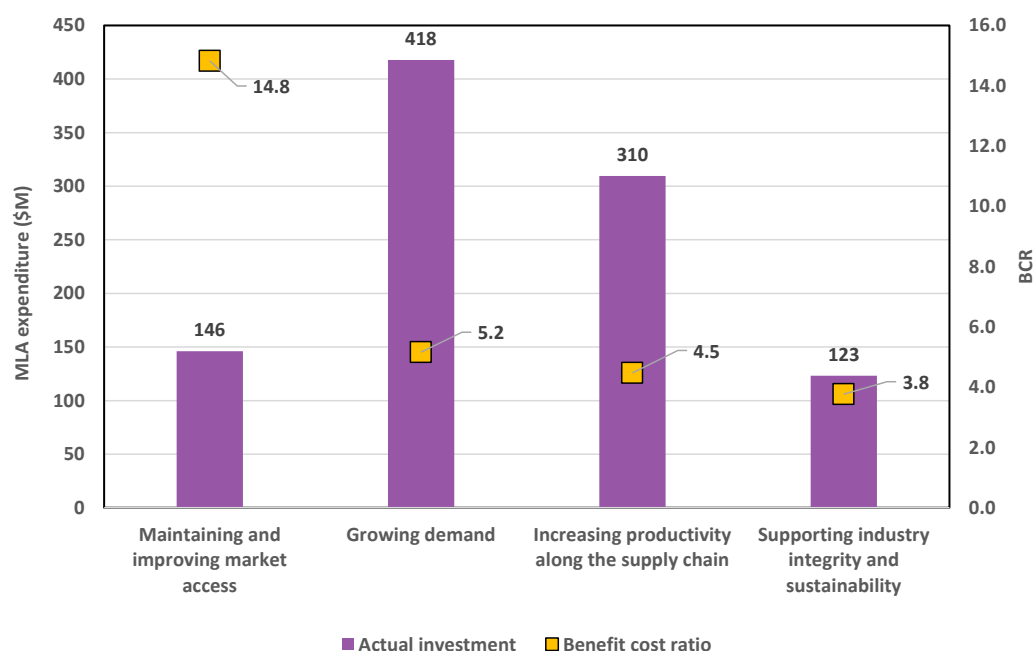
6.1 Portfolio investments

MLA's total expenditure over the Review period was just under \$1 billion, including staff and overhead costs as well as program expenditure. MLA invests in R&D in four main areas as shown below:

1. Maintaining and improving market access. Investment in this area is split between three topics:
 - Developing and delivering industry systems that underpin product integrity
 - Supporting industry and government to maintain and liberalise world meat markets
 - Maximising market options for producers and exporters in the livestock export market.
2. Growing demand. Investment in this area is split between six topics:
 - Eating quality
 - New products
 - Beef Domestic Marketing
 - Lamb Domestic Marketing
 - Beef Export Marketing
 - Lamb Export Marketing.
3. Increasing productivity along the supply chain. Investment in this area is split between six topics:
 - Identifying and delivering opportunities to increase on-farm productivity
 - Identifying and delivering opportunities to increase off-farm productivity
 - Deliver valued supply chain and market information
 - Supporting industry to improve animal health and biosecurity
 - Feedlot programs
 - Goat programs.
4. Supporting industry integrity and sustainability. Investment in this area is split between four topics:
 - Supporting on-farm sustainability
 - Supporting off-farm sustainability
 - Providing industry with solutions to meet high standards of animal welfare without reducing productivity levels
 - Developing sustainable innovation capability within the industry and its service providers.

Figure 6.1 shows how MLA's expenditure across the Review period was split between the four main areas of activity. **Figure 6.1** also shows the benefit cost ratio (BCR) for each of the four areas that MLA invests in. For three of those areas the BCRs are similar in size, however the BCR for MLA's investment in *Maintaining and Improving Market Access* is significantly higher. Note that all references to benefits in this chapter include estimated benefits over the Review period, i.e. 2010-11 to 2014-15, and estimated benefits beyond 2015. Similarly, all BCRs are calculated based on these two categories of estimated benefits.

FIGURE 6.1 MLA EXPENDITURE AND BCR BY INVESTMENT AREA



SOURCE: CIE REPORT (ALL MLA PROGRAMS SPREADSHEET)

6.2 Analysis of CIE benefits study

6.2.1 Approach adopted by CIE

The CIE's evaluation methodology differs from the methodology used for past evaluations. Previous evaluations have involved reviewing a selection of individual projects or programs over different time periods, whereas on this occasion the approach simultaneously reviewed all program activities over the full five year period 2010-11 to 2014-15.

The key elements of the evaluation included:

- Grouping MLA programs based on the program structure in the 2014-15 AOP.
- MLA program managers preparing background papers on the outcomes delivered by the program and the industry impact achieved over the Review period. In doing the evaluation CIE considered the benefits delivered up to the end of the evaluation period and the anticipated benefits beyond 2015.
- A series of workshops with technical experts and industry commercial operators to review the background papers and provide independent advice on the outcomes delivered and the industry impact achieved.
- The outcomes from the workshops were then fed into various industry models to generate industry benefits and BCRs.

Program managers and workshop participants also provided advice on what has worked well and what could be improved to enhance MLA's ability to generate benefits for the industry. The results of CIE's analysis was reported both in terms of the impact on the industry/sector, the economic impact

on the community and the impact on individual enterprises and animals. Case studies were developed to help to demonstrate the impact of MLA sponsored projects.

Benefits in the CIE analysis were reported both as changes in red meat net income and as changes to the Gross Value of Production (GVP). The analysis in this chapter only uses the former as this measure better represents the benefits delivered across the entire value chain.

The above methodology is said to be consistent with the Council of Rural R&D Corporation's (CRRDC) project impact assessment methodology used by all RDCs.

6.2.2 Key results

CIE's evaluation of MLA's R&D portfolio found that the average BCR across all of MLA's activities was approximately six. This is a relatively good 'return on investment' for programs of this kind. However, the average BCR figure hides significant variations across and within different streams of activity.

Below we briefly examine each of the four different areas of MLA's activity.

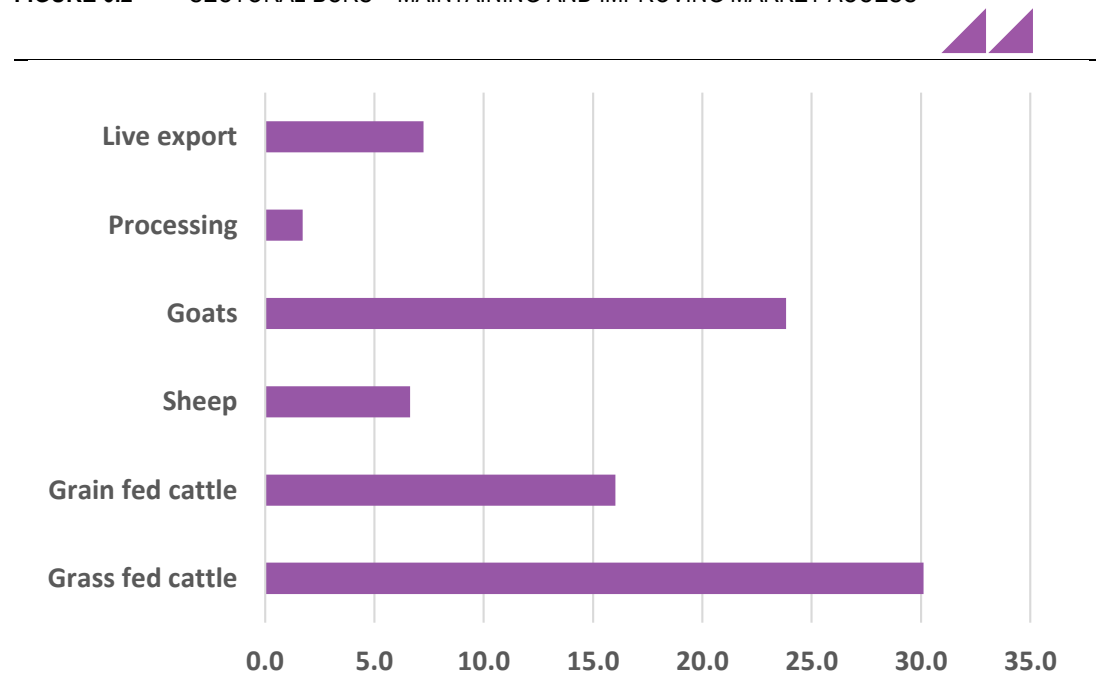
Maintaining and improving market access

This area of activity has three different themes with quite different BCRs, namely:

- Developing and delivering industry systems that underpin product integrity, with a BCR of 15.4.
- Supporting industry and government to maintain and liberalise world meat markets, with a BCR of 52.
- Maximising market options for producers and exporters in the livestock export market, with a BCR of 19.3.

There is also significant variation in BCRs across the different sectors of the red meat industry for this research area. For example, **Figure 6.2** shows how the BCR varied from approximately 30 for the grass fed cattle sector to less than 2 for the processing sector.

FIGURE 6.2 SECTORAL BCRS – MAINTAINING AND IMPROVING MARKET ACCESS



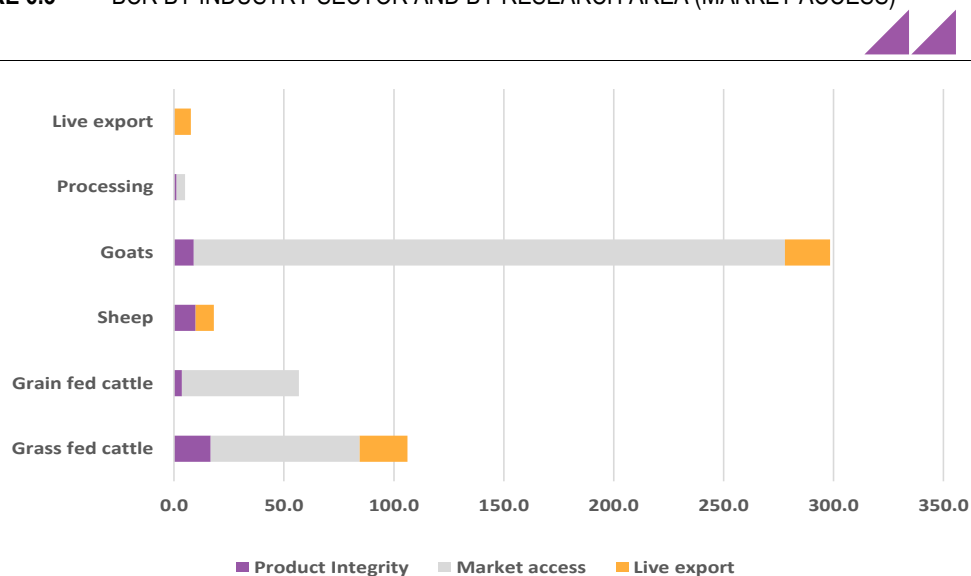
Note: Benefits measured in terms of red meat net income. The expected present value of benefits in 2014-15 dollars is calculated using a real rate of return of 5 per cent.

SOURCE: THE CIE (MAINTAINING AND IMPROVING MARKET ACCESS SPREADSHEET)

Figure 6.3 illustrates how BCRs vary across different sectors of the red meat industry by the different elements of the research under the topic of maintaining and improving market access. The BCR for the goat sector is by far the largest. This is at least in part due to the extremely good uptake of goat-focused research outputs.

While the BCR for goats is the highest, the benefits in terms of net income for the goat sector (\$30 million) are the lowest of all the sectors examined (see **Figure 6.4**). However, despite Australia being the world's largest exporter of goat meat and live goats, the goat sector is a small and emerging sector in Australia. The fact that the number of goat producers rose by almost 42 per cent over the Review period suggest that these new arrivals in the sector were actively seeking to access as much assistance as they could from MLA.

FIGURE 6.3 BCR BY INDUSTRY SECTOR AND BY RESEARCH AREA (MARKET ACCESS)

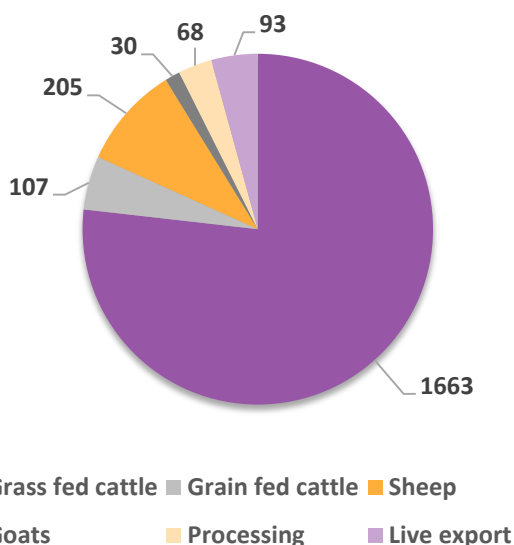


Note: Benefits measured in terms of red meat net income. The expected present value of benefits in 2014-15 dollars is calculated using a real rate of return of 5 per cent.

SOURCE: THE CIE (MAINTAINING AND IMPROVING MARKET ACCESS SPREADSHEET)

The total benefit, as measured in terms of red meat income, expected to be delivered by MLA's projects under the Improving Productivity activity is \$2.165 billion. **Figure 6.4** illustrates how that benefit is distributed across the different sectors. Approximately 75 per cent of the benefit (\$1.663 billion) is captured by the grass fed cattle sector. The sheep sector captures the next biggest share of the benefits at 9 per cent (or \$205 million).

FIGURE 6.4 BENEFITS IN TERMS OF NET INCOME BY SECTOR (MARKET ACCESS) (\$M)



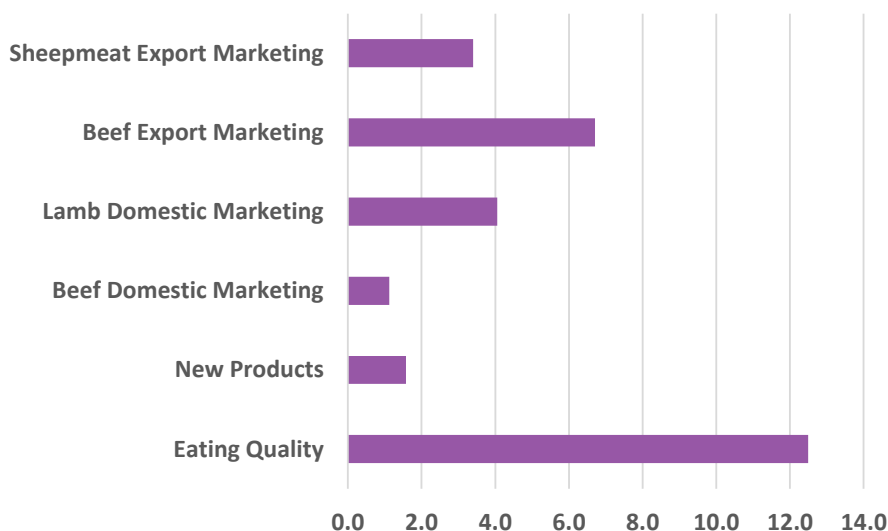
Note: Benefits measured in terms of red meat net income. The expected present value of benefits in 2014-15 dollars is calculated using a real rate of return of 5 per cent.

SOURCE: THE CIE (MAINTAINING AND IMPROVING MARKET ACCESS SPREADSHEET)

Growing demand

The overall BCR for this area of activity was estimated to be 5.2 (as measured by red meat industry net income). The BCRs for each of the six different program themes for this area of activity are shown in **Figure 6.5**.

FIGURE 6.5 BCRs FOR THE GROWING DEMAND AREA OF ACTIVITY

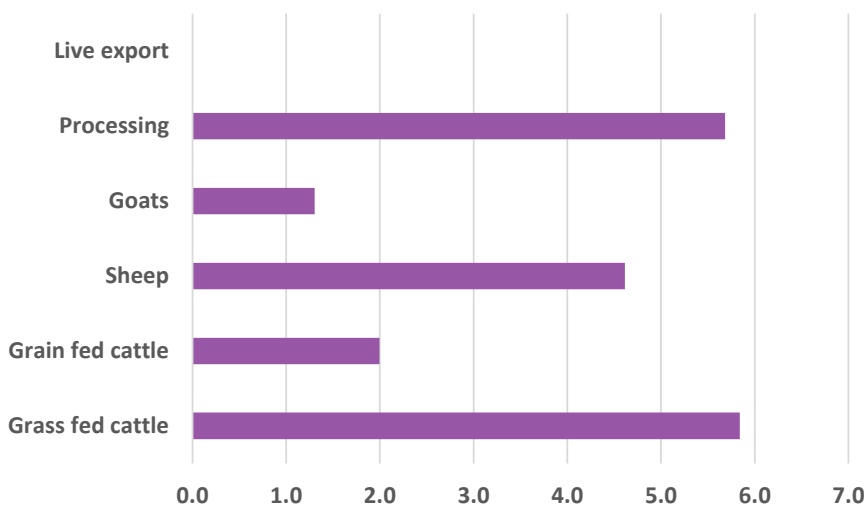


Notes: 1. Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent. 2. Beef and lamb domestic marketing include MLA's nutrition programs.

SOURCE: THE CIE (GROWING DEMAND SPREADSHEET)

Again, there is significant variation in BCRs across the different sectors of the red meat industry for this research area. For example, **Figure 6.6** shows how the BCR varied from just under six for the grass fed cattle and the processing sectors to zero for the live export sector.

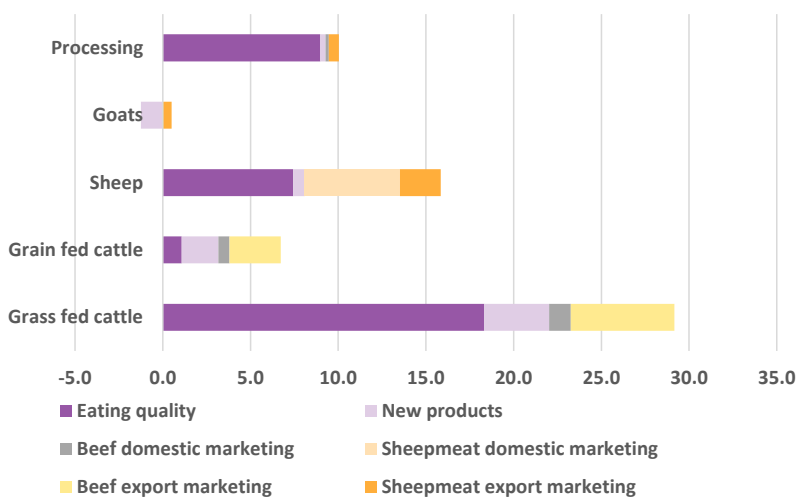
FIGURE 6.6 SECTORAL BCRS (GROWING DEMAND)



Note: 1. Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (GROWING DEMAND SPREADSHEET)

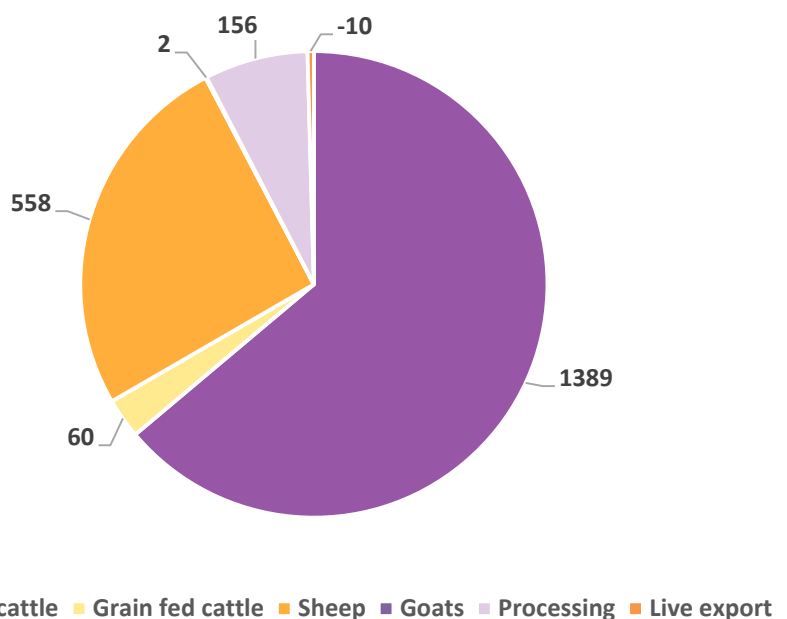
Figure 6.7 illustrates how BCRs vary across different sectors of the red meat industry by the different elements of the research carried out under the topic of growing demand. The largest benefits arise from research aimed at improving eating quality. There were no benefits for the live exports sector. The benefits to the goat sector were very small. Indeed the research undertaken on new products had a small negative impact, presumably due to new (beef or sheep meat) products taking market share from the goat meat sector.

FIGURE 6.7 BCR BY INDUSTRY SECTOR AND BY RESEARCH AREA (GROWING DEMAND)



Note: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (GROWING DEMAND SPREADSHEET)

Figure 6.8 shows that grass fed beef and sheep obtained around 90 per cent of the estimated benefits (as measured in terms of red meat income) from the Growing Demand activities conducted by MLA. Processing captured most of the remaining benefit. There was a small negative impact on live exports.

FIGURE 6.8 BENEFITS IN TERMS OF NET INCOME BY SECTOR (GROWING DEMAND) (\$M)

Note: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (GROWING DEMAND SPREADSHEET)

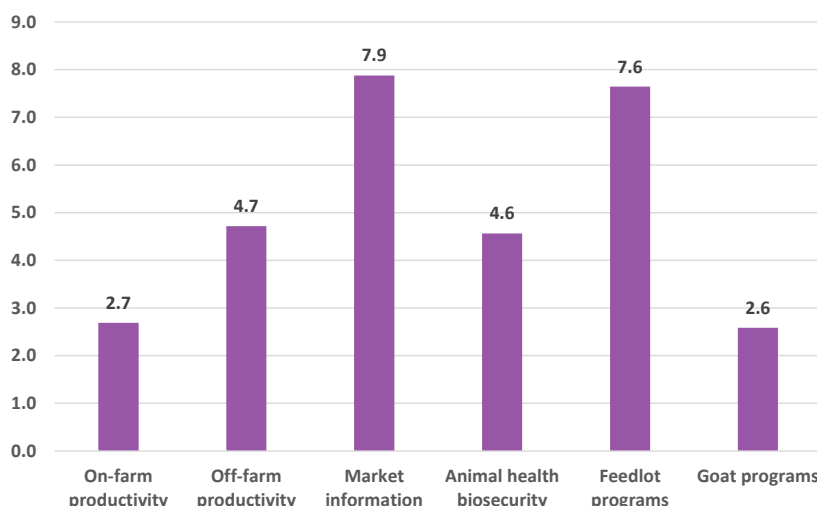
Increasing productivity along the supply chain

The present value of MLA's investments in this area of activity from 2010-11 to 2014-15 in 2014-15 dollars (using a real rate of return of 5 per cent) was \$310 million. The overall BCR for this area of activity was 4.5 (as measured by red meat industry net income). This area of activity has six different research themes, namely:

- Identifying and delivering opportunities to increase on-farm productivity
- Identifying and delivering opportunities to increase off-farm productivity
- Delivering valued supply chain and market information
- Supporting industry to improve animal health and biosecurity
- Feedlot programs
- Goat programs.

The BCRs for each of the above research themes are shown in **Figure 6.9**.

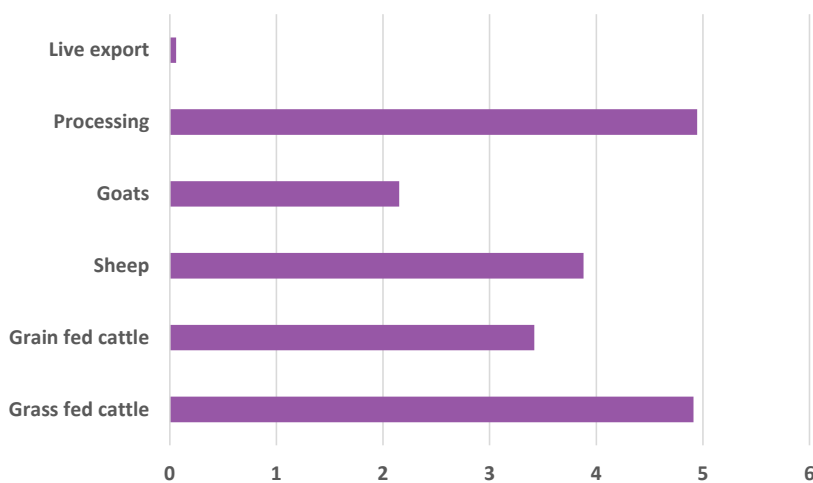
FIGURE 6.9 BCRS FOR THE INCREASING PRODUCTIVITY AREA OF ACTIVITY



Note: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (INCREASING PRODUCTIVITY ACROSS THE SUPPLY CHAIN SPREADSHEET)

Again, there is significant variation in BCRs across the different sectors of the red meat industry for this research area. **Figure 6.10** shows how the cost benefit ratio varied from just under five for the grass fed cattle and the processing sectors to just above zero for the live export sector.

FIGURE 6.10 SECTORAL BCRS (INCREASING PRODUCTIVITY)



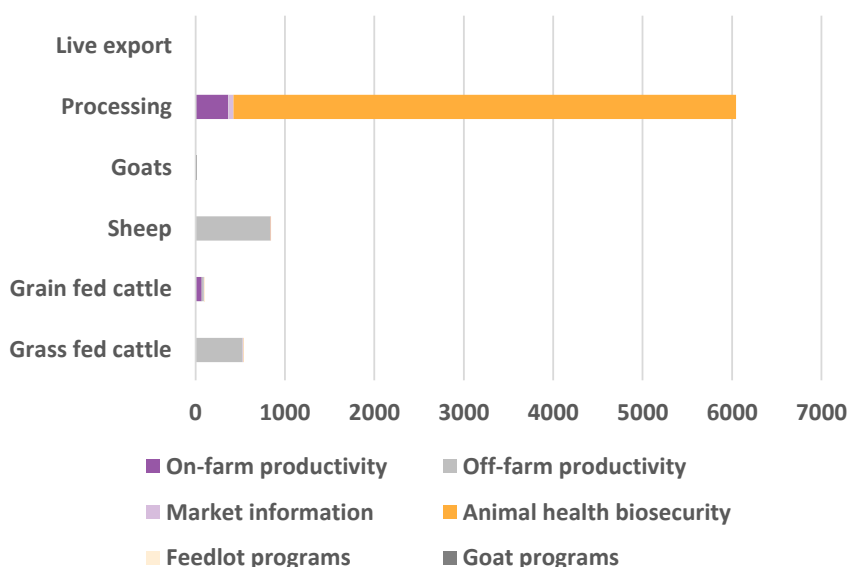
Note: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (INCREASING PRODUCTIVITY ACROSS THE SUPPLY CHAIN SPREADSHEET)

Figure 6.11 illustrates how BCRs vary across red meat industry sectors by the different elements of the research carried out under the topic of Improving Productivity. The largest BCR arose from research aimed at improving animal health and biosecurity. This was due to a small investment of approximately \$10,000 by MLA targeting the processing sector that generated an estimated benefit to the sector of around \$60 million. It is worth noting that the bulk of MLA’s investment in animal health and biosecurity targeted the sheep and grass fed cattle sectors.

Research to identify and deliver opportunities to increase off-farm productivity also generated significant BCRs for the sheep and grass fed beef sectors. The bulk of MLA’s investment in this area was actually targeted at the processing sector, with little actually spent on projects that targeted the sheep and grass fed beef sectors.

Again, there were no benefits to the live exports sector. The BCR for the goat sector was relatively small – an investment by MLA of approximately \$3 million in goat programs generated benefits of about \$7 million, for a BCR of approximately 2.3.

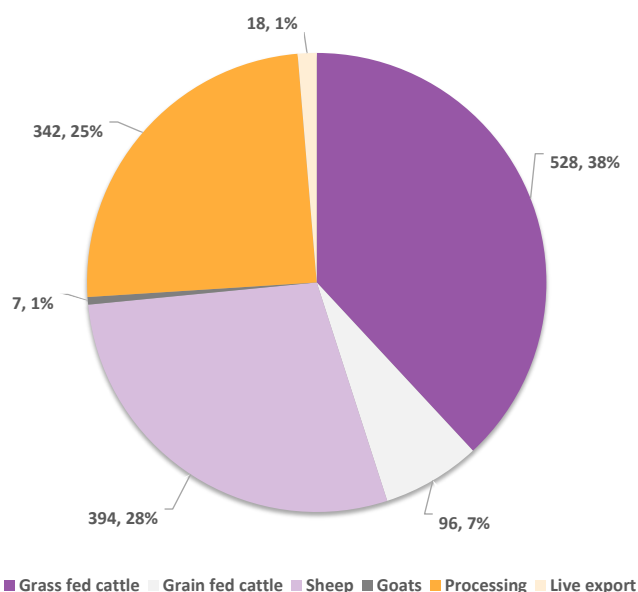
FIGURE 6.11 BCR BY INDUSTRY SECTOR AND BY RESEARCH AREA (IMPROVING PRODUCTIVITY)



NOTE: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (IMPROVING PRODUCTIVITY SPREADSHEET)

The total estimated benefit, as measured in terms of red meat income, expected to be delivered by MLA’s projects under the Improving Productivity activity is \$1.385 billion. **Figure 6.12** illustrates how that benefit is distributed across the different sectors.

FIGURE 6.12 BENEFITS IN TERMS OF NET INCOME BY SECTOR (IMPROVING PRODUCTIVITY)
(\$M, %)



Note: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
SOURCE: THE CIE (IMPROVING PRODUCTIVITY SPREADSHEET)

Grass fed beef, sheep and processing gained the bulk of the benefits (collectively over 90 per cent) grain fed cattle achieved around 7 per cent and goats and live export shared the remainder.

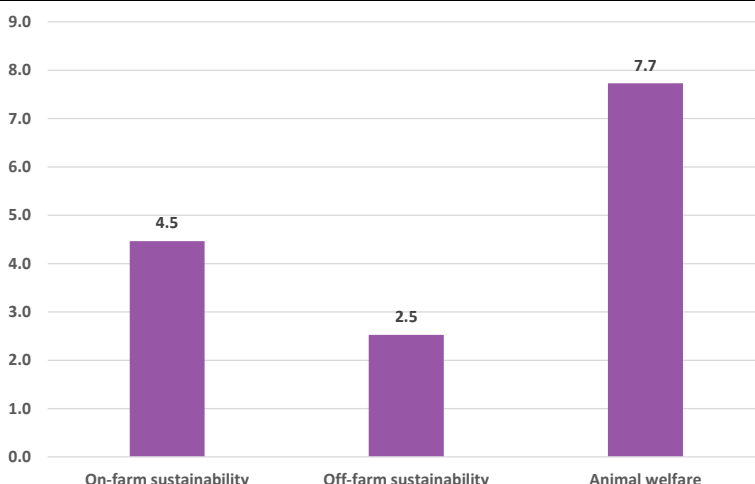
Supporting industry integrity and sustainability

The present value of MLA's investments in this area of activity from 2010-11 to 2014-15 in 2014-15 dollars (using a real rate of return of 5 per cent) was slightly over \$123 million. The overall BCR for this area of activity was 3.8 (as measured by red meat industry net income). This area of activity has four different research themes, namely:

- Supporting on-farm sustainability
- Supporting off-farm sustainability
- Providing industry with solutions to meet high standards of animal welfare without reducing productivity levels
- Developing sustainable innovation capability within the industry and its service providers.

BCRs for the first three research themes are shown in **Figure 6.13** (CIE did not quantify the benefits of the last research theme).

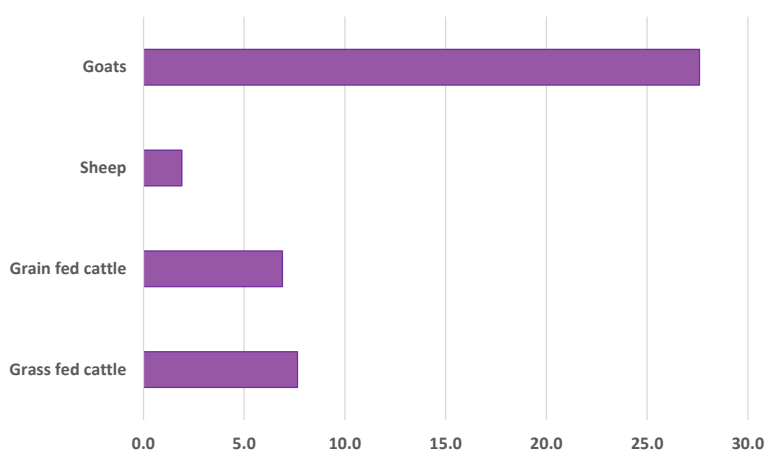
FIGURE 6.13 BCRs FOR THE INTEGRITY AND SUSTAINABILITY AREA OF ACTIVITY



Note: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (SUPPORTING INDUSTRY AND INTEGRITY SPREADSHEET)

Figure 6.14 shows how the BCR varied from almost 28 for the goat sector to just under two for the sheep sector. There were no benefits calculated for the live exports or the processing sectors. Indeed the CIE analysis suggests that the processing sector suffered an estimated reduction in income of \$61 million as a result of the R&D done under this activity.

FIGURE 6.14 SECTORAL BCRs (INTEGRITY AND SUSTAINABILITY)

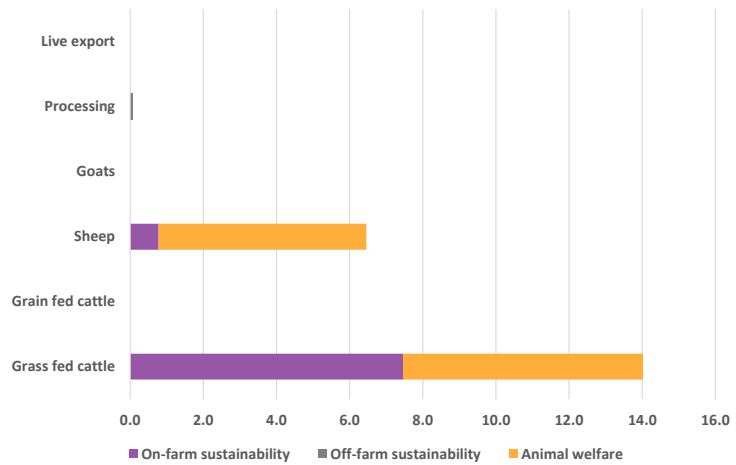


Note: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (SUPPORTING INDUSTRY AND INTEGRITY SPREADSHEET)

Figure 6.15 illustrates how BCRs vary across red meat industry sectors by the different elements of the research carried out under the topic of Integrity and Sustainability. The largest BCR was in the grass fed beef sector, which arose from research aimed at improving on-farm sustainability and animal welfare. Projects targeting animal welfare also generated benefits for the sheep sector.

The processing, live exports and goat sectors gained very little benefit from MLA’s R&D projects under this area of activity.

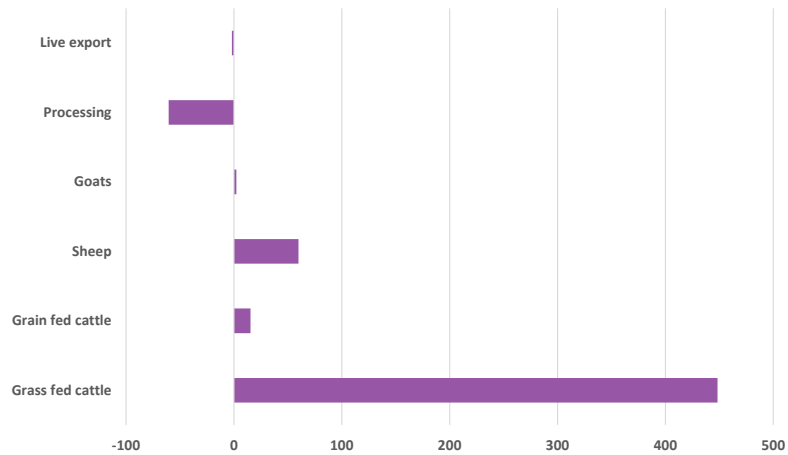
FIGURE 6.15 BCR BY INDUSTRY SECTOR AND BY RESEARCH AREA (INTEGRITY AND SUSTAINABILITY)



Note: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (SUPPORTING INDUSTRY AND INTEGRITY SPREADSHEET)

The total estimated net benefit, as measured in terms of red meat income, expected to be delivered by the MLA’s projects under the Integrity and Sustainability activity is \$463 million. This includes an estimated \$61 million reduction in income for the processing sector and also a small reduction for the live export sector.

FIGURE 6.16 BENEFITS IN TERMS OF NET INCOME BY SECTOR (INTEGRITY AND SUSTAINABILITY) (\$M)

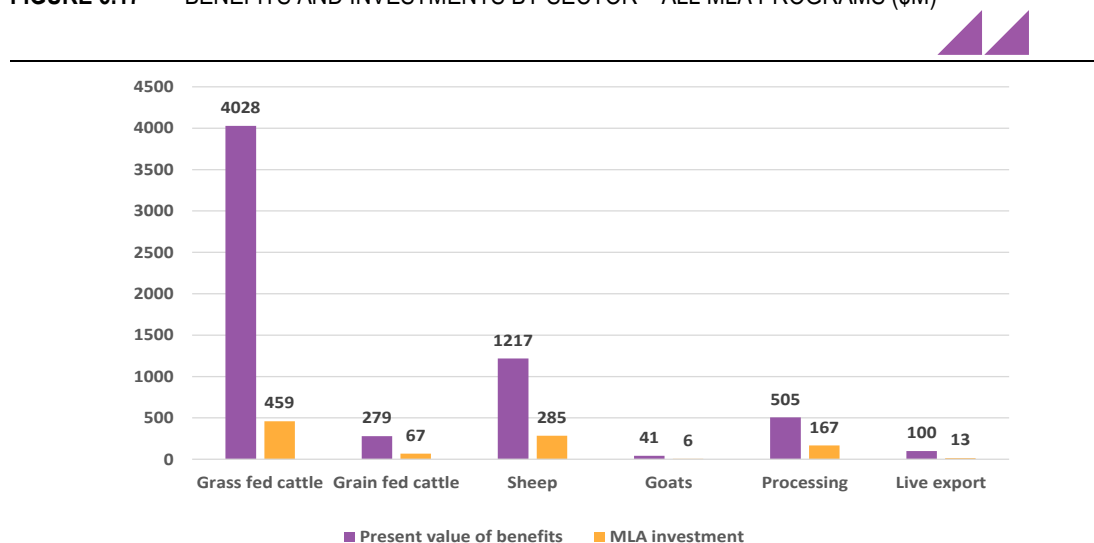


Note: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (SUPPORTING INDUSTRY AND INTEGRITY SPREADSHEET)

Results as a whole

The CIE’s analysis suggests that the almost \$1 billion invested in MLA’s programs will generate an estimated \$6.17 billion improvement in red meat industry net income. **Figure 6.17** shows the investments made by MLA across the various sectors and the estimated benefits that sectors will gain from those investments.

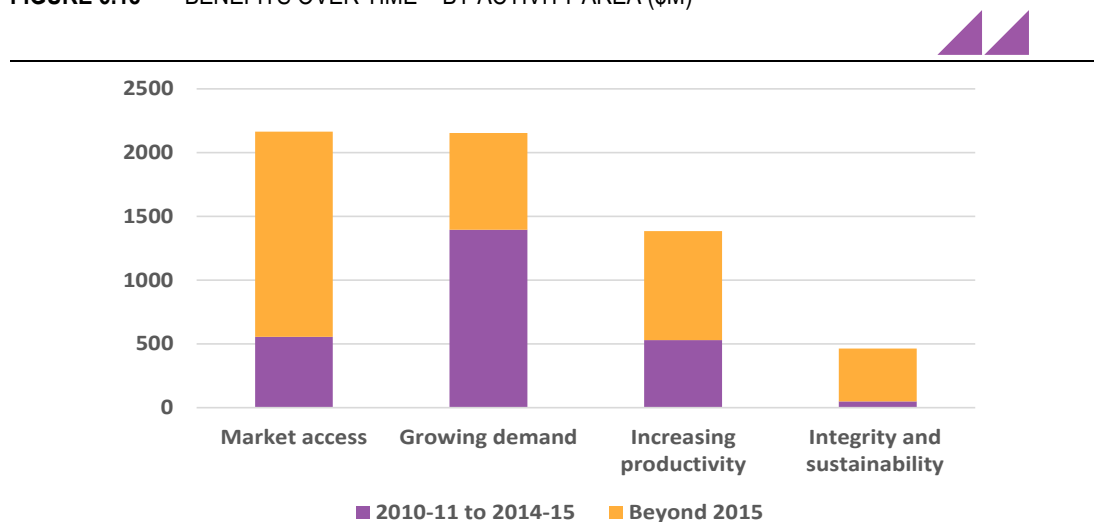
FIGURE 6.17 BENEFITS AND INVESTMENTS BY SECTOR – ALL MLA PROGRAMS (\$M)



Note: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (ALL MLA PROGRAMS SPREADSHEET)

Figure 6.18 shows how the estimated net income is distributed over time. In the case of the Growing Demand activity, CIE has estimated that some 65 per cent of the estimated benefits were delivered by the end of 2014-15. However, for the other three activity areas CIE have estimated that the projects undertaken will deliver the bulk of their benefits in the period beyond 2015. There was an argument made during the workshops held by CIE that resources must continue to be applied to ensure that those future benefits are realised.

FIGURE 6.18 BENEFITS OVER TIME – BY ACTIVITY AREA (\$M)



Note: Benefits measured in terms of red meat net income. Expected present value of benefits in 2014-15 dollars using a real rate of return of 5 per cent.
 SOURCE: THE CIE (ALL MLA PROGRAMS SPREADSHEET)

The CIE report concluded that the majority of MLA programs were perceived by workshop participants as providing benefit to industry. The extent of those benefits was relatively significant in some cases but more marginal in others. In general, MLA's programs were supported by workshop participants.

Two program areas, namely domestic beef marketing and northern cattle on-farm R&D, were identified as needing significant improvement. Results to date for these two program areas were regarded as disappointing.

In the case of beef marketing, changing campaign objectives and themes over time coupled with the prevailing difficult economic circumstances were seen as contributing to the program's lack of success. It is worth noting that the efforts to promote beef exports were regarded as very successful.

In the case of on-farm R&D the key barrier to obtaining better benefits was the low adoption rates among northern beef producers. Almost all of the impact from this program was in southern livestock systems where adoption rates were better.

6.2.3 ACIL Allen's view and analysis

CIE's evaluation of MLA's programs faced the same challenges that evaluations of all R&D and marketing programs face, such as establishing the counterfactual, dealing with the fact that the benefits of programs can often take many years to be realised and how to value economic, environmental and social benefits.

The effort needed to evaluate the full suite of MLA programs is considerable. ACIL Allen believes that CIE's methodology for the evaluation of MLA's programs was sound. The CIE's consultations with stakeholders was extensive and provided an important input into the analysis.

The results of the evaluation were mixed. CIE's consultations and analysis suggest that:

- MLA's average return on investment from the funds it spent on R&D and marketing over the Review period is good.
- While direct comparisons between the estimated benefits in the 2010 Arche Review and the CIE review are difficult due to the differing methodologies, ACIL Allen notes that the average BCR for the program as a whole were similar, namely just above six.
- In areas where uptake is high the returns in terms of farm incomes can be considerable. The dramatic return on investment from the goat programs which enjoyed very high uptake rates provides an excellent example of this.
- Many of the R&D programs are not expected to deliver benefits until beyond the period covered by this evaluation (i.e. post 2015).
- While benefits are expected to continue to flow from the work done to date, MLA needs to maintain its efforts if those benefits are not to decline rapidly.
- Returns on export marketing are good, however the returns from domestic marketing campaigns are less valuable.
- In many cases low uptake rates are a significant barrier to being able to deliver higher impact and greater benefits.

The discussion in Section 6.2.2 suggests that focussing too heavily on BCR can give a misleading picture of the impact of R&D programs. BCRs can provide an indication of the effectiveness of a particular area of research, however, as was illustrated in **Figure 6.11** it is possible to generate very large BCRs from relatively small investments in R&D. This can give rise to misleading results, particularly since it may at times be difficult to clearly attribute an estimated benefit to a specific program element. Therefore using the BCR numbers alone to determine the 'effectiveness' of a particular element of activity should be approached with some caution. It will be important to consider the full circumstances around particular activities, including the size of benefits actually delivered, the potential spill overs between different projects (an attribution issue) and what would have occurred in the absence of the particular activity (the counterfactual).

While a comprehensive evaluation of the outcomes and impact of MLA's R&D such as that done by CIE is useful in providing some guidance of the overall impact of the MLA's program of R&D, the difficulties created by the need to make simplifying assumptions and estimates across such a broad

range of activities does tend to introduce a degree of uncertainty around the conclusions reached. That said, the overall results of CIE's analysis are sufficiently positive to provide confidence that even if there were areas where the estimates made might be seen as optimistic, the conclusion that MLA's R&D program has delivered good value for producers and processors would remain valid.

6.3 Alignment with feedback from ACIL Allen's consultation process

Low and or slow adoption rates were identified as an important issue during ACIL Allen's consultations, particularly in the north of Australia. There is an issue around how MLA makes the results of its programs available. ACIL Allen found that MLA struggled to demonstrate performance and value for money to producers and other levy payers.

There is also some question about the capacity of individual farmers to absorb the information provided. This is likely to be less of an issue for the larger vertically integrated companies in the sector. If the outputs of MLA programs are to have a better chance of leading to increased farm gate profitability then there needs to be more attention to translation of those outputs at the farm level to increase uptake. Such effort is considered by research providers and states and territory governments consulted for this project to be particularly important for increasing future adoption rates at the farm level.

6.4 Areas that require further analysis

MLA, like all RDCs, faces challenges in designing and maintaining an evaluation system that cost-effectively establishes benefits realised and assists targeting/adapting future investments. The current system consists of:

- a CGE model (for market analysis)
- multi-criteria assessment (MCA) of investments (which include economic analysis where possible)
- program evaluation (including economic analysis) during or towards the end of investment.

Over the Review period MLA sought to improve its MCA at the point of investment but the number of ex-ante program evaluations declined. In response to the latter, MLA commissioned CIE to evaluate the whole portfolio to ensure the benefits realised during the Review period were established.

Looking to the future the challenge for MLA is to evolve its evaluation system where it adds more value to investment decisions and does not require a large expensive activity to establish benefits at the end of the next SFA to meet its obligations.

At the point of investment, MLA essentially makes two decisions: allocations to key goals, followed by selection of programs and projects that will make up the investment portfolio for each goal. The first decision is the responsibility of the Board (top down) and the second the relevant business unit (bottom up). Both require internal approval and external consultations in line with delegations. The role of MCA is to provide transparency and rigour around the decisions. Evaluation plays an important role in MCA at this time, especially in estimating future benefits: but are also limited by:

- lack of data and tools to generate a reliable estimate of benefits of current and future investments
- the use of different data and tools by business units, limiting efficiency and comparability
- ability to align and readily report the Board and business unit MCAs
- many external stakeholders requiring information on benefits specific to them rather than all industry.

The net result is a complicated and extensive MCA system and a tendency for associated reporting to focus on reporting inputs and outputs rather than benefits against MLA's goals and stakeholders' priorities.

With respect to program evaluation the reason why few were completed over the Review period is one of governance and perceived value. The underlying principle is that MLA seeks to evaluate all of its investments over a 5 to 10 year cycle. Lack of oversight meant that progress was not monitored and the approach of requiring business units to both support and fund technically complicated evaluations made them hard to establish. This is despite the fact that evaluations can achieve more than establishing benefits and are an important tool to assessing how to remove barriers (e.g. low adoption

rates) and improve the structure and focus of services (e.g. genetic evaluation services and post FTA market access initiatives).

Evaluations are technical in nature and not only require suitable skills and data, but further interpretation and packaging to report results to internal and external stakeholders. For example BCRs rely on the quality of supporting data and the underlying “program logic” to generate reliable results and the content for present benefits as narratives in non-economic terms for stakeholders.

In order to evolve its evaluation system it will be critical for MLA to:

- Streamline and align its MCA and reporting at the point of investment across the organisation
- Develop a consistent and comparable in-house economic assessment tool that is comparable across all units and can be applied quantitatively and qualitatively to current and potential investments
- Invest in fundamental baseline datasets to inform program evaluations
- Establish and actively oversee a schedule to evaluate all programs over a 5-10 year cycle
- Target evaluations where benefits are uncertain/poorly defined (e.g. social and environment), further investigation is required (e.g. low adoption) or current investments are mature and unlikely to realise the same benefits in the future if they continue as they are (e.g. market access, ESCAS and MSA)
- Aligning the MCA, progress and ex-ante reports with unit and corporate communications to generate content for stakeholder engagement.

6.5 Findings

The CIE evaluation has established an estimate of benefits realised over the Review period. The grass fed cattle sector was the biggest beneficiary of the MLA’s programs. The estimated benefits to the sector were \$4.03 billion. The sector with the next highest benefits was the sheep sector (\$1.22 billion), followed by the processing sector (\$505 million).

Low (or slow) rates of uptake of MLA research outputs have been identified as a significant barrier to delivering greater benefits and impacts from MLA’s programs. Measures to encourage adoption should be considered when developing R&D projects. Project proposals could, for example, include a plan for how adoption might be encouraged (assuming the project results warranted it).

A schedule to evaluate all programs in the portfolio over 5 to 10 years should be established and actively overseen by the Board. This will avoid once off compliance oriented evaluations and allow evaluations to be targeted and embedded. There are opportunities to improve the quality of evaluation tools and streamline MCA at the point of investments across the organisation. Both program evaluations and MCA reports needed to be structured to generate on-going content for unit and corporate communications with stakeholders.

OBLIGATIONS AND PAST RECOMMENDATIONS



7.1 Assessment of obligations under the SFA

7.1.1 MLA

Table.7.1 summaries MLA's compliance with the obligations under the SFA. The Table clearly shows that MLA is meeting the obligations under the agreement. ACIL Allen have not identified any areas of breach or non-compliance with the SFA. The results provided in **Table.7.1** are supported by a range of evidence, including:

- feedback from the Department (i.e. the Division responsible for managing the SFA) that MLA has met its obligations under the SFA and no significant breaches of the agreement have occurred during the Review period
- statutory reports to the Department, sighted by ACIL Allen, which demonstrate compliance with the SFA
- governance, planning financial and other internal information, sighted by ACIL Allen, which demonstrate adherence to the SFA
- public reports, plans and strategies demonstrating compliance with the SFA
- discussion with staff about any issues relating to MLA's compliance with the SFA.

It is important to note that only those clauses where MLA has an obligation to comply with the SFA are considered in **Table.7.1** below.

TABLE.7.1 ASSESSMENT OF MLA'S OBLIGATIONS UNDER THE SFA (2012-16)

Clause & obligation	Status (Fully satisfied, partially satisfied, not satisfied, clause not enacted) during the Review period
2. Term and operation of the Deed	
2.6 MLA must publish this Deed on its web-site	Fully satisfied – Deed available on the MLA website at: http://www.mla.com.au/About-MLA/Planning-reporting/Corporate-documents
3. Constitution and membership	
3.1 MLA must:	Fully satisfied –
a) consult with the Minister on changes proposed by MLA to the MLA Constitution	– Resolutions put to the 2014 AGM were discussed with the Department
b) advise the Minister of any resolution proposed by members of MLA to amend the MLA Constitution as soon as reasonably practicable after the resolution is accepted by MLA	– No motions were raised by members
c) give the Minister a copy of each notice of a motion to modify the MLA	– Notice of meeting was provided to the Department in October 2014

Clause & obligation	Status (Fully satisfied, partially satisfied, not satisfied, clause not enacted) during the Review period
<p>Constitution, at the same time as it gives notice of the motion to members of MLA</p> <p>d) as soon as practicable after any modification of the MLA Constitution is made, give the Minister notice setting out the modification and explaining its effect</p>	<ul style="list-style-type: none"> - Notice confirming changes to the Constitution passes at 2014 AGM were provided to the Department in November 2014
<p>3.2 MLA must do all things necessary so that it remains representative of the Industry's marketing, promotion and research and development interests</p>	<p>Fully satisfied –</p> <ul style="list-style-type: none"> - Through the MISIP and its own strategic and operational plans (based on wide-spread industry consultation) MLA makes investments which benefit the broader red meat industry. See chapters 5 and 6 for additional evidence/detail - Annual Reports and AOPs sent to PICs for endorsement. Annual Reports & AOPs endorsed by PICs
<p>3.3 Without limiting clause 3.2, MLA must:</p> <p>a) ensure that the MLA Constitution entitles any person that is a producer of livestock and has paid levies or charges referred to in section 63 or 64 of the Act during the financial year in which the person applies for membership or either of the two preceding financial years to be a voting member of MLA</p> <p>b) establish suitable communications programs in MLA's strategic planning process to help ensure that persons that are entitled to, but are not members of MLA, are encouraged to become members of MLA</p>	<p>Fully satisfied –</p> <ul style="list-style-type: none"> - Section 2 (ss 2.5 Rights of Producers and ss 2.6 Producers' Voting Rights) of the Constitution outline the membership and voting rights of paid MLA members - In 2011-2015, MLA's key member engagement was via events and programs both run by MLA, or sponsored and supported by MLA. No direct Membership Drives were undertaken, however a concerted effort was made during events to promote and increase MLA Membership, however growth in membership has occurred over the five year period (2011 approx. 47,556 members; 2015 approx. 49,845 members). The CRM was introduced late 2012 to better service members by delivering more targeted and relevant information on MLA events and initiatives.
<p>4. MOU</p>	
<p>4.1 MLA must do all things necessary to remain a party to the MOU and must comply with its roles, responsibilities and other obligations under the MOU</p>	<p>Fully satisfied –</p> <ul style="list-style-type: none"> - Checklist reviewed by MLA and compliance confirmed - Stakeholder feedback consistently suggests that MLA makes its best endeavours to comply with the complex and unclear accountability arrangements under the MOU
<p>5. Board Corporate Governance</p>	
<p>5.1 MLA should have a framework of good corporate governance practice in managing and investing the Funds drawing on the <i>ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, Second Edition, August 2007</i>, and any updates to these principles and recommendations, as appropriate. In particular, MLA should aim to have:</p> <p>a) a Board which is structured to add value as outlined in Principle 2 of the abovementioned ASC Corporate Principles and Recommendations</p> <p>b) a Skills Based Board recommended by a Nomination Committee (subject to retirement and election requirements under the MLA Constitution)</p> <p>c) a process for evaluation the performance of the Board and its committees</p>	<p>Fully satisfied – Relevant Board policies sighted by ACIL Allen. Board Assessment Reports and consultation outcomes suggest adherence to the policies and guidelines laid out for Board processes. A selection of Corporate Governance policies also published on the website at: http://www.mla.com.au/About-MLA/Who-we-are/Corporate-governance</p>
<p>5.2 MLA must report to the Minister in the meetings held under clause 15.2 of steps taken to improve Board corporate governance and performance in</p>	<p>Fully satisfied – MLA meets with the Department of Agriculture and Water Resources (DAWR) on a six monthly</p>

Clause & obligation	Status (Fully satisfied, partially satisfied, not satisfied, clause not enacted) during the Review period
accordance with clause 5.1	<p>basis. The agenda of each meeting has a governance item. MLA, throughout the Review period has been seen to be compliant with its governance obligations.</p> <p>Separately, each annual report includes a Corporate Governance Statement which reports against the ASX principles, comments on the skills based Board and notes any training and Board performance reviews conducted during the period. These reports are also submitted to the Minister and the Department for consideration.</p>
6. Payment of funds	
6.1 For the purposes of sections 63, 64 and 66 of the Act, the parties agree the time and the manner in which the amounts payable to MLA under the sections are to be paid are as set out in Schedule 1	Fully satisfied – Audited financial statements published in the Annual Reports 2011-2015. Financial statements indicate that payments are made in accordance with requirements/obligations
<p>6.2 MLA agrees that the Commonwealth may either invoice MLA, or deduct from relevant payments made to MLA:</p> <p>a) amounts referred to in Section 67(1)(a) or 67 (2)(a) or payable by MLA under section 68 of the Act</p> <p>b) any reasonable expenses incurred by the Commonwealth in connection with any changes to the Act, the Levy Regulations or this Deed initiated by MLA or the Industry, subject to any budget that may be agreed between the Commonwealth and MLA</p>	<p>Fully satisfied (6.2a) – MLA pays the Commonwealth an annual levy collection fee which should would categorised as a business as usual item in clause 6.2(a).</p> <p>Clause not enacted (6.2b) – There were no requests for additional payments contemplated by clause 6.2(b).</p>
6.3 MLA must pay any amount so invoiced to the Commonwealth within 28 days after receipt of the invoice	Fully satisfied – Payments are made with the agreed terms as on each invoice
7. Management of funds	
<p>7.1 MLA must establish such accounting systems, processes and controls as are necessary to ensure:</p> <p>a) the Funds are used only in accordance with the Act and this Deed</p> <p>b) all dealings with the Funds are properly authorised, conducted and accounted for</p> <p>c) an auditor is able to verify readily that the Funds have been used only in accordance with the Act and this Deed</p>	<p>Fully satisfied –</p> <ul style="list-style-type: none"> – Appropriate accounting policies and practices in place – Audited financial statements published in the Annual Reports 2011-2015. Financial statements indicate that payments are made in accordance with requirements/obligations
7.2 The accounting systems, processes and controls to manage the Funds established in accordance with clause 7.1 are required to take into account the Risk Management and Fraud Control Plans developed under clauses 14.1(a) and (b)	<p>Fully satisfied –</p> <ul style="list-style-type: none"> – The financial policies and audit schedules are designed and implemented to reflect the Board's requirements – Risk Management and Fraud Control Plans sighted by the ACIL Allen
7.4 MLA must keep complete and detailed accounts and records of receipt and expenditure of the Funds and must do so separately in relation to Marketing Funds, Research and Development Funds and Commonwealth Matching Funds. The accounts and records must be kept in accordance with good accounting practice including all applicable Australian accounting standards	Fully satisfied – Audited financial statements published in the Annual Reports 2011-2015. Financial statements indicate that payments are made in accordance with requirements/obligations
7.5 MLA must keep accounts and records referred to in paragraph 7.4 to enable reporting of expenditures on Research and Development and Marketing Programs under Schedule 2	<p>Fully satisfied –</p> <ul style="list-style-type: none"> – Appropriate accounting policies and practices in place – Audited financial statements published in the Annual Reports 2011-2015. Financial statements indicate that payments are made in accordance with requirements/obligations
8 Application of the funds	

Clause & obligation	Status (Fully satisfied, partially satisfied, not satisfied, clause not enacted) during the Review period
8.1 MLA must apply all Funds only in accordance with sections 67 and 68 of the Act, including in meeting the obligation to apply Commonwealth Matching Funds only in accordance with section 67(3) of the Act	Fully satisfied – Framework Policy revised and adopted in May 2015
8.2 MLA must spend Commonwealth Matching Funds only on Research and Development, and must comply with the obligations in Schedule 3 in relation to that expenditure	Fully satisfied – <ul style="list-style-type: none"> – Project Review Committee (PRC) meets at least quarterly to ensure R&D Eligibility criteria being met – Audited financial statements published in the Annual Reports 2011-2015. Financial statements indicate that payments are made in accordance with requirements/obligation
8.3 MLA must spend the Funds in a manner that is consistent with: <ul style="list-style-type: none"> a) the Strategic Plan b) the Annual Operating Plan c) the Guidelines and must apply the Funds in a manner that is efficient, effective and ethical	Fully satisfied – <ul style="list-style-type: none"> – Internal accounting system (SAP) aligned with AOP delegation and internal policies – Funding aligned with strategic and annual operating plans. See Chapter 5 for additional information/detail
8.5 MLA must not engage in or use the Funds for Agri-Political Activity. For the avoidance of doubt, MLA must not apply the Funds to act as, or promote itself as, an Industry Representative Body	Fully satisfied – <ul style="list-style-type: none"> – Guidelines covering agri-political activity provided to staff on MLA intranet – No evidence of engagement in agri-political activity identified by the ACIL Allen
8.7 MLA shall not spend the Funds on making payments to Industry Representative Bodies, except in relation to: <ul style="list-style-type: none"> a) payments by way of membership fees where that membership contributes to MLA pursuing its objects b) payments on an arm's-length commercial basis to acquire goods or services or fund research and development or marketing activities c) costs of consultation covering for example consultation costs incurred by an industry representative officer including travel and accommodation expenses 	Fully satisfied – <ul style="list-style-type: none"> – Payments to PIC are made on a commercial fee-for-service basis using standard contractual terms – Consultation between MLA and the Department to ensure compliance with this provision – Board approval given to PIC agreements
8.8 MLA may, at any time, seek consultations with the Department in relation to any matter connected with this Deed (including whether a proposed expenditure would amount to engaging in Agri-Political Activity)	Fully satisfied – Meetings between MLA and the Department have occurred throughout the Review period
9 Suspension or termination of fund payments	
9.1 Subject to clause 9.2 the Commonwealth may, by giving written notice to MLA, immediately: <ul style="list-style-type: none"> a) suspend or terminate payment of any or all of the Funds b) reduce the amount of a payment of the Funds that would otherwise be made c) direct MLA to deal with all or any of the Funds in a certain way, taking into account MLA's contractual obligations and liabilities d) terminate this Deed if: <ul style="list-style-type: none"> e) an Insolvency Event occurs f) MLA is in breach of its obligations under this Deed or the Act including, without limitation: <ul style="list-style-type: none"> i) a breach of its obligations under clause 8.3 ii) a failure to provide a satisfactory report or explanation under clause 16 iii) a failure to take any remedial action referred to in clause 16.3 either at all or within the time frame agreed under clause 16.3 	Clause not enacted

Clause & obligation	Status (Fully satisfied, partially satisfied, not satisfied, clause not enacted) during the Review period
<p>and</p> <ul style="list-style-type: none"> iv) MLA has not provided the Commonwealth with a satisfactory report in relation to the breach within 28 days of becoming aware of it and/or has not undertaken remedial action within the time specified in that report v) MLA has not rectified the breach within 28 days of receiving a notice to do so from the Commonwealth g) the Commonwealth considers that it is reasonable to do so because of a change to the MLA Constitution h) the declaration of MLA under the Act as the industry marketing body or the industry research body is revoked <p>there is a change in Commonwealth policy relating to the raising or spending of the Levy Funds or the payment or spending of Commonwealth Matching Funds</p>	
10 Repayment of funds	
<p>10.1 Subject to clause 10.3, if any of the Funds have been used or expended by MLA otherwise than in accordance with this Deed or the Act, the Minister may, by written notice to MLA, require MLA to repay any monies paid by the Commonwealth, by the time specified in the notice, the amount specified in the notice as the amount that has been so used or expended</p>	Clause not enacted
<p>10.2 If this Deed is terminated under clause 9.1, the Minister may, by notice to MLA, require MLA to repay to the Commonwealth, by the time specified in the notice, all or a specified amount of the Funds held by MLA at the time of the notice (other than Donor Funds and so much of the Funds as are required by MLA to meet liabilities properly incurred in accordance with this Deed)</p>	Clause not enacted
<p>10.4 MLA must comply with a notice under clause 10.1 or 10.2</p>	Clause not enacted
11 Access to records and use of information	
<p>11.1 The Commonwealth, the Auditor-General and any duly authorised representative of either of them, may, for the purpose of monitoring compliance by MLA with this Deed and the Act:</p> <ul style="list-style-type: none"> a) have access to premises occupied by or under the control of MLA b) have access to data, records, accounts and other financial material, and any property of the Commonwealth, in the possession or under the control of MLA c) examine and copy MLA's accounts and records relating to this Deed or the Act. <p>MLA must grant this access, on request</p> <ul style="list-style-type: none"> d) during Business Hours-at any time <p>outside Business Hours-on reasonable notice given to MLA and marked for the attention of the Company Secretary of MLA, with a copy given to MLA marked for the attention of the Managing Director of MLA</p>	Clause not enacted
<p>11.2 MLA must provide access to all its accounts and records relating to this Deed and the Act and otherwise co-operate fully with the requests of the Commonwealth, the Auditor-General and any duly authorised representative of either of them to enable those persons to exercise rights in connection with the operation of clause 11.1</p>	Clause not enacted
<p>11.3 Without limiting clause 11.2, MLA must, as appropriate:</p> <ul style="list-style-type: none"> a) provide documents or information b) make available relevant MLA personnel to provide information or answer questions on any matter that relates to MLA's obligations under this Deed or the Act 	Clause not enacted – however, MLA regularly receives requests for information or documents which are provided to the Department as part of MLA's regular interactions

Clause & obligation	Status (Fully satisfied, partially satisfied, not satisfied, clause not enacted) during the Review period
12 Strategic Plan	
<p>12.1 MLA must maintain a 3 to 5 year Strategic Plan and must:</p> <ul style="list-style-type: none"> a) review and, if necessary, update the Strategic Plan at least once each 12 months b) work with the Department over the term of this Deed to ensure that its Strategic and Annual Operating Plans meet the intent of the Program Framework as set out in Schedule 5 c) make the Strategic Plan generally available to Levy Payers and Peak Industry Bodies 	<p>Fully satisfied –</p> <ul style="list-style-type: none"> – Strategic Plan maintained and published on the website – Strategic Plan reviewed as part of Board Strategy process – Extension granted by the Department on delivery of five year plan (plan to be developed from MISP 4 following its delivery)
<p>12.2 The Strategic Plan should be prepared in accordance with good planning practice and, subject to clause 12.1(b), in accordance with the Program Framework. The Strategic Plan. may comprise more than one document and must cover matters such as:</p> <ul style="list-style-type: none"> a) MLA's vision or mission b) an assessment of MLA's operating environment including its strengths, weaknesses, threats and opportunities, current and future trends and their implications c) the objectives and priorities of MLA for the delivery of marketing and research and development services to Industry for the period covered by the plan d) the outcomes planned from the expenditure of Marketing Funds, Research and Development Funds and Commonwealth Matching Funds e) the Programs MLA intends to adopt to achieve the planned outcomes f) key deliverables which contribute to achieving the planned outcomes g) performance indicators that enable progress being made towards achieving the planned outcomes to be monitored and reported upon h) collaboration with research providers on priority research and development issues; i) how the activities to be funded align with, and give effect to, the Guidelines j) consultations with industry and an explanation on the extent to which industry priorities are reflected in the plan k) the degree of consistency of MLA's proposed expenditures with the National and Rural Research and Development Priorities l) broad resource allocation including estimates of income and expenditure on the Research and Development Program and Marketing Program for the life of the Strategic Plan m) a corporate statement which outlines MLA's roles and responsibilities as the declared Industry Marketing Body and the Industry Research Body under the Act including <ul style="list-style-type: none"> i) its mutual obligations as partner with the Commonwealth in delivering Research and Development and Marketing Programs to the Industry and or the community ii) its responsibilities for the custody and investment of the Funds 	<p>Fully satisfied – Relevant statements incorporated into the Strategic Plan and published on the MLA website</p>
<p>12.3 In developing the Strategic Plan, MLA must:</p> <ul style="list-style-type: none"> a) take into account its obligations under the MOU b) take into account input received from Levy Payers through MLA's consultative processes c) consult with the Minister on the Strategic Plan and on the consultation process to be followed d) take into account the Guidelines 	<p>Fully satisfied – Strategic Plan reflects these requirements</p>
<p>12.4 MLA must within 28 days after the date the Directors pass a resolution to accept a Strategic Plan or an amendment of the Strategic Plan, provide the</p>	<p>Fully satisfied – Strategic Plan provided to the Department as required or agreed (Extension granted by the</p>

Clause & obligation	Status (Fully satisfied, partially satisfied, not satisfied, clause not enacted) during the Review period
Commonwealth with a copy of the Plan or amended Plan	Department on the 2016-20 Strategic Plan)
13 Annual operating plan	
<p>13.1 MLA must, prior to September each year, provide to the Commonwealth a copy of its Annual Operating Plan. The Annual Operating Plan must be developed to implement the Strategic Plan and must set out:</p> <ol style="list-style-type: none"> the intended operations of MLA for the current financial year key activities to be funded under each of the Marketing and Research and Development Programs key deliverables arising from the activities being funded how the activities to be funded align with, and give effect to the Guidelines performance indicators which enable the progress which is being made towards achieving the planned outputs and outcomes to be monitored and reported upon estimates of income and expenditure for the year setting out planned expenditures on key activities being funded under each of the Research and Development and Marketing Programs any other matters that MLA considers should be set out in the Annual Operating Plan 	<p>Fully satisfied –</p> <ul style="list-style-type: none"> AOPs presented to Board (usually in July) for consideration/approval Plans submitted to the Department by/during September of each year
<p>13.2 In developing its Annual Operating Plan MLA must consider:</p> <ol style="list-style-type: none"> any directions under this Deed community and levy payer expectations when setting MLA senior executive and Board remuneration packages investments to support the development and implementation of the National Primary Industries Research, Development and Extension Framework collaboration with other RDCs on priority research and development issues establishment of a structured evaluation framework for the systematic evaluation of the costs and benefits of MLA investments in research and development. In this regard MLA must: <ol style="list-style-type: none"> participate in any evaluation project established for all RDCs such as the Evaluation Program established by the Council of RDC Chairs provide adequate funds for this purpose 	<p>Fully satisfied – AOPs published on the website (see for e.g. http://www.mla.com.au/About-MLA/Planning-reporting/Corporate-documents) meet the obligations laid out in this clause</p>
<p>13.3 In preparing plans under this Deed, MLA must ensure that during the term of the Deed systems, processes and controls are put in place to enable it to deliver the planned outcomes and to meet its reporting obligations under Schedule 2</p>	<p>Fully satisfied – A broad range of internal systems have been implemented by MLA to deliver against AOPs</p>
<p>13.4 MLA must submit all plans developed in accordance with this clause, and all material variations or updates of such plans, to the Commonwealth within 28 days of the plans or variations being adopted by MLA</p>	<p>Fully satisfied – All AOPs submitted to the Department for consideration/approval</p>
14 Other plans	
<p>14.1 MLA must maintain the following plans:</p> <ol style="list-style-type: none"> a Risk Management Plan a Fraud Control Plan an Intellectual Property Management Plan 	<p>Fully satisfied –</p> <ul style="list-style-type: none"> Plans revised and endorsed by the Board Plans sighted by ACIL Allen
<p>14.2 MLA must review each plan at intervals of no more than 3 years and must, within 28 days after the date its Directors pass a resolution to accept a plan or an amendment of a plan, provide the Minister with a copy of the plan or amended plan</p>	<p>Fully satisfied – Plans reviewed by the Board (as identified in the Independent Board Assessments) and provided to the Department for consideration/approval</p>

Clause & obligation	Status (Fully satisfied, partially satisfied, not satisfied, clause not enacted) during the Review period
15 Reports, meetings and consultations	
<p>15.1 MLA must provide the Minister with four copies of an Annual Report prepared in accordance with Schedule 2 at the same time as the <i>Corporations Act 2001</i> (Cth) requires an annual report to be given to members</p>	<p>Fully satisfied –</p> <ul style="list-style-type: none"> – Copies of the Annual Report sent to the Minister – Annual Reports sent to Members with AGM pack/documentation
<p>15.2 The Chairperson of MLA, or in his or her absence, his or her nominee must meet the Minister at not less than six monthly intervals, and at any other time requested by the Minister on reasonable notice, to brief the Minister on MLA's performance of its functions and including the matters set out in clauses 5.2 and 17.1(f) and any such other matters as the Minister may require</p>	<p>Fully satisfied –</p> <ul style="list-style-type: none"> – Two meetings scheduled for each review year – Evidence that meetings had been held was sighted by ACIL Allen
<p>15.3 MLA must meet with the Peak Industry Bodies at least twice a year to:</p> <ol style="list-style-type: none"> a) review industry priorities for research and development and marketing investments b) report on its performance 	<p>Fully satisfied –</p> <ul style="list-style-type: none"> – Regular meetings held with PICs (sometimes quarterly) – PIC engagement incorporated into MLA Consultation Model
16 Additional reports	
<p>16.1 MLA must report to the Commonwealth, within 28 days after any significant matters come to its notice that will materially impact its ability to achieve the objectives stated in its Strategic Plan or comply with its obligations under this Deed or the Act during the relevant financial year</p>	<p>Clause not enacted</p>
<p>16.2 MLA must give the Commonwealth, within such reasonable period as the Commonwealth specifies, any other report or explanation relating to expenditure of the Funds that the Minister requires from time to time</p>	<p>Clause not enacted</p>
<p>16.3 Where relevant, when giving the reports or explanations referred to in clauses 16.1 and 16.2, MLA must consult with the Commonwealth as to the nature of any remedial action required and, if any is required, must take that remedial action within a time frame agreed with the Commonwealth</p>	<p>Clause not enacted</p>
17 Performance review	
<p>17.1 MLA must complete a Performance Review at least six months before the expiry of this Deed and must:</p> <ol style="list-style-type: none"> a) engage an independent organisation to undertake the Performance Review and instruct it to prepare a report on all matters dealt with in the Performance Review (Performance Review Report) b) agree the terms of reference of the Performance Review with the Department to ensure that the Performance Review will meet the requirements under the Deed c) provide the Minister with a copy of the draft Performance Review Report within 7 days of the MLA Board receiving a copy d) give the Performance Review Report to the Minister within 14 days of acceptance by the Board e) provide the Minister with a detailed response to the recommendations of the Performance Review Report and a proposed implementation plan including dates and milestones within 28 days of the Board's development of a response to the Performance Review Report, being a date within three months of the Board's acceptance of the Performance Review Report f) report to the Minister in the meetings required under clause 15.2 of the progress being made in implementing the Performance Review Report Recommendations g) publish the Performance Review Report on the MLA website h) make available copies of the Performance Review Report at its next 	<p>Fully satisfied – as evidenced by the independent review report</p>

Clause & obligation	Status (Fully satisfied, partially satisfied, not satisfied, clause not enacted) during the Review period
<p>annual general meeting</p> <p>17.2 The organisation engaged to carry out the Performance Review must be an organisation that has not, within the previous 4 years, carried out any corporate governance reviews, performance audits or similar reviews of MLA (but this does not prevent an organisation from being engaged on the basis that it has merely carried out evaluations of specific projects, or conducted the performance review under the Former Deed)</p>	<p>Fully satisfied – ACIL Allen have not undertaken work of this nature within the past 4 years</p>
<p>18 Compliance audit and certification reports</p>	
<p><i>Compliance Audit Report</i></p>	
<p>18.1 MLA must within five months after the end of its financial year give the Minister a Compliance Audit Report providing an audit opinion on whether MLA has complied with its obligations under clauses 7 and 8 during the financial year. A Compliance Audit Report must:</p> <ol style="list-style-type: none"> be prepared in accordance with relevant Australian Auditing and Assurance Standards include a review of the efficacy of the accounting systems, processes and controls required under clause 7.1 indicate whether any qualification to the Compliance Audit Report, and any non-compliances that have come to the auditor's attention, are material. If any non-compliances are, in his or her opinion, material, provide an explanation of the non-compliance <p>include a statement that the Compliance Audit Report has been prepared for the Commonwealth for the purposes of this Deed and an acknowledgment that the Compliance Audit Report will be relied upon by the Commonwealth</p>	<p>Fully satisfied –</p> <ul style="list-style-type: none"> – Audit Compliance Reports prepared by a qualified auditor annually and sent to Minister as required – Statement of audit compliance included in each Annual Report
<p><i>Certification Report</i></p>	
<p>18.3 MLA must, within five months after the end of its financial year, give the Minister a report signed by the Chairperson of the Directors and the Managing Director of MLA:</p> <ol style="list-style-type: none"> certifying whether MLA has complied with its obligations under the Act and this Deed during the financial year stating whether, in their opinion, any non-compliances are material if any non-compliances are, in their opinion, material, giving an explanation of the non-compliance 	<p>Fully satisfied – Reports provided to the Minister and the Department as required under the clause</p> <ul style="list-style-type: none"> – SFA compliance statements prepared for the Board, signed off and delivered to the Department – Compliance report sighted by ACIL Allen
<p><i>Other Audit Reports</i></p>	
<p>18.4 If in the reasonable opinion of the Commonwealth, MLA is, or may be, in breach of this Deed or the Act, the Commonwealth may request an audit report or opinion on any matter relevant to MLA's compliance with this Deed or the Act</p>	<p>Clause not enacted</p>
<p>18.5 If the Commonwealth requests an audit report or opinion under clause 18.4, MLA must at its own expense:</p> <ol style="list-style-type: none"> obtain the audit report or opinion from MLA's auditor if, in the opinion of the Commonwealth, the audit report or opinion cannot be properly given by the MLA's auditor, engage another auditor to conduct an audit and give the audit report or opinion give a copy of the audit report or opinion to the Commonwealth within 14 days after MLA receives it 	<p>Clause not enacted</p>
<p>19 Acknowledgment of funding</p>	
<p>Unless the Commonwealth otherwise agrees, MLA must ensure that all significant publications and publicity by MLA in relation to matters on which Commonwealth Matching Funds were expended, acknowledge the provision of Matching Funds by the Commonwealth</p>	<p>Fully satisfied – Publications listed on the website reviewed. Publications clearly acknowledge the role of matching funds in the conduct of the research</p>

Clause & obligation	Status (Fully satisfied, partially satisfied, not satisfied, clause not enacted) during the Review period
20 Conflict of interest	
20.1 MLA warrants that, at the date of this Deed, no conflict exists or is likely to arise in the performance of its obligations under this Deed	Clause not enacted
20.2 If a conflict of interest or risk of a conflict of interest arises in the performance of MLA's obligations under this Deed, MLA must notify the Minister of that conflict or risk and take steps acceptable to the Minister to resolve or avoid the conflict	Clause not enacted
21 Authorisation of persons to act	
21.1 The rights, functions and powers of the Commonwealth under this Deed may be exercised and performed on behalf of the Commonwealth by the Minister or the Secretary, or a delegate of the Minister or the Secretary	Clause not enacted
21.2 Performance of an obligation of the Minister or the Commonwealth under this Deed by the Secretary, or a delegate of the Minister or the Secretary, is taken to be performance of the obligation by the Minister or the Commonwealth	Clause not enacted
22 Indemnity	
22.1 MLA indemnifies the Commonwealth and its officers and agents against all expenses, losses, damages and costs (on a solicitor and own client basis and whether incurred by or awarded against the person claiming the indemnity) sustained or incurred as a result, whether directly or indirectly, of <ul style="list-style-type: none"> a) a breach of this Deed by MLA; or b) loss of or damage to property or injury to or death of any person caused by a negligent act or omission or wilful misconduct of MLA or its officers or employees 	Fully satisfied – Indemnities held by MLA
25 Resolution of disputes	
25.1 A party must not start arbitration or court proceedings (except proceedings seeking interlocutory relief) in respect of a dispute arising out of this Deed (Dispute) unless it has complied with clauses 25.2 and 25.3	Clause not enacted
25.2 A party claiming that a Dispute has arisen must notify the other party, giving details of the Dispute	Clause not enacted
25.3 During the 28 day period after a notice is given under clause 25.2 (or a longer period agreed to in writing by the parties to the Dispute) each party must use its reasonable efforts to resolve the Dispute	Clause not enacted
25.4 Despite the existence of a Dispute, each party will (unless requested in writing by the other party not to do so) continue to perform their obligations under this Deed	Clause not enacted
25.5 This clause 25 does not apply to action by the Commonwealth under clauses 9 and 10, nor does it preclude either party from seeking urgent interlocutory relief	Fully satisfied – Rights set out in this clause have been operational throughout the Review period
26 Assignment	
26.1 MLA must not assign this Deed or any right under this Deed unless it: <ul style="list-style-type: none"> a) is not in breach of this Deed b) obtains the prior written consent of the Commonwealth c) ensures that the assignee agrees to be bound by all of MLA's obligations under this Deed 	Fully satisfied – MLA has not assigned any right under the Deed

SOURCE: SFA BETWEEN MLA AND THE COMMONWEALTH GOVERNMENT 2012-2016

7.2 Progress against recommendations from the 2010 review

7.2.1 The 2010 Review undertaken by Arche Consulting

In June 2010, Arche Consulting delivered its Final Report for the review of the 2007-10 SFA. Based on consultation with 79 individuals and an extensive desktop review, the Review found that MLA is structured to deliver value to members and industry stakeholders, is an efficient organisation, is meeting its obligations under the SFA and the MOU and has open and transparent governance and organisational arrangements. A summary of the key findings from the 2010 Review are provided in **Box 7.1** below.

BOX 7.1 FINDINGS FROM THE 2010 INDEPENDENT PERFORMANCE REVIEW OF MLA

- A structured approach to preparing the company's strategic and annual operating plans. MLA plans align with government research and development priorities and cascade from industry priorities established in the Meat Industry Strategic Plan, through MLA's strategic and annual operating plans to business unit and program plans. The company has established and formalised approaches to involve stakeholders in the development of the annual operating plan.
- An organisational structure that supports the delivery of the company's strategy, which has changed over time in response to changes in strategy emphasis and industry requirements.
- The support of its Peak Councils and key stakeholders, and is viewed as a valuable contributor to the red meat industry. MLA directors and staff are perceived highly by stakeholders as skilled professionals working for the benefit of industry.
- A Board that is open and transparent. The Board has policies and procedures to guide its operations and has been committed to improving governance at all levels.
- Been diligent and meticulous in meeting the requirements of the company's Statutory Funding Agreement with the Commonwealth.
- Company systems and support functions that have improved over time, and clearly support the implementation of the company's strategy and policies, including those associated with fraud, risk and intellectual property management.
- A comprehensive approach to assessing value for money from past investments.

SOURCE: ARCHE CONSULTING, 'INDEPENDENT PERFORMANCE REVIEW OF MLA, FINAL REPORT, JUNE 2010

The 2010 Review made 22 recommendations, with 18 of the recommendation relating to specific areas of company operations, as shown in **Table 7.2**. The four recommendations which had implications for the company more broadly were:

- *R 1: MLA, in consultation with its stakeholders, consider a more strategic and structured approach to stakeholder relationships. This will ensure the company continues to improve the effectiveness and efficiency of the company's extensive efforts in liaising with industry, government, key partners and service providers.*
- *R 2: MLA consider the benefits of developing a consistent ex-ante evaluation process that enables comparison of value to levy payers across programs. Such an approach will encourage structured discussion of strategic alternatives and support decision making.*
- *R 3: MLA consider establishing quantified key performance indicators for its strategic objectives, to enable active measurement of the performance of the company in delivering its strategic plan.*
- *R 4: MLA refine its approach reporting outcomes to stakeholders to ensure clarity and consistency across business units. Such refinement will enhance the delivery of MLA's commitment to transparently communicate the company's performance in implementing plans and the benefits it provides levy payers.*

A review of MLA's activities since the 2010 review has identified a high degree of responsiveness to the recommendations. Evidence of the actions and responses to the four principle recommendations are contained in the main chapters to this report. The introduction of new and improved consultation processes (during 2014-15) signify progress against recommendation 1 (see Chapter 4), the detailed analysis of portfolio benefits undertaken by CIE during 2015 signify significant progress against recommendation 2 (see Chapter 6), changes and improvements to KPIs over the Review period demonstrate progress against recommendation 3 (see Chapter 5), and the changes to internal

reporting as part of the 2014-15 restructure demonstrate an internal commitment to addressing recommendation 4 (see also **Table 7.2**).

A detailed breakdown of 18 business unit focused recommendations are provided in **Table 7.2** below. The table shows that MLA has completed the vast majority (approximately 90 per cent) of actions aimed at addressing the recommendations. It also shows that enhancements (above what had been required under the recommendation) have been made to internal systems and processes which address 5 recommendations (approximately 28 per cent) from the 2010 Review.

TABLE 7.2 MLA'S RESPONSE TO THE RECOMMENDATIONS FROM THE 2010 PERFORMANCE REVIEW

Recommendation	Action taken by MLA	Progress against recommendation
<p>MLA consider revising its approach to planning international activities. This should include consideration of longer term marketing plans for each region, how stakeholders are involved in the planning process and opportunities to streamline annual planning activities</p>	<p>MLA held Task Force meetings in October 2010 to propose plans and obtain feedback from PICs and industry on the formulation of a 3-5 year business plan</p>	<p>Completed</p>
	<p>3-5 year business plans with indicative budgets were developed and presented at the International Marketing Task Force meetings in March 2011. These gained full approval</p>	<p>Completed – These plans have been reviewed by Task Forces in 2012, 2013 and 2014 and revisions have been made where necessary. MLA further developed the Task Force Planning process by bringing forward the main meeting to December 2013, which enabled stakeholders including peak councils and industry representatives to input to budget allocation and strategic direction prior to finalisation of plans and budgets for the following financial year. In 2015 MLA developed its approach under MLA's Consultation Model. During November and December 2015 a draft Global Marketing Strategy was presented to the PICs and major retailers for input prior to finalisation</p>
	<p>Future planning will take the same approach with a rolling 3-5 year strategic marketing plan</p>	<p>Ongoing – MLA has a 5 year planning horizon with annual marketing plans, endorsed by industry task forces. This horizon informs the AOP. There are no plans to change this to a rolling 3-5 year plan, although this will be reviewed further under the planning process under MISP 2020</p>
<p>MLA revise its approach to planning domestic marketing activities. This includes consideration of longer term marketing plans for each species, how stakeholders are involved in the planning process and opportunities to streamline annual planning activities</p>	<p>Domestic marketing held a task force meeting in October 2010 to propose plans and obtain feedback from peak councils and industry on the formulation of a 3-5 year business plan</p>	<p>Completed</p>
	<p>3-5 year business plans with indicative budgets were developed and presented at the Domestic Marketing Task Force meetings in March 2011. These gained full approval</p>	<p>Completed – Plans have been reviewed by Task Forces in 2012, 2013 and 2014. In 2014 MLA expanded the Task Force Planning process for the Domestic market and brought forward the main meeting to December 2013. This enabled stakeholders including PICs and industry representatives to provide input to the budget allocation and strategic direction prior to the finalisation of these plans and</p>

Recommendation	Action taken by MLA	Progress against recommendation
	3-5 year rolling strategic marketing plans adopted	<p>budgets. In 2015 MLA developed its approach under the Consultation Model. During November and December 2015 a draft Global Marketing Strategy was presented to the PICs and major retailers for input</p> <p>Ongoing – MLA has a 5 year planning horizon with annual marketing plans, endorsed by industry task forces. This informs the AOP. There are no plans to change this to a rolling 3-5 year plan, although this will be reviewed further under the planning process under MISP 2020</p>
<p>MLA harness the opportunity of the new collaboration processes being developed under the National RD&E Framework to formalise and embed a standardised framework into MLA procedures for assessing the value of investment options at program and sub-program levels for on-farm R&D</p>	<p>During 2010-12 a consistent evaluation approach was developed and implemented under the RD&E strategies. It included:</p> <ul style="list-style-type: none"> – a Rapid Evaluation Review (RER) based on qualitative assessment of size of sector potentially impacted, likelihood of technical success, and likely adoption rate – following the RER approach, where more detailed assessments of either one or a small number of potential projects is needed, a suite of tools are available, including: – the Rendell-McGuckian model which estimates both on-farm benefit and adoption, and hence return on investment and the development of case studies of typical enterprises adopting, allowing more precise estimation of impact on profit 	<p>Completed and ongoing</p>
	<p>In December 2012 the MLA Board agreed to enhance the processes which ensure consistency with the Council of RDCs ex-ante review approach. In 2015 the evaluation approach has been revised to reflect an alternative process which enables an evaluation/impact assessment of the entire MLA portfolio of investment. The proposed process is similar to the evaluation process used for development of MISP 2020, and will be an evaluation of all MLA investment from 2010 to 2015. In particular, Expert Groups are being convened to consider outputs and industry impacts (realized and potential) for all of MLA's investment areas and then benefit/cost modelling will occur on the basis of the deliberations and summaries of industry impact from the Expert Groups</p>	<p>Completed and ongoing</p>
<p>MLA, together with industry and government partners, consider alternative approaches to planning, documenting and communicating the longer term objectives and strategies for key industry wide programs. Documenting longer term strategies and objectives would provide a framework to enable the assessment of the net</p>	<p>A 5 year business plan for eating quality (including MSA) was developed with industry and endorsed by the MSA Beef Taskforce and the MLA Board. A business plan for enhancing product integrity (incorporating N LIS, Food Safety Scientific Research and LPA) was developed and endorsed by MLA. Elements of the plan were endorsed by the relevant SAFEMEAT committees</p>	<p>Completed – A 5 year Eating Quality program business plan was completed and endorsed. This plan specifically introduced the MSA optimisation and MSA index. The Enhancing Product Integrity program business plan was completed and endorsed</p>
	<p>Industry and government partners commenced a review of SAFEMEAT's committee structures, planning process and communication mechanisms to identify potential improvements to the planning and communication functions</p>	<p>In progress – In November 2013 the SAFEMEAT Partners approved the recommendations and implementation strategies for the SAFEMEAT</p>

Recommendation	Action taken by MLA	Progress against recommendation
benefits of each program to industry and levy payers. Such an approach would help facilitate a common understanding among stakeholders and levy payers of the future direction and overall value of programs to the industry	of SAFEMEAT. Two taskforces (the MSA Beef Taskforce and MSA Sheepmeat Taskforce) were established to represent industry and provide advice to the MLA Board and PICs on the MSA program	Initiatives Review. A Steering Committee was established to oversee implementation of the review's recommendations. The SAFEMEAT Initiatives Review report, outlining the implementation pathway for industry's integrity system, was released on 21 August 2015. The report was considered by industry and government in 2015 at a SAFEMEAT Partners meeting In progress – The MSA taskforce and the MSA pathways committee were commissioned to provide scientific review (pathways) and industry implementation and commercialisation review (Taskforce) of strategic, operational and implementation activities under the 5 year strategic plan for MSA Beef and Sheepmeat
MLA, in consultation with stakeholders, review the company's approach to crisis management. This should include consideration of roles and responsibilities within MLA and the support that the company provides industry stakeholders to ensure preparedness in the event of crises	The MLA crisis response plan was updated and endorsed by the Executive in 2011. Significant attention was given, and progress made, on clarifying the roles and responsibilities of MLA as a marketing and R&D service provider, and the roles of the PICs. Crisis management activities have been undertaken with the PICs and RMAC and a simulation was conducted in 2014. Following this simulation, further refinements were made to the plan. A Crisis Response platform has been developed using MLA's iShare tool. The Crisis Response Plan was endorsed by the Board in 2015	Completed and ongoing
MLA, in consultation with its industry stakeholders, consider the overall process for engaging stakeholders in MLA strategic planning activities. Consideration should be given to the purpose and focus of interactions to ensure that industry engagement activities are both effective and efficient	As per response to other recommendations related to Marketing and Industry Systems, long-term business plans have been developed in consultation with industry for all of MLA's strategic objectives. RMAC developed and released MISP 2020. MLA supported RMAC in this process with a view to MISP 2020 providing the framework for MLA's future strategic planning activities	Completed
MLA, in consultation with industry stakeholders, review the tools used to make strategic resource allocation decisions. Consideration should be given to the benefits of more structured discussion of strategic alternatives and resource allocation decisions	Specific to RD&E, a paper on Investment Principles was presented to the August 2010 Board meeting. The Board agreed a process for developing guidelines around portfolio balance and minimum percentage thresholds for portfolio spread. In addition strategic review of MLA portfolio balance and the LPI systems review have made changes to the operational engagement of industry in setting key areas for RD&E investment. During 2014-15 MLA developed a new Consultation Model with the objective of implementing a transparent, representative, cost effective and systematic framework for effective and relevant RD&A investment	Completed
MLA consider approaches to more clearly communicate the	A business plan for Stakeholder Engagement and Reporting was developed and approved in 2012 setting out a	Completed and ongoing

Recommendation	Action taken by MLA	Progress against recommendation
<p>roles of business units in delivering MLA's activities. This would aid communication and engagement with external stakeholders, particularly those new to interacting with MLA</p>	<p>systematic approach for MLA to engage with its key stakeholder groups. The plan is reviewed on an ongoing basis</p>	
<p>Given the increasing expectation from industry for MLA to invest in policy research, it is recommended that MLA consider the value of a specific quality framework for these activities. A policy research quality framework would codify the processes for involving stakeholders in research planning and activity, and for peer review. Such a framework would provide stakeholders with confidence of MLA's independent role, and ensure policy research efforts are robust and comprehensive</p>	<p>The policy research guidelines were endorsed by MLA Executive and industry in 2011 and submitted to the Department of Agriculture Fisheries and Forestry (as it was then called)</p>	<p>Completed</p>
<p>MLA consider mechanisms to improve within company communications to ensure that the contributions of various MLA sections and programs to government, technical and policy issues are aligned and coordinated and delegations are made explicit</p>	<p>MLA conducted a number of senior managers' workshops covering issues of alignment of individual objectives and KPIs with those of the company and industry. This improvement was supported by changes to the employee performance management system which links outcomes and activities to the AOP. MLA moved office in August 2013, with a key focus on the new office environment being collaboration. MLA introduced a company-wide reward and recognition program to further embed MLA's values, with collaboration a key value. Work is also underway to introduce a CRM system. Formalised delegations and approval levels exist within MLA with strict application through the SAP enterprise system covering contract and payment approvals. In 2015 MLA aligned the KPI's to the strategy on a page and adopted a back to basics approach</p>	<p>Completed and ongoing</p>
<p>MLA Board, together with Selection Committee, give further consideration to succession planning within the Board to ensure that loss of corporate knowledge and skill is managed, while balancing the need for renewal</p>	<p>The Board and Selection Committee assess the Board's skill requirements in April of each year. Succession planning has been a key focus of the Board, with processes introduced to ensure that there is a succession planning framework for the Chair</p>	<p>No new action required – MLA were already undertaking the activities which underpin this recommendation</p>
<p>It is recommended the MLA Board give ongoing consideration to refining the quality of MLA Board Papers, to ensure that information needs are met with consistency and clarity to assist Board deliberation and decision making</p>	<p>The Board reviews its Board papers regularly to ensure continuous improvement. There has been a focus on ensuring that Board reports are succinct, precise and focus attention on the matters requiring Board consideration and input. Since the 2010 Arche Review, enhancements have included closer linkages within management reports to the Board and the Corporate Plan, 5 year business plans, AOP, and the Risk Management Plan to ensure active monitoring of risk and mitigation efforts</p>	<p>Completed – and ongoing refinements set in place each year</p>

Recommendation	Action taken by MLA	Progress against recommendation
<p>MLA Board give consideration to establishing quantified key performance indicators to actively measure the performance of the company in delivering its strategic plan over the longer term</p>	<p>The Board approved high level measures for the company's strategic imperatives in early 2011. These were refined and incorporated in the 2012 MLA Corporate (Strategic) Plan. To provide for additional focus, the company adopted 15 key focus areas for the 2012-2015 period, based on consultation with industry, and published them in the Corporate Plan. These have provided a framework for investment decisions, industry engagement, communication and reporting since 2014. As MISP 2020 was formulated MLA prepared a transitioning AOP and commenced preparation of the next strategic plan with the finalisation of MISP 2020</p>	Completed and ongoing
<p>MLA continue to monitor the balance between focus on internal talent development and promotion and the benefits of bringing new ideas and experience through the recruitment of external candidates</p>	<p>MLA monitors voluntary turnover and the vast majority of positions are advertised both internally and externally. Internal versus external placement numbers are now reported regularly to the MLT and Board. In 2012 MLA introduced an internal leadership development program. In 2013, the Business Plan for MLA's Supporting Imperative – People & Values – was endorsed. The development of a more strategic recruitment function is underway as part of the implementation of this Plan, with a number of new initiatives recently delivered. Reviewing Talent and Critical roles within MLA will continue to be a focus. After the restructure further review of talent and succession was undertaken.</p>	Completed
<p>MLA maintain focus on strategic human resources issues, to ensure that benefits of recent initiatives are not eroded over time, and that an appropriate focus on further organisation wide improvements is maintained</p>	<p>The HR strategic plan was reviewed in 2011. MLA established a leadership capability framework and associated development programs, including the accelerated development of highly talented staff. The program began in 2012 with a focus on building skills and capability across the business. A specialised program for identified future leaders was also implemented to feed into the organisation's succession planning. During 2014-15 two leadership development workshops were completed.</p>	Completed and ongoing
<p>MLA consider giving greater priority to the company's knowledge management initiatives, to ensure that evaluation and program improvement efforts are supported</p>	<p>Following a concept and pilot outline for a Knowledge Management system, a proposal for rollout of iShare (on a Sharepoint platform) was endorsed by the MLA Board in 2012 and rolled out across the organisation in 2013. Regional site and system capability enhancements are being undertaken to ensure the best application and use for evaluation and program improvement. The iShare platform is available to all MLA staff. The non-head office locations infrastructure is being improved to ensure adequate capacity and speed when accessing iShare. iShare training and staff education is an ongoing.</p>	Completed and ongoing
<p>MLA further refine its approach to setting key performance indicators and reporting outcomes to stakeholders. Improved clarity will further deliver on MLA's commitment to transparently communicate the company's performance in implementing plans and the benefits it provides levy payers and the industry</p>	<p>Work continues on improving KPI setting and reporting. In the 2009-10 AOP final report, the review process ensured an improved level of reporting directly against the KPI, particularly where it wasn't achieved. The Board approved high level measures for the company's strategic imperatives in early 2011. These were refined and incorporated in the next version of the MLA Corporate (Strategic) Plan published in 2012. In October 2013 and March 2014, the Executive reviewed progress against the company's 5 year KPIs. The 2013-14 and 2014-15 Annual Reports provide a report against all annual KPIs</p>	Completed and ongoing

Recommendation	Action taken by MLA	Progress against recommendation
MLA consider revising its evaluation approach to include a consistent ex-ante evaluation process that enables comparison of value to levy payers across programs	Board discussed this issue at a strategic level with the assistance of an external expert in the field. The MLA methodology was considered sound. It is generally thought to be unwise to use common methodology across R&D and Marketing programs. MLA reviewed all ex-ante evaluation processes currently used across MLA and with the assistance of external resources review alternative options. In December 2012 the MLA Board agreed to enhancements to the process which ensure consistency with the Council of RDCs approach to ex-ante reviews. Further review and consistency enhancements were considered following the release of Council of RDCs new evaluation (Impact Assessment) Guidelines and management procedures in 2014. In 2015 the evaluation approach was revised to reflect an evaluation/impact assessment of the entire MLA portfolio of investment. The process reflects the evaluation process used for development of MISP 2020, and will be an evaluation of all MLA investment from 2010 to 2015. In particular, Expert Groups have convened to consider outputs and industry impacts (realized and potential) for all of MLA's investment areas and then benefit/cost modelling occur on the basis of the deliberations and summaries of industry impact from the Expert Groups	Completed

SOURCE: BASED ON CONSULTATION AND INTERNAL DOCUMENTATION PROVIDED BY MLA

7.3 MLA's response to the Senate Inquiry

In December 2013, the Senate referred the following matter to the Rural and Regional Affairs and Transport References Committee (committee) for inquiry. The Committee reported in March 2014, making seven key recommendations (as outlined in **Table 7.3**) aimed at improving the effectiveness, transparency and accountability of the levy system to grass-fed levy payers. Following the delivery of the report, MLA publicly announced its support for the Committee's work and acknowledged that the organisation had listened, and would continue to integrate feedback from industry into its operations and decision making:

MLA consults regularly with the Peak Industry Councils through our annual operating plan and the Meat Industry Strategic Plan, so decisions on levy investments are never made in isolation, but we have put new systems in place so that we can also speak more directly with levy payers.

We want levy payers to have a greater say than ever before in how their levy is being invested, through improved consultation and greater transparency across the business.

We are constantly working on being a future-looking organisation that delivers long term value back to the farm gate.

Media Release – 15 July 2015, MLA welcomes greater oversight from producers

Table 7.3 and the sections below provide a summary of the recommendations delivered by the Committee and the actions that MLA has taken to address each recommendation. Where the recommendations are not considered to be relevant for further consideration/action these are also noted in the sections below.

TABLE 7.3 RECOMMENDATIONS FROM THE SENATE INQUIRY (2013-14)

Recommendation	Considered in more detail (Y/N)	Reason
Recommendation 1 – The committee recommends that a producer-owned body be established by legislation. The body should have the authority to receive and disperse the research	No	There is little appetite amongst senior industry stakeholders to establish a new industry services (including, marketing) body for the

Recommendation	Considered in more detail (Y/N)	Reason
and development, as well as marketing component, of the cattle transaction levy funds. The producer-owned body should also be authorised to receive matching government research and development funds. Reforming the Cattle Council of Australia to achieve these outcomes should be examined as part of this process		sector. In an already fragmented operating environment the rationale for such a body is weak. A broad range of industry stakeholders consulted for this project support Cattle Council reform. Views differed on whether this extended to the establishment of a new body
Recommendation 2 – The committee recommends the establishment of a cost-effective, automated cattle transaction levy system. The system should identify levy payers against levies paid. The automated system should provide for more immediate settlement of levy fees paid and the allocation of voting entitlements. It should be subject to regular independent auditing and verification	Yes	See below
Recommendation 3 – The committee recommends that the Primary Industries (Excise) Levies Act 1999 be amended to ensure that levies paid by processors are recognised as processor (or slaughter) levies and not as producer (or cattle transaction) levies	No	This issues is outside the scope of the performance review
Recommendation 4 – The committee recommends that the Australian National Audit Office (ANAO) conduct an audit of the cattle transaction levy system, tracing the levy from inception and focusing on the revenue from, and expenditure of, the respective components of the levy	Yes	See below
Recommendation 5 – The committee recommends that the Minister for Agriculture dissolve the Red Meat Advisory Council. The committee further recommends that the Minister for Agriculture establish a new system to manage and disperse earnings from the Red Meat Industry Reserve Fund, in consultation with the industry	No	Recommendation is outside the scope and/or strategic intent of the independent performance review
Recommendation 6 – The committee recommends that the Minister for Agriculture revoke the status of the MLA Donor Company as an approved donor under the Australian Meat and Live-stock Industry Act 1997	Yes	See below
Recommendation 7 – The committee recommends that the Department of Agriculture, in consultation with the cattle industry, conduct an analysis of the benefits, costs and consequences of introducing legislation akin to the Packers and Stockyards Act 1921 and Livestock Mandatory Price Reporting Act 1999	Yes	See below

SOURCE: ACIL ALLEN

7.3.1 MLA's response to recommendations

Recommendation 2

In May 2015, Ardrossi Pty Ltd were commissioned to examine the process for identifying levy payers and calculating voting entitlements, and to propose alternatives and improvements to enhance automation, transparency and accuracy. Ardrossi was also commissioned to provide a preliminary assessment of the feasibility of a proposal, being considered by CCA, to introduce a value added levy (VAL)

The project was delivered in three phases. Phase 1 explored the sources of data for the industry and current systems that may be applied or evolved to automate a levy payer register and MLA voting entitlements. The history of the VAL proposal and the implications of having data flow to the Australian Tax Office (ATO) were also explored.

Phase 2 considered and analysed various options in relation to existing systems and processes. Potential cultural, financial, political and functional barriers of each option were explored. The options were discussed with stakeholders with a view to selecting three for further analysis. These options were:

1. NLIS/National Vendor Declaration (NVD) leverage: Using this source of data to remove the need for producer self-declarations.
2. Legislated data: Legislative change requiring levy collection agents to pass levy-payer data to Department of Agriculture – Levies and to third parties such as the relevant RDC.
3. Commercial service provider: Commercial arrangements to access levy collection agent data, or an alternative source of data, that is then provided to a commercial services organisation.

Phase 3 investigated the relevant systems and processes of MLA and MLA's suppliers to provide a point reference from which to evaluate the three options. The analysis showed that while all three final options would provide a viable and affordable solution to meet MLA's levy payer data needs, the legislative option is worthy of priority consideration due to the superior quality of the data it provides, the ability to use this data for identifying levy payers, to assist with membership registration and in automating allocation of voting entitlements. The analysis showed that on-going operational costs will be similar to retaining the current MLA process or implementing the NLIS option. In the long run, the legislative option provides greater accuracy and transparency leading to increased producer confidence in the voting process for a similar operational outlay.²⁵

Recommendation 4

As noted in the Australian Government's response to the Inquiry's recommendations, the ANAO does not generally undertake audits of non-government entities, such as MLA. As an independent entity, the ANAO will consider undertaking an audit of the administration of levies by the Department of Agriculture as part of its future work plan.

The outcomes of this independent review (which examines issues relating to levy revenue and expenditure as well as options for improving the transparency and accountability of MLA's engagement with levy payers) will be considered by Government to address any issues relating to the principles of this recommendation.²⁶

Recommendation 6

The Australian Government's response to the Inquiry's recommendations noted:

The Australian Government does not agree with this recommendation. The government considers that the rural research and development system benefits from voluntary contributions and they should be encouraged through matching contributions.

Australian Government response to the Senate Inquiry, July 2015

Following consideration of the MDC (which involved broad consultation with industry stakeholders), ACIL Allen supports the Government's response to the Senate Inquiry. During the course of the project, high levels of support for the MDC have been identified by a number of stakeholders. These stakeholders see value in MDC as a vehicle for supporting activities which are essentially commercial in nature but require funding support to generate research and investment outcomes. The MDC (as a fully-owned subsidiary of MLA whose Directors are fully-accountable to the MLA Board) is an appropriate vehicle for managing the financial contributions of research partners and the matched

²⁵ Evidence used in this sub-section was adopted from Ardrossi 2015, 'Review of MLA process for registering and determining voting entitlements: Executive Summary', Final Report. Project code G.POL.15.

²⁶ Australian Government response to the Senate Rural and Regional Affairs and Transport References Committee report: Inquiry on industry structures and systems governing levies on grass-fed cattle, July 2015.

funding of Government in a commercially sensitive way. This view is consistent with the view outlined by the Minister, the Hon Barnaby Joyce in an editorial piece during 2015:

We will not be revoking the MLA Donor Company's status as it does facilitate much needed investment projects that are beneficial to the red meat sector overall

Opinion piece: Strengthening the future of the grass fed cattle industry

That being said, there are some issues relating to the MDC which need to be addressed over the longer term. These issues relate to the way non-established research partners gain information about MDC opportunities and how MDC communicates with the stakeholder group about funding priorities, opportunities and outcomes. ACIL Allen takes the view that the challenge facing MDC is more of a challenge in the way it communicates with potential (as opposed to existing) stakeholders rather than an issue of company structure or indeed the longer term rationale of MDC.

Recommendation 7

In response to this recommendation MLA appointed agribusiness consultants AGINFO in December 2014 to conduct an independent assessment of price transparency across all areas of the beef supply chain. The project considers options for increasing price transparency along the beef value chain, as well as the benefits and costs of price reporting options, including mandatory price reporting arrangements similar to those operating in the United States.

The project is administered by MLA, under the industry issues and research program. To date, the project has commenced work against five milestones, four of which have been completed:

- an assessment of price transparency in beef supply chains in Australia
- review of price reporting systems in comparable beef producing and exporting countries
- identifying points in the supply chain where price information can be improved
- identify the potential benefits to producers from improving price transparency.

The current milestone (Five) is investigating options to deliver greater price transparency at identified points along the supply chain. The options being considered are:

- Mandatory price reporting system as per US industry, which has been in place since 1999. In the US, federally inspected processors are required to report the prices for each type of cattle purchase (negotiated purchase, formula marketing arrangement, and forward contract, disaggregated by imported cattle and domestic cattle). They are also required to report the quantity of cattle purchased on a live weight basis and the quantity purchased on a dressed weight basis. This study will report on the pros and cons of employing a similar system in Australia.
- Voluntary price reporting arrangements at select points on the supply chain.
- Enhanced MLA and commercial market reporting and intelligence services. These services will identify any major obstacles (and solutions) to implementing these options, including legal or regulatory barriers.

Based on the findings, and if required by CCA, the project will then proceed to a full cost benefit analysis of options to deliver the required improvements in price transparency. A final report is due for completion in September 2016.²⁷

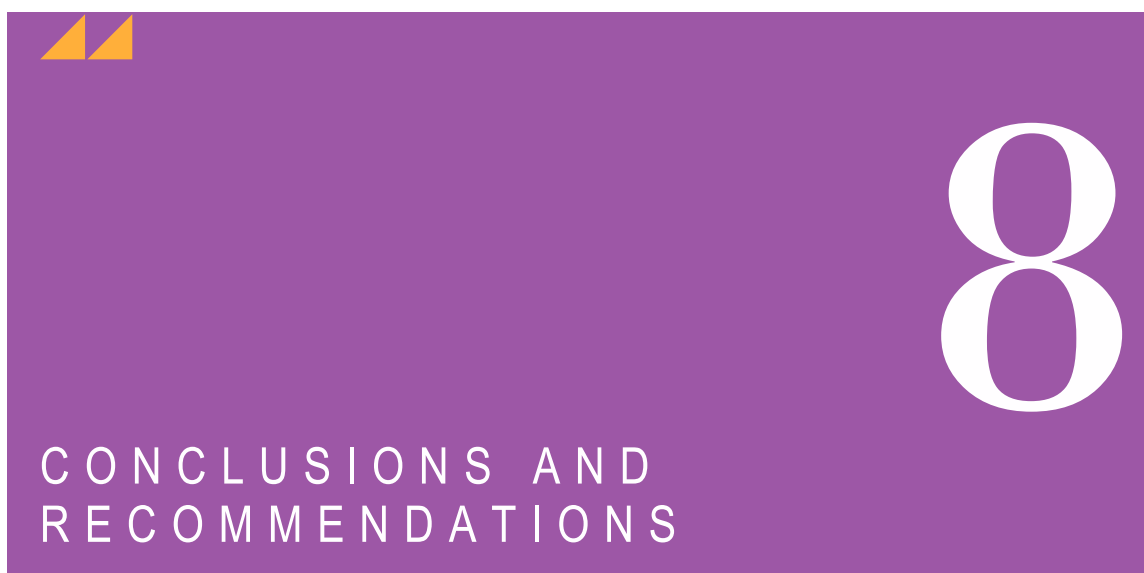
7.4 Findings

This chapter provides detailed evidence of MLA's compliance with the SFA and significant progress against the recommendations of the 2010 Arche Review and the 2013-14 Senate Inquiry.

It shows that MLA has met all of its obligations under the SFA and that no significant breaches or issues have been identified in relation to the SFA.

It also demonstrates that MLA has been responsive to the recommendations of external reviewers and the Parliament over the Review period.

²⁷ Evidence used in this sub-section was adapted from MLA's Industry Issues Research Project Update, 28 July 2015.



This chapter provides the key findings and recommendations arising from the performance review.

8.1 Overall conclusion

8.1.1 MLA

This report has identified that MLA is meeting its obligations under the SFA and is a mature company which acts in the best interests of the industry in which it operates. MLA has in place the governance and organisational arrangements to deliver against its strategies and plans in an effective way. It also commissions research and investments in the supply chain which deliver benefits to producers, processors, live exporters and other industry stakeholders. However, there is evidence to suggest that not all of these benefits are distributed evenly across the supply chain which can be a source of tension amongst the larger levy payer groups.

MLA is also a company which operates in a complex environment and under the framework of an outdated industry agreement. The current red meat industry MOU is nearing two decades old and is a reflection of industry needs at that time. Stakeholders consulted for this review have identified a lack of underlying clarity in the MOU which drives industry behaviour and often unfair criticism of the organisation. The most telling example of this criticism came during the ban on live exports (during 2011) when MLA became the spokesman for industry and potentially extended its remit (which is unclear under the MOU) beyond an industry services body into the realm of an industry spokesman. While ACIL Allen agrees with this reading of the MOU (i.e. it does not clearly articulate who is responsible for what under the agreement), there is limited evidence to suggest that MLA has not met its performance/accountability obligations under the MOU and acted as a professional services body for the industry since 2010.

This operating context places considerable pressure on MLA to meet a diverse, often unclear and usually competing set of industry agendas/requirements. MLA has responded over the Review period by instituting considerable organisational reform to the way it operates and how it engages with stakeholders. The reforms have demonstrated a willingness within MLA to become more flexible and transparent, and a desire to better meet industry needs into the future.

However MLA has been slow to change; with reforms only coming in the later part of the Review period. The main reason for this is cultural, as opposed to structural or procedural. A number of internal and external stakeholders consulted for this project identified a lack of willingness within MLA's senior management and at the Board level to initiate change prior to mid-2014.

Since this time significant changes to MLA's internal operations, key personnel and stakeholder engagement model have helped the organisation to be more attuned to industry and stakeholder sensitivities. It is ACIL Allen's conclusion that such changes will take time to bed down (possibly another 12-18 months) before the benefits of organisational reform are realised by MLA.

8.1.2 MDC

This report has also identified that the MDC is both an appropriate legal instrument and a potentially effective mechanism for managing the non-levy funded investments which support matched Commonwealth funding. This conclusion is based on ACIL Allen's own interpretation of the legislative and SFA obligations and the role of MDC in supporting industry investment. In addition, as a fully owned subsidiary of MLA, the MDC is fully accountable to the MLA Board and has the benefit of its experience, policies and processes which align best practice principles and recommendations as outlined by the ASX Corporate Governance Council.

That said, this report has highlighted some areas where MDC operations could be enhanced to improve the perception of the donor company amongst stakeholders. It is reasonable to conclude that many stakeholders do not understand how MDC operates and the processes required to establish a MDC supported project. This is most clearly evident from consultation with a number of large levy payers who indicated that they did not know how to access MDC opportunities nor initiate an MDC-supported project.

MDC needs to improve the way it communicates funding opportunities to potentially interested partners. Part of this improved communication process also involves increasing the level of transparency provided during the selection of MDC funded projects.

8.2 Key findings

Finding 1: There is considerable benefit of having one services company which can span the entire value chain

This report has provided ample evidence that MLA and MDC are delivering value across the entire supply chain. (Although there are some parts of the supply chain that receive greater value from MLA's investments than others.) This evidence, in ACIL Allen's view, negates the arguments that MLA and MDC should be broken up (or dissolved) and that commodity specific industry services companies should be established in its place. Reallocating the grass fed cattle levies to a new RDC will simply reduce operational efficiency and increasingly focus investment on that part of the supply chain even when greater benefits can be achieved by investing elsewhere. An alternative is to increase the level of shared functions and service delivery between the MLA, AMPC and Livecorp or even consolidation into one entity. This would improve both operational efficiency create a platform for a single industry owned services body to invest against MISP, the single industry owned strategy.

MLA is also a mature company, which has been in operation for many decades. This maturity means that MLA has the practices, processes and systems in place to effectively service its key stakeholders and continue to deliver value to the supply chain in the future. The establishment of a new or new companies could lead to the loss of this corporate knowledge which would not be beneficial to stakeholders and would not increase the overall value MLA delivers to levy payers.

Finding 2: MISP is an underutilised planning, investment, engagement and communication tool

The importance of MISP to the industry's future success has been a consistent theme of stakeholder consultations undertaken for this review. MISP is seen by many within the sector as a critical document which 'establishes a vision for the industry and identifies the strategic imperatives for achieving that vision':

The Meat Industry Strategic Plan (MISP) frames the overarching strategic priorities for Australia's red meat and livestock industry, comprising the production, processing and live export sectors of Australia's beef, sheepmeat and goatmeat supply chains. This strategy has been built with the direct input of major red meat and livestock co-investors including levy payers, Federal, State and Territory Departments of Agriculture, CSIRO, the University sector and agribusiness (including pastoral houses, financial institutions and the consulting sector). As a whole-of-industry strategy, the priorities identified in MISP are, by definition, common to all sectors.

MISP 2020 – Preamble.

However, it is evident that MISP is only a partial driver of MLA's interactions with its internal and external stakeholders. There are several reasons for this.

First, the MOU does not clearly articulate the accountability relationships between MLA and its masters. On the one hand, the MOU establishes the principles whereby PICs and MLA agree to cooperate in planning for the future industry and develop the goals and actions to achieve the vision and strategic imperatives outlined in the MISP (s. 3.2 a – d). On the other hand, the MOU establishes that PICs are required to 'assess the performance of services delivered by MLA or arranged by MLA to be delivered... towards achieving the goals identified in the MISP' (s. 5.1 g).

In ACIL Allen's opinion this joint strategy development relationship coupled with a requirement for PICs to assess the performance of MLA give rise to tension over time. This tension is largely driven from the fact that MLA must not only cooperate with PICs during the planning stage, but is also held to account by them for the outcomes against those plans. While this may not seem to be an issue on the surface, a deeper exploration of the relationship between MLA and PICs shows that MLA is a significant source of funding for PICs. These funding relationships generate potential conflicts of interest and inhibit the ability of PICs to effectively hold MLA to account for its performance against the MISP. Furthermore, consultations have suggested that PIC interactions with MLA are often driven by a reactive, short term response to emerging issues and incidents. Such drivers run contrary to the longer term and strategic vision and objectives of the MISP.

In addition, the MOU requires MLA to negotiate or enter into contracts with other red meat industry service companies to deliver the goals identified in the MISP:

...to negotiate and enter into contracts with AMPC, with LiveCorp, and with both AMPC and LiveCorp, under which MLA will perform, or arrange for other persons to perform, joint functions and services on behalf of the industry sectors they represent for achieving the goals identified in MISP.

MOU (s. 6.1 f).

For these partnerships to work effectively there has to be a level of trust between MLA and AMPC and LiveCorp. During this review, ACIL Allen has received considerable feedback that relationships between MLA and AMPC have broken down and are largely a result of personality-based issues. Such relationships will need to be repaired so the effectiveness of these partnerships can be improved in the future.

Second, there is a culture for complexity within MLA (and to some extent the PICs) that arises from the need to recast what has been outlined in the MISP in a way that meets the interests of the major levy payer groups and factions within the industry. This recasting has over time generated a complex architecture of plans, imperatives, objectives, and KPIs which all essentially seek to measure the same thing – progress against the MISP.

The problem for MLA is that complex architecture does not allow it to easily communicate how it is meeting the needs of levy payers and industry and the longer term aspirations of MISP. The problem for the industry more broadly is that the complexity of the planning and performance measurement architecture generates a lot of activity (which is potentially highly resource intensive) for dubious strategic and accountability benefit to stakeholders.

A longer term goal of MLA and the industry should be to rationalise the planning and performance measurement architecture to more clearly focus on MISP for the benefit of the entire value chain.

Finding 3: Listening is not enough, genuine partnerships are needed to drive future performance

MLA deploys a wide range of mechanisms for strategy development, value chain investment, service procurement, information sharing, and performance reporting. These functions are distributed across the organisation through a complex matrix of consultative structures that often engage the same stakeholders multiple times. Stakeholders mostly want MLA to succeed but vary in their willingness and ability to understand and engage.

Frustration based on experience and the observed rate at which MLA changed created a widely held view that MLA had "stopped listening" and was unresponsive amongst stakeholders and within parts of MLA.

This is not to say all MLA stakeholder relations were ineffective. Rather they had reached a level of maturity and complexity where they were not fully understood or utilised and needed to evolve in response to changes within the industry.

While the recent moves to reinvigorate consultative mechanisms and “start listening” has been well received stakeholders are rightly reserving judgement on whether this will continue and is sufficient.

Overall while MLA has addressed the “stakeholder confidence crisis” it still faces legitimacy gaps between its performance and stakeholder expectations. This will require the company to mature beyond stakeholder management to stakeholder engagement to create enduring partnerships.

Finding 4: Sourcing and procurement generates performance issues for the company

The red meat industry has a clear set of enduring priorities – develop markets and improve across the supply chain to ensure a sustainable, competitive industry. The various strategies and consultative mechanisms refine the priorities to a scale where MLA and the MDC can source and procure services to deliver against them. While there is scope to improve priority setting and investment allocation there is much if not more to be gained in strengthening sourcing and procurement which is equally contentious and increasingly fragmented and transactional.

There are three connected sourcing and procurement issues which affected MLA’s performance: benefit definition; portfolio structure, and provider partnerships.

The recently completed CIE report has helped MLA make significant progress on defining the benefits it has achieved, not least because it is methodologically consistent and therefore comparable with MISIP and was highly participatory. As a result MLA and stakeholders have a stronger understanding of the organisation’s benefits and beneficiaries across the value chain over the past five years. MLA now needs to focus on how to build on the momentum created to improve the way it continually defines and reports benefits year in year out rather than every five years.

The segmentation of the portfolio to align with stakeholders, focus areas, business units, funding streams and other factors has created an intensely complicated and often interdependent structure with increasing numbers of projects and programs. While MLA does deliver benefits to industry across the portfolio, the structure is unwieldy and challenging for MLA and stakeholders to understand and manage which limits performance. The new MISIP and MLA strategic plan provide the opportunity to change the structure of the portfolio to become more streamlined and transparent.

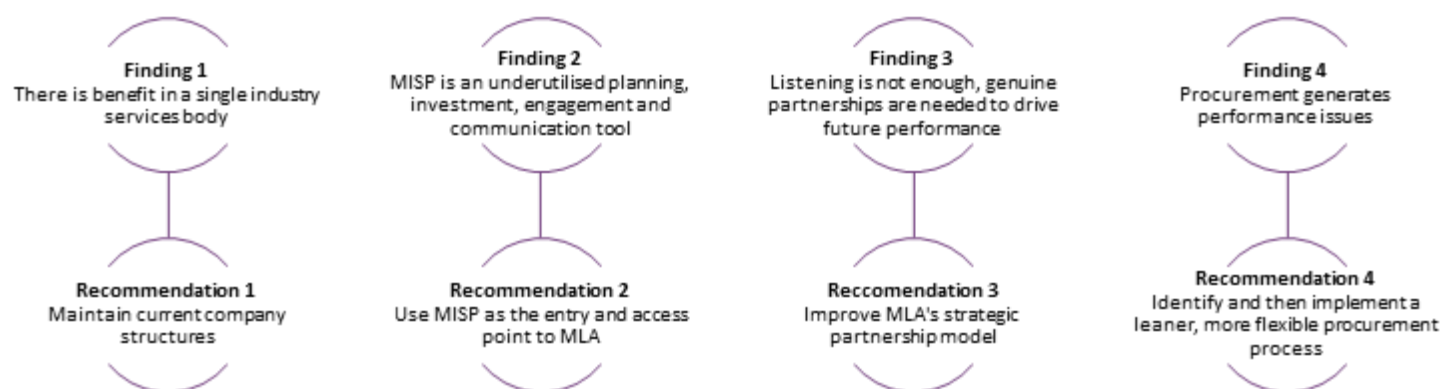
While being accountable to core funding partners is critical, the financial and capability leverage achieved from services providers is also important. The tighter fiscal forecasts for traditional public partners’ means they and MLA need to continually improve focus and efficiency. This includes additional leverage from other sectors, private organisations and overseas in which the MDC will play an increasingly important role. Provider engagement in the revised consultative mechanisms and introducing an annual call are positive developments but more will be required.

8.3 Recommendations

The following recommendations are identified as important for helping MLA to consolidate its internal reforms and to better prepare it for a strategic horizon and for meeting the challenges placed on it by a complex red meat industry operating context and MOU. The recommendations are focused on improving a maturing company and supporting its achievement of future strategic directions. As such, the recommendations are not intended to illicit fundamental reform of MLA.

The recommendations have been designed to address the key issues outlined above. The relationship between the findings and recommendations is shown in the **Figure 8.1** overleaf to further demonstrate how the review recommendations have been conceptualised.

FIGURE 8.1 RELATIONSHIP BETWEEN KEY FINDINGS AND RECOMMENDATIONS



SOURCE: ACIL ALLEN CONSULTING

Recommendation 1: Maintain current company structures

Rationale

To address selected criticisms which call for a fundamental change to MLA's company structure. While this recommendation does not require specific action or investments, it provides MLA with the 'breathing space' necessary to operationalise the internal reforms that have been implemented over the past 2-3 years. These reforms show great promise but need time to be completed and fully operationalised.

Key elements

Maintain company structures and continue to improve organisational processes, systems and transparency to ensure MLA delivers outcomes which benefit the entire value chain.

Recommendation 2: Use MISP 2020 as the access and exit point to MLA

Rationale

To reinforce the role of MISP 2020 as a strategic planning and operational document which drives internal and external company interactions. MISP 2020 is a key document for the industry which was developed using broad industry consultation, is underpinned by data and relatively robust economic analysis and is forward thinking (i.e. not retrospective).

MISP is ideally placed to drive industry behaviour and investments over time, and should be the primary lens through which MLA interacts with its internal and external environment. MISP 2020 should be used to structure all interactions with accountability agents under the MOU, to set KPIs for business units, to drive strategic partnerships with providers and to report the outcomes of MLA's investments to industry.

Key elements

Implementing this recommendation requires MLA and the MDC to apply the question "does this contribute to MISP 2020?" in everything they do. If an issue or priority doesn't, then MLA and the MDC should not invest. MLA should encourage its stakeholders to do the same. The preference should be towards stricter rather than looser assessment to build the focus in MLA, MDC and its stakeholders.

Practically this will require a set of guidelines which includes criteria and dialogue mechanisms and oversight arrangements.

Recommendation 3: Improve MLA's strategic partnership model

Rationale

MLA existing stakeholder engagement can be characterised more as *stakeholder communications*, and is not meeting the expectations of important stakeholders. An on-going legitimacy gap between performance and expectations means stakeholders do not engage with and support the company as well as they could. Simply demonstrating benefits is insufficient and stakeholders are looking to engage in long term partnerships based on relationships, collaborations, involvement and identifying opportunities to create shared value.

Key elements

MLA and MDC jointly develop a stakeholder engagement strategy that is led by specialist corporate public affairs capability and forms the basis for engagement across all parts of the companies. In line with good practice, MLA's engagement with stakeholders should be meaningful, focused on building trust, oriented to evolve from transactional communication to seeking stakeholder involvement, and be calibrated to generate mutual benefits for stakeholders and MLA.

Recommendation 4: Identify and then implement a leaner, more flexible procurement process

Rationale

MLA needs to achieve more from its investments to accelerate realisation of MISP 2020 for the industry's benefit. This will most likely occur in an environment of fiscal constraint for MLA and many of its partners reinforcing the need to "get more from less" and seek additional leverage from new partners.

Key elements

There are three elements to this recommendation: improve benefit definition; streamline portfolio structure and strengthen service provider partnerships.

The ability to define benefits in a consistent, repeatable and comparable manner for existing and new investments across the whole of MLA and the MDC is the cornerstone of maximising the portfolio. Currently this is only achieved in parts of the portfolio and comparisons are problematic. To address this we recommend MLA:

- Streamlines and align its multi-criteria analysis (MCA) and reporting at the point of investment across the organisation
- Develops a consistent and comparable in-house economic assessment tool that is comparable across all units and can be applied quantitatively and qualitatively to current and potential investments
- Invests in fundamental baseline datasets to inform program evaluations
- Establishes and actively oversees a schedule to evaluate all programs over a 5-10 year cycle
- Targets evaluations where benefits are uncertain/poorly defined or investments underperforming
- Aligns the MCA, progress and ex-ante reports with unit and corporate communications to generate content for stakeholder engagement.

Streamlining the portfolio structure is logically part of the new strategy MLA is currently developing. The aim should be to establish larger programs with fewer projects to improve scale and reduce unnecessary consultation and approvals.

Strengthening provider partnerships will require MLA to establish mechanisms beyond the transactions associated with individual projects. Client relationships plans should be developed and implemented for significant partners. MLA needs to establish a forum to liaise with providers and actively seek new ones that seamlessly integrates with MDCs fora. This could operate as an information sharing network such as used by the dairy and cotton industries under the auspices of the Red Meat Co-investment Committee and the National Primary Industries RD&E Framework in collaboration with AMPC and LiveCorp.



APPENDICES

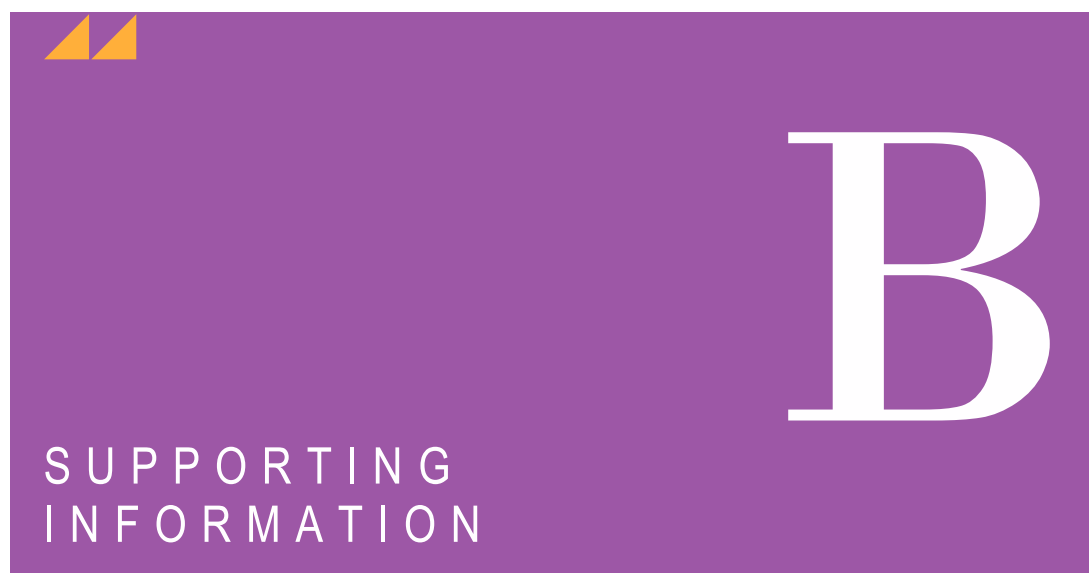


Table A.1 provides the details of the number of stakeholder consultations undertaken for the review.

Table A.1 Stakeholders consulted for the review

Categories	Number
MLA Board	3
MLA staff	18
Peak Industry Councils and other representative bodies	16
Government	6
Other Research and Development Corporations	7
Research organisations and others	9
Top 20 levy payers	5
Large processors/exporters	7
Large MDC Co-investors	5
Total	76

SOURCE: ACIL ALLEN CONSULTING



B.1 Overview of MLA's planning hierarchy

The following sections provide a high level summary of the strategies and plans which underpin MLA's operations.

B.1.1 MISIP 2010-15

The guiding document for the meat industry is the Meat Industry Strategic Plan (MISP), which is developed every five years. It represents a single view of the Australian red-meat and livestock industry and provides a roadmap for the industry over the five years through to the next iteration of the MISP. The 2010-15 MISP, was the third iteration and there is now a MISP 2016-20 to cover the next five years. The MISP is developed by the Red Meat Advisory Council (RMAC) which is made up of five of the six peak industry Councils of the red meat sector:

- Australian Livestock Exporter's Council (ALEC)
- Australian Lot Feeders Association (ALFA)
- Australian Meat Industry Council (AMIC)
- Cattle Council of Australia (CCA)
- Sheepmeat Council of Australia (SCA).²⁸

The MISP 2010-15, which was the guiding document for the period being reviewed, has seven Strategic Themes:

- Environment and Ethics
- Market Access
- Our Industry
- Our People
- Innovation
- Marketing and Promotion
- Economics and Infrastructure.

These overarching themes are translated into Imperatives via the MLA Corporate Plan (covering a five year period) and Annual Operating Plan (released annually) which is informed by the Annual Business Plan. **Box B.1** discusses the planning requirements for the MLA under the Memorandum of Understanding (MOU) with the Commonwealth Government and other industry peak bodies.

²⁸ The missing party is the Goat Industry Council of Australia (GICA).

BOX B.1 PLANNING OBJECTIVES UNDER THE MEMORANDUM OF UNDERSTANDING

Under the MOU with the Government, each year the MLA must prepare in consultation with CCA, SCA, ALFA and GICA:

- a business plan for the period of 3 years beginning on 1 July in that year for the performance of functions necessary to achieve the vision and strategic imperatives of MISP that includes financial projections and makes provision for any unforeseen event which may have a significant impact upon the industry; and
- an operating plan (including financial projections) setting out the activities MLA proposes to undertake in the immediately following financial year consistent with its business plan.

SOURCE: MOU

B.1.2 Corporate Plan

The MLA Corporate Plan is specific to the MLA as opposed to the red meat industry at large and provides an overview of the strategic direction of the company for a period of five years. The plan is aligned with the strategic themes outlined in the MISP. It is intended to factor-in the external operating environment, MLA's internal capabilities and current issues confronting the industry.

The Corporate Plan also guides the development of a series of detailed five-year business plans that outline the MLA's long term programs.

New Strategic plan

The *Corporate plan 2010-2015* replaced the *Strategic plan 2010-2015* (which replaced a previous strategic plan²⁹) and any other strategic plans that were published in previous years (MLA, 2012, p. 1). The new strategic planning model was implemented in 2012 as a result of an evaluation of MLA's performance conducted by Arche Consulting in 2010. The shift from a Strategic Plan to a Corporate Plan was accompanied by two other changes to the planning process – the five imperatives were consolidated into four imperatives and 15 focus areas were introduced. The Annual operating plan for 2012-13 was the first under the new strategic planning model. The new planning model was developed in order to strengthen program evaluation and planning. The new model also intended to improve transparency and accountability.

Changes to the planning structure that occur out of cycle, such as those described above, can lead to unnecessary confusion.

Alignment of MISP strategic themes and MLA Imperatives

The alignment of the MISP 2010-2015 strategic themes and the MLA Corporate plan 2010-15 imperatives is presented in **Figure B.1**.

²⁹ A previous iteration of the strategic plan is the Strategic plan 2008-2012, published in August 2008.

FIGURE B.1 MLA CORPORATE PLAN 2010-2015 ALIGNMENT TO MISP 2010-2015

		Corporate plan 2010-15			
		Imperative 1	Imperative 2	Imperative 3	Imperative 4
		Improving market access	Growing demand	Increasing productivity across the supply chain	Promoting industry integrity and sustainability
MISP 2010-15	Strategic theme 1				Environment and ethics
	Strategic theme 2	Market access			
	Strategic theme 3				Our industry
	Strategic theme 4			Our people	
	Strategic theme 5		Innovation	Innovation	Innovation
	Strategic theme 6	Marketing and promotion	Marketing and promotion		
	Strategic theme 7	Economics and infrastructure		Economics and infrastructure	

Note: Imperative five, "increasing industry and people capability", was not included after the 2010-11 Annual Operating plan. The Strategic themes aligned to this Imperative were covered by the other Imperatives as outlined above. They included: "Our industry", "Our people", "Innovation", and "Economics and Infrastructure".

SOURCE: (MLA, 2013)

Figure B.1 shows how MLA Imperatives are often applicable to multiple Strategic themes under the MISP 2010-15. While this is not particularly confusing in itself, it does provide an extra layer of administration when determining where MLA operations precisely fit under the Strategic Themes outlined in the MISP 2010-15. Further, the Corporate Plan does not precisely explain why the MLA structure of Imperatives differs from the MISP Strategic themes. Some imperatives appear to align quite clearly with MISP strategic themes such as for example Imperative 1, "improving market access", and Strategic theme 2, "market access". The MLA broaden the activities under Imperative 1 to include activities which relate to Strategic Theme 6 and 7: "marketing and promotion" and economics and infrastructure. It is unclear what the rationale for this is.

Direct alignment with the MISP would improve accountability and transparency and efficiency in the planning process.

Focus Areas

Under the Corporate Plan, the four Imperatives outlined above are subdivided into fifteen focus areas. These are aligned as depicted in **Table B.1**. These 15 areas were identified as having the most potential to deliver the strongest returns back to cattle, sheep and goat producers.

TABLE B.1 CORPORATE PLAN 2010-15 FOCUS AREAS

Imperatives	Focus area
1 Maintaining and improving market access	1 Assist industry to better integrate and sustainably deliver its on-farm risk management systems (Livestock Production Assurance, National Vendor Declarations, National Livestock Identification System)
	2 Assist government and peak industry councils to secure free trade agreements that eliminate the current tariffs on red meat exports to Korea (currently 40%) and Japan (currently 38.5%)
	3 Identify high priority technical trade barriers that are impeding red meat export sales, and assist government to alleviate their impact through the provision of science and technology
	4 Maintain access to livestock export markets by assisting supply chains to implement and comply with Exporter Supply Chain Assurance System regulations through the provision of gap analysis, risk analysis, training and technical advice
2 Growing demand	5 Increase Australian consumers' demand for beef through compelling marketing campaigns encompassing eating quality, enjoyment and nutrition
	6 Create new business for Australian beef in emerging global markets by working with exporters to win at least 20 new major accounts and at least 20 large new product opportunities for branded beef
	7 Create incremental business for Australian lamb in domestic and global markets by increasing consumer perceptions in key markets and working with exporters to win 20 new major accounts for Australian lamb
3 Increasing productivity across the	8 Create opportunities through research and extension to improve reproduction efficiency in northern beef (by five percentage points) and maternal sheep breeds (by two percentage points)

Imperatives	Focus area
supply chain	9 Create opportunities through genetic research and management practices to improve pasture and forage crop productivity, quality and persistence
	10 Create opportunities with new practices or technologies to improve labour efficiency by 5%, encompassing occupational health and safety, labour resource need and yield
	11 Create opportunities to improve compliance to market specifications by 3% by providing information and tools that encourage practice change on-farm, such as Livestock Data Link and BeefSpecs
	12 Create opportunities through research to minimise the threat and impact of exotic, emerging and endemic diseases on Australian livestock enterprises
4 Supporting industry integrity and sustainability	13 Create opportunities through research that will deliver a 10% improvement in production efficiency through new tools and management that will decrease greenhouse gas emissions from livestock systems by up to 30%
	14 Create cost effective opportunities to replace, relieve and refine animal husbandry practices to continuously improve animal welfare
	15 Create opportunities through media, social media and events for producers and industry to engage with the community and maintain current high levels of trust (over 80%)

SOURCE: (MLA, 2012)

The Corporate plan also provides a series of 20 Objectives that contain details of the programs and activities of the MLA, with specific goals and measures to track performance. There are two further objectives that lie outside of the four imperatives under a complementary 'Supporting initiatives' category.

These are presented in **Table B.2** and form the basis for the operating plan activities discussed in the next section.

TABLE B.2 CORPORATE PLAN 2010-15 OBJECTIVES

Imperative	Objectives
1 Maintaining and improving market access	1.1 Develop and deliver industry systems that underpin product integrity
	1.2 Support industry and government to maintain and liberalise world meat markets
	1.3 Maximise market options for producers and exporters in the livestock export market
2 Growing demand	2.1 Develop practices and drive programs that help industry deliver consistent and optimal eating quality
	2.2 Enhance the nutritional reputation of red meat
	2.3 Develop new products
	2.4 Aggressive promotion of beef in the domestic market
	2.5 Aggressive promotion of lamb in the domestic market
	2.6 Aggressive promotion in export markets – beef
	2.7 Aggressive promotion in export markets – lamb
3 Increasing productivity across the supply chain	3.1 Create opportunities to increase on-farm productivity
	3.2 Identify and deliver opportunities to increase off-farm productivity and capability
	3.3 Deliver valued supply chain and market information
	3.4 Support industry to improve animal health and biosecurity
	3.5 Increase producer engagement with MLA information and tools to build capability
4 Supporting industry integrity and sustainability	4.1 Support on-farm environmental sustainability
	4.2 Support off-farm environmental sustainability
	4.3 Support industry to make continued improvement in animal welfare without reducing productivity levels
	4.4 Support industry's effective engagement with the community

Imperative	Objectives
	4.5 Develop sustainable innovation capability within the industry and its service providers
Supporting initiatives	1 Stakeholder engagement and reporting
	2 Corporate services

SOURCE: (MLA, 2012)

It is unclear from the Corporate plan why the 'Focus Areas' and the "Objectives" need to be different and they appear to be quite well aligned with each other. For example, Focus Area 2 "Assist government and peak industry councils to secure free trade agreements that eliminate the current tariffs on red meat exports to Korea (currently 40%) and Japan (currently 38.5%)" covers very similar ground to Objective 1.2: "Support industry and government to maintain and liberalise world meat markets". The reasoning for distinguishing between these two sets of ideals is not explicitly outlined in the Corporate Plan.

B.1.3 Business Plans

The Business plans are developed and used internally within the MLA. Summaries of the business plans are provided on the MLA website provide more information around the Objectives outlined in **Table B.2**. These summaries provide a 3-4 page outline of each objective including a strategy overview, vision, structure and section on the strategies and initiatives that are being used to deliver the objective. The summaries conclude with outcomes that are to be achieved from undertaking these strategies and initiatives. The detailed business plans themselves provide specific and detailed outlines with respect to the Objectives outlined in the Corporate Plan. This includes the specific initiatives, KPIs to be used and the budget allocated to each objective as well as discussion of the challenges and shifts in the social, economic and physical environment related to that objective.

B.1.4 Annual Operating Plans

Each year, MLA publishes an Operating Plan which sets out programs and objectives for the financial year ahead. The Operating plans are in line with MLA's revised *Corporate Plan 2010–2015*, which established the long-term goals and direction of MLA's marketing and research and development (R&D) investments. The AOPs also contain the key initiatives for the year under each strategy and sets the KPIs and budgets for these strategies. Performance against the plan is measured in the Annual Report for the subsequent year. The AOP for 2012-13 was the first under the new strategic planning model which was implemented during 2012. The AOP for 2012-13 reflects the changes to the imperatives which were also revamped during the change in the MLA's strategic planning model. These changes are shown in Table B.3. The language has changed around two of the imperatives and Imperative 5 has been consolidated into the other four imperatives with a supporting initiative added. The aim of these changes is to ensure that MLA is strategically aligned with MSIP 2015.

TABLE B.3 CHANGES TO IMPERATIVES IN THE NEW STRATEGIC PLANNING MODEL

Imperative no.	2011-12 imperatives	2012-13 Imperatives
1	Improving market access	Maintaining and improving market access
2	Growing Demand	Growing demand
3	Increasing productivity across the supply chain	Increasing productivity across the supply chain
4	Promoting industry integrity and sustainability	Supporting industry integrity and sustainability
5	Increasing industry and people capability	Consolidated into the other Imperatives and complementary supporting initiatives.

SOURCE: (MLA, 2013), (MLA, 2012)

8.3.2 Annual reports

Annual reports contain the KPIs for the MLA against the criteria established in the AOP for the previous year. The Annual Report is a report to stakeholders on the activities and outcomes for the financial year, including financial performance, corporate performance and highlights of the year as well as reporting on areas requiring further focus. The actual performance against the KPIs from 2010-2015 is provided in the next section.

B.2 MLA's detailed response to the LPI review

Table B.1 details the MLA's progress against the eleven recommendations of the LPI review.

TABLE B.1 MLA'S RESPONSE TO THE RECOMMENDATIONS OF THE LPI REVIEW

#	Recommendation	Background and review of actions taken	Status
Strategy			
1	MLA should publicly and unambiguously take 'ownership' of the National RD&E Strategies for Beef Production and Sheep Meat Production (the 'red meat strategies') including leadership of their ongoing review and revision of strategic priorities, and of the implementation of these Strategies in partnership with its co-investors in RD&E. The research related aspects of MISP, BISP and SISP should also be included.	<ul style="list-style-type: none"> - The Primary Industries Standing Committee (PISC), Research and Development Subcommittee on behalf of the Primary Industries Ministerial Council endorsed development of sectoral and cross sectoral National RD&E strategies. The National sheepmeat and beef RD&E Strategies were developed through the Red Meat Co-investment Committee (RMCiC). MLA is the supporting RDC for both of these strategies. - The Red Meat Co-investment Committee (RMCiC) is a long-standing committee of representatives from major coinvestors in red meat industries RD&E, chaired by MLA. The RMCiC assumed the role of developing the National RD&E strategies and providing oversight of delivery against these strategies. General reporting of achievements against the strategies was conducted 6-monthly and reported at the RMCiC and to the PISC. - The peak councils (SCA and CCA) which oversight MLAs RD&E investments have their own strategic plans, the SISP and BISP. The National red meat RD&E Strategies are not recognised by the peak councils, hence, RMCiC and MLA have been unable to deliver against the National RD&E strategies. - To address these issues, in response to the Meat Industry Strategic Plan (MISP 2020), RMCiC will develop a new "Red Meat Industries RD&E implementation plan" to replace the current National RDE plans. This will be done in collaboration with the Peak Industry Councils. The plan covers all segments of the beef, sheep and goat sectors and sets out the strategic priorities for the industry as a whole for the coming five years. - MLA through the RMCiC have promoted the concept of "one national plan" to remove tensions associated with meeting the objectives of multiple strategies. In addition to MISP2020, each of the red meat sectors has developed its own strategic plan (e.g. SISP and BISP). These plans are now well aligned and will directly inform the "Red Meat Industries RD&E implementation plan". Development of a the national Red Meat Industries RD&E implementation plan aligned to and directly reflecting the industry strategic plans will enable MLA to take ownership of the plan. 	<ul style="list-style-type: none"> - The outcome of the 2015 June and December RMCiC meetings is that the RMCiC will develop a new "Red Meat Industries RD&E implementation plan" to replace the current National RDE plans. This will be done in collaboration with the Peak Industry Councils and directly address the industry strategic plans. <p>STATUS: On track – significant progress made</p>

#	Recommendation	Background and review of actions taken	Status
Stakeholder Engagement and Project Selection			
2	<p>MLA/LPI should adopt a formal process for stakeholder engagement in setting priorities, implementation of strategy and two-way industry communication, with the following elements:</p> <ul style="list-style-type: none"> Establish Advisory Panels of credible, experienced industry leaders and other stakeholders that would recognise regional (e.g. north, south) and industry (e.g. beef, sheepmeat) diversity across the red meat industries. Panels would: <ul style="list-style-type: none"> Identify and monitor issues of national and regional importance; Identify, develop and recommend on RD&E investment priorities and project selection via LPI to the MLA Board Interact with producer groups and other research advisory committees to exchange information Keep industry peak bodies, producers and advisors informed about MLA's strategic direction, investment portfolio and research projects Assist MLA managers in monitoring the effectiveness of the investment portfolio 	<ul style="list-style-type: none"> As per the recommendation of the LPI Review, MLA established a new system of industry consultation and annual calls for investment of sheepmeat and grassfed beef levies. Three regional, producer-based research councils supported by MLA and co-investment from state agencies, universities and CSIRO are in place. <ul style="list-style-type: none"> a re-invigorated Southern Australia Meat Research Council (SAMRC) with seven regional committees a new Western Australia Livestock Research Council (WALRC) to coordinate input from WA producers and groups the existing Northern Australia Beef Research Council (NABRC) with 11 regional beef research councils The Red Meat Panel will determine national RD&A priorities based on regional Council priorities. This panel met in December 2015. An Expert Panel is being established to deliver independence, quality, objectivity and transparency to project review and selection by MLA. The MLA National Consultation Strategy has been endorsed by CCA and SCA and both continue to be involved to have ongoing oversight. An initial annual call for investment in FY17 will proceed in January 2016. After which, performance and acceptability by industry and stakeholders of the consultation process will be assessed. 	<ul style="list-style-type: none"> The R&D priority setting process is now complete with the Red Meat Panel having met to refine and agree on RD&A priorities for the first annual MLA open project call. This has delivered the formal process for stakeholder engagement in setting priorities through a two-way communication strategy capturing all elements recommended. MLA is on-track to proceed to an open-call for RD&A projects on the 18th of January 2016. <p>STATUS: On track – significant progress made</p>
3	<p>Given the key role of extension agents in the research continuum, from engaging stakeholders, to advising research priorities, and brokering knowledge from R&D, MLA/LPI should reconsider the move of its extension capacity to the communications area.</p>	<ul style="list-style-type: none"> The extension managers were returned into the On-Farm R&D team in 2014. The MLA extension project managers are now part of the On-farm Innovation Adoption (OIA) and Livestock Productivity (LP) teams, ensuring the extension is embedded within key technical program areas to promote integration of R&D with Adoption. An additional Innovation & Adoption resource has been placed into the Animal Health, Welfare & Biosecurity program to compliment the Beef, Sheepmeat and Sustainable Feedbase project managers. The new OIA structure and performance will be again reviewed in June 2016 	<ul style="list-style-type: none"> This recommendation has been specifically addressed though the actions taken during the OIA restructure to integrate extension and adoption resources within technical program areas. Transition of extension and adoption activities from market majority programs to enable delivery of adoption from current R&D investments will be planned as current extension commitments are completed. New programs of work developed around on-farm innovation will be required to demonstrate effective

#	Recommendation	Background and review of actions taken	Status
			adoption strategies and pathways to impact.
			STATUS: On track – significant progress made
Portfolio Balance and Management			
4	MLA/LPI should focus a substantial proportion of its R&D portfolio on fewer, larger projects through strategic partnerships (including longer term funding arrangements to support capacity building and maintenance) with appropriate organisations that would change the portfolio balance in favour of higher-risk, longer-term research and include commitment to capability development and maintenance.	<ul style="list-style-type: none"> – A new Strategic Partnerships program has been proposed and approved by the Board. Through this program, an initial target of 30% of RD&A funds will be invested in larger, long-term strategic partnerships. – The Board has formally endorsed a change in its risk profile towards a greater proportion of high risk investments within the MLA R&D portfolio. – Budget constraints due to a reduction in levy income means that the opportunity to pursue many of the potential strategic partnerships will occur from FY2017. – The initial endorsed Strategic Partnership is development of a National Livestock Genetics & Genomics Consortium. Consultation on development is underway. – Further Strategic Partnerships are being explored, with RMCIC currently assisting with feedback and input into establishing the framework through which national strategic partnerships will be developed. – Consolidation of existing project areas within logical programs of work is occurring. For example, a welfare strategic partnership that brings together existing investments across the discipline and enables improved leverage of MLA funds with external funding has been scoped with external agencies. This will be presented to the Board for consideration in March 2017. – Models for identifying and reporting against the portfolio balance are being reviewed and improved through the R&D Health Check and development of cross RDC reporting through the Council of RDCs. 	<ul style="list-style-type: none"> – Significant improvements in portfolio analysis and reporting have been delivered through improving the R&D health-check report. Inclusion of additional metrics around project and program size will be included in the 6-monthly review to allow tracking against this recommendation. <p>STATUS: On track – significant progress made</p>
5	To complement the establishment of these larger strategic partnerships and to help retain responsiveness and agility, MLA/LPI should adopt a clearly-defined and well-publicised annual cycle for setting priorities - including industry input - and solicitation, evaluation, selection and funding of projects, that clearly address aspects of the 'red meat strategies'. A small portion of funding should also be set aside to deal with emergencies and other contingencies.	<ul style="list-style-type: none"> – A new system for industry consultation and annual calls is directly addressing all aspects of this recommendation, as outlined in point 2 above. – The initial evaluations for alignment with producer priorities were conducted through the regional committees (NABRC, SAMRC and WALRC) with final endorsement via the Red Meat Panel in December 2015. – •The first annual project call will occur in January 2016. Following this, the MLA project evaluation and contracting annual cycle will commence and be completed by June 2016. – All final project applications will be assessed for scientific merit by an independent expert panel 	<ul style="list-style-type: none"> – Discussions with stakeholders around the consultation strategy (up to 70% of budget) and the strategic partnerships (up to 30% of budget initially) planning has identified the need to retain a portion of the total budget for opportunistic/contingency work. <p>STATUS: On track – significant progress made</p>

#	Recommendation	Background and review of actions taken	Status
6	MLA/LPI should reduce its reliance on formal ex ante BCA for initial project evaluation and selection and increase its reliance on the experience and judgement of credible industry stakeholders, including the Panel system, and MLA/LPI senior staff.	<ul style="list-style-type: none"> The new consultation structure for approval of RD&A projects against the BISP/SISP objectives will provide transparent guidelines for project approvals and provide grass roots assessments of the regional value of RD&A projects, which will complement the BCA process. A new monitoring, evaluation and reporting system has been designed for on-farm RD&A. This framework is intended to enable appropriate measurement of impact of investment and clear reporting against MISP2020 and MLA2020. 	STATUS: On track – significant progress made
7	MLA/LPI should develop and implement a policy on strategic engagement with selected international R&D agencies with expertise that complements the capability of Australian research providers in order to leverage the best global research capacity onto the challenges and opportunities for the Australian red meat industry.	<ul style="list-style-type: none"> International engagement with R&D providers is well demonstrated across a range of current programs and is balanced with MLA's objective to grow Australian research capabilities. MLA has a number of strategic engagements with international R&D agencies, for example, through involvement in the international Sheep Genome Consortium & the International Rumen Pangenome Program; Numnuts development with UK organisations 4Cs Design and Moredun Institute; MLA is working with Moredun Institute, UK on a novel Barbervax vaccine, etc . MLAs new annual project call and Strategic Partnership collaborations will accept and encourage applications from international R&D agencies and international collaborations. MLA has partnerships in place with Beef + Lamb NZ genetics and also has links with the UNECE scientific committee on eating quality. 	STATUS: On track – significant progress made
Private Sector Collaboration			
8	MLA/LPI should develop a proactive plan to engage with commercial companies within Australia and overseas to ensure that relevant new technologies in the red meat sector are available to Australian producers.	<ul style="list-style-type: none"> MLA/OIA/LP has networks into most major companies in many farming sectors, including: animal health pharmaceutical, seed companies, tool makers, feed manufacturers, tracking, management software, consultants etc. These networks assist MLA to commercialise new technologies and source feedback on commercial reality to product development. MLA is currently trialling a new CRM system which should assist in engaging with commercial companies and understanding and enhancing the current commercial networks and relationships. MLA/OIA/LP are currently collaborating with many commercial companies undertaking RD&A relevant to the red meat industry via the MLA Donor Company. OIA/LP currently manages MDC projects worth ~\$32.5M (~43% of total MDC contracted budget). OIA/LP program managers have escalated their focus on developing more MDC opportunities and commercial collaborations. The Strategic Partnerships program also provides a structure with which to seek further commercial partner engagement. 	STATUS: On track – significant progress made

#	Recommendation	Background and review of actions taken	Status
		<ul style="list-style-type: none"> – MLAs new annual project call and Strategic Partnership collaborations will accept and encourage applications from collaborations that include commercial companies and networks. 	
Capability and Capacity Development			
9	<p>MLA/LPI urgently needs to develop a more inclusive culture that is also more outward looking and cognisant of the needs and concerns of all of its key stakeholders, including producers and all research partners whether from CSIRO, other national organisations, State-based agencies, universities or the private sector. This necessary change will be facilitated by:</p> <ul style="list-style-type: none"> – adoption of a contemporary best-practice performance management system that includes 540 analyses - involving key external stakeholders - as part of employee evaluation. This is seen as key to supporting the changed behaviours required. – movement to a cascading approach to objectives - setting and performance management that also reflects the cultural changes necessary for new approaches and directions. – development of a thorough understanding within MLA that the company's values and business objectives must be the key drivers of any new PMS. – MLA's approach to employee development achieving a greater balance between self-identified needs and the means to meet them; and the capability needs of the company. 	<ul style="list-style-type: none"> – On-farm research team has undergone customer focused communication training. – A formal 540 review is recommended for the 2016 financial year – MLA has implemented a new formal Performance Review system. This new Performance Review system captures staff development plans in line with the company objectives and includes a cascading system of objectives and performance measures, which flow down from MLAs Managing Director to all employee levels. – New MLA vision and values have been developed with key focus on customer and industry focus and transparency. – Staff attitudes and culture to be monitored by staff surveys (Dec 2014 survey completed - and repeated in December 2015) 	STATUS: On track – significant progress made
10	<p>MLA should adopt contemporary best practice in succession planning, for which the key driver should be the company's business objectives.</p>	<ul style="list-style-type: none"> – A company-wide succession planning review is currently underway driven by MLA business objectives. – Succession planning review will be completed on an annual basis. 	STATUS: On track – significant progress made
11	<p>MLA should consider adopting a robust approach to Thought Leadership. Many leading professional services firms are exemplars in this area. The new knowledge management system provides the ideal platform for enabling MLA to capture, codify and disseminate its Thought Leadership</p>	<ul style="list-style-type: none"> – MLA has historically undertaken many of the primary components that underpin Thought Leadership for industry, but it has done this 'behind the scenes' through influence and advice. – Thought leadership in the context of MLAs role as the service company for the red meat industry and facilitator of Federal Government investment in red meat industry R&D can be more overtly demonstrated at the organisational level through positioning of MLA as the unique provider of intelligence to industry and Government with 	STATUS: Limited progress made

#	Recommendation	Background and review of actions taken	Status
		<ul style="list-style-type: none"> - A repository of 20 years of R&D outputs and outcomes for industry that provides the history/platform upon which future R&D will be built - Access to the data and market intelligence to provide fact and direction to industry to seize opportunities in a timely manner - Unique depth of industry knowledge and experience and knowledge through the quality of its staff and their experience - A structured and calendared annual consultation process through which MLA will use points 1 to 3 above to lead industry priority setting and formally demonstrate Thought Leadership. - The refined focus towards identifying key delivery areas for industry (not being everything to everyone), a better understanding of MLAs role within industry as the service company for industry and facilitator of Federal Government investment in red meat industry R&D being will also enable more overt demonstration of Thought Leadership. - Underpinning organisational Thought Leadership is the fluid access to and common understanding of data and evidence and the consistency of approach that goes with it. The iShare system for knowledge management has been partly implemented - both the "old" network drives and iShare are in use by staff. 	

SOURCE: ADAPTED FROM MLA'S INTERNAL DOCUMENTATION

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