

Attachment 2

MLA International Lamb Industry Collaborative Agreement (ICA) Program Guidelines

Introduction

To build awareness and knowledge of Australian lamb, Meat & Livestock Australia (MLA) conducts a range of marketing activities in international markets. Over the last few years, a number of these promotional activities have involved MLA working cooperatively with Australian exporters and/or their importer/wholesaler/ end user customers to develop and grow sales of individual Australian lamb brands.

Two years ago MLA formalised its cooperative international beef marketing activities with individual exporters in a program known as the International Beef Industry Collaborative Agreement (ICA) program. As outlined at recent industry taskforce meetings it has now been decided to introduce a similar program for lamb exporters - .i.e. introduce an International Lamb ICA program. The International Lamb ICA program will enable exporters to develop and implement co-funded programs with MLA across all export markets– resulting in the establishment of one ICA contract per exporter. Additionally, under this new International Lamb ICA program, participating exporters will be able, on a mutually agreed basis, to change targeted markets in response to changing international market conditions.

This new International Lamb ICA program will not impact on the current in-country lamb ICA programs being conducted in North America. These in country programs will continue as before and will be run in addition to the MLA International Lamb ICA program.

Definition

An **International Industry Collaborative Agreement (ICA)** is an agreement between MLA and an Australian lamb exporter (**ICA participant**) to conduct a co-funded marketing program across export markets promoting Australian lamb. In a number of circumstances in-country customers (importers/wholesalers/end users) of the ICA participant may choose to contribute funds to the program activities. However, these funds will not be eligible for matched funding. Furthermore, lamb marketing activities in the Australian market are not eligible for inclusion in the International Lamb ICA program.

International ICA objectives

- Expand sales of the ICA participant's lamb in specified markets
- Enhance impact and effectiveness of the ICA participant's lamb marketing activities in specified markets
- Strengthen supply chain relationships between the ICA participant and their in-country supply chain customers
- Develop strong recognition and positioning of Australian lamb in international markets

The overriding objective is to jointly leverage industry and company funds to improve the positioning of Australian lamb in international markets resulting in increased returns to the Australian lamb industry.

Funding criteria

MLA will fund up to 50% of the agreed costs of lamb marketing activities that are part of an approved ICA annual program. Each proposal to conduct an ICA annual program will be evaluated on its own merit and judged against the objectives outlined above and MLA's International Lamb Marketing Strategy (see attached). Acceptance of a proposal is at MLA's absolute discretion.

MLA will not match any Government funding received by an ICA participant. Funding for ICA activities should initially come via the ICA participant company. All amounts specified are inclusive of all taxes payable on the relevant activities. Any taxes not included which are payable must be paid by the ICA participant.

Funding cap

There will be an AU\$50,000 annual funding cap on MLA matching contributions to the ICA activities of an individual exporter. This cap will be applied across associated companies – for the purpose of the funding cap associated companies will be seen as one entity.

Application procedures

- To receive funding under the MLA International Lamb ICA program, exporters must submit an application to MLA. This application is in two parts.
 - First, exporters are required to submit an ***MLA International Lamb ICA Annual Program Proposal*** form which is a broad annual plan of marketing activities to be funded under the ICA – this plan establishes the thrust of the work to be funded and estimated funding levels.
 - Second, as plans to implement specific ICA lamb marketing activities (as outlined in the annual plan) are developed, an ***MLA International Lamb ICA Activity Proposal*** form must be submitted to MLA. This outlines the components of the activity and the funding requirements for approval of the specific activity. These activity plans once approved make the exporter eligible to draw down on the ICA funds.
- Information on the broad annual plan of marketing activities to be funded under the ICA is to be submitted using the ***MLA International Lamb ICA Annual Program Proposal*** form. This annual plan will contain identification of lamb products and brands to be supported by the ICA, general information on marketing activities to be undertaken, identification of overseas beneficiaries of programs, broad objectives and outcome measures and proposed expenditure by country. Allocation of annual ICA funds to individual participants will be agreed to under this annual plan. **Approval of the Annual Program Proposal does not indicate automatic approval of specific individual activities. Approval for each specific activity (for eg. *In store sampling program 1 – 30 January 2011*) has to be obtained by submitting a detailed ICA Activity Proposal to MLA prior to each activity; refer to paragraph below.**
- To be eligible for specific funding more information on actual lamb ICA marketing activities, outlined in general in the annual plan, must be submitted before these activities are executed. This information should be submitted using the MLA International ICA Activity Proposal form. These detailed proposals will include itemised marketing activities, budgets and outcome measures as specified by the ICA participant and agreed by MLA. These activity proposals should be submitted to MLA at least one month before the execution of the activity. This will ensure that approval is in place prior to the implementation of the specific activity. **It is mandatory that approval is received prior to the activity being conducted for the ICA participant to be eligible for MLA funding for the specific activity.**
- Annual plans must be submitted to, and finalised with, MLA's head office staff; whereas development of the country specific detailed activity proposals should be in conjunction with the relevant MLA regional office responsible for the countries concerned. Where a country is not covered by a MLA regional office, the country specific detailed activity proposal should be developed in conjunction with MLA head office. For all relevant MLA contact details see *Attachment 4*.
- **The date for initial submissions of 2010-11 annual International Lamb ICA plans (using the MLA International ICA Annual Program Proposal forms) is Friday 29th May 2010.**

- Additional submissions may be considered throughout the year subject to budget availability at the time of the submission.
- **All information received in both the ICA Annual Program Proposal forms and the ICA Activity Proposal forms will be held in STRICT COMMERCIAL-IN-CONFIDENCE.**
- After the closure of the initial submission date (29th May 20120) MLA will consider all submissions and advise individual ICA participants of the acceptance, or otherwise, of their proposal and the level of funding MLA will contribute towards this proposal.
- Subsequent to receiving advice of acceptance, the ICA participant and MLA will co-sign an International Lamb ICA Annual Program agreement in order that the agreement becomes operative as outlined in the advice of acceptance. The ICA agreement will detail the MLA and the ICA participant's funding commitments.
- If the co-signing of the International Lamb ICA program agreement is not finalised within one month of the advice of acceptance MLA reserves the right to withdraw the offer of acceptance.

Product to be Associated with Australia

To be eligible for ICA funding for retail focused programs MLA will require the participant's lamb brand to clearly identify the product as 'Australian' or to be co-branded with the relevant country Australian lamb logo. Where there is no branding, then the product will need to be identified either as Australian on pack or have the relevant Australian lamb logo prominent.

All point of sale (POS) materials developed and/or advertising undertaken as part of the ICA must include the word 'Australian' or 'Australia' clearly in the materials/positioning or be co-branded with the relevant Australian lamb product logo.

To be eligible for ICA funding for foodservice focused programs MLA will require either the participants lamb brand to be included and identified as Australian on the menu or where there is no branding then the product should be identified as Australian or use the relevant Australian lamb logo.

It is MLA's preference that lamb brands promoted under an MLA International Lamb ICA are owned/controlled by an Australian lamb processor or an Australian exporter.

Types of activities included in an ICA

The following types of activities are eligible for ICA funding, however other activities not included on this list may be considered.

- Company brochures, videos, DVDs and website development promoting Australian lamb products.
- POS materials for use in retail or foodservice outlets.
- In store sampling / cooking demonstrations (not including product costs).
- Brand focused advertising in retail flyers, newspapers, brochures.
- Trade and consumer seminars.
- Trade missions.
- Market research projects.
- Business development projects.
- New product development projects
- Design and artwork costs for stickers, labels or packaging material development
- Ongoing reprinting of brand stickers for consumer (tray pack) in retail as long as they contain an Australian identity

- The following costs incurred for a trade show, whether you participated as part of the MLA stand or not: Freight of materials to trade show venue, production of materials specifically for the trade show, utilities, hire of chillers. Where a participant is attending a trade show where they are not on a subsidised MLA stand then the cost of the stand etc is eligible for co-funding.

Types of Activities excluded from an ICA

- Any activity that is not approved by MLA prior to the start of the activity will not be eligible for ICA funding.
- Any costs that exceed the approved and agreed amount (without prior notification and agreement) will be excluded from funding support.
- MLA will not provide co-funding where government or other co-funding money has been provided.
- MLA will not fund business expenses such as travel, accommodation, meals and incidentals for an ICA participant's staff or associates.
- MLA will not co-fund any activity which it believes will result in disruption to an existing Australian lamb supply chain, as these activities are not consistent with the objectives of the ICA program.
- MLA reserves the right to reject activity proposals or specific costs associated with agreed activities if MLA deems them to be not in line with MLA's International Lamb Marketing Strategy or the International Lamb ICA Guidelines.
- MLA ICA funds are not to be used to subsidise the offer/purchase/retail price of Australian lamb.
- Due to MLA already providing a co-funding component in the trade shows MLA organises, participation in the MLA organised shows will not be eligible for ICA support.
- MLA will not co fund the cost of meat (e.g. samples at trade show, in store demonstrations or cooking competitions).
- MLA will not co fund the ongoing production of primal/carton stickers or generic materials/packaging.
- **External marketing consultancy arrangements will not be eligible for co-funding for more than 3 months.**

ICA Activity Outcome Report

MLA will require the ICA participant to provide information after the activity is completed via the **International ICA Activity Outcome Report** form regarding the outcome of the activities conducted as part of the ICA. The reporting and analysis requirements to be documented in this report will conform to the agreed outcome measures in the relevant MLA International Lamb ICA Activity Proposal. An MLA KPI document **A Guide to ICA Key Performance Indicators** will be sent to you for reference to assist you in setting your outcome measures.

The assessment report should include outcomes against specific measures related to the activity, as specified in the MLA International Lamb ICA Activity Proposal, such as

- Survey results
- Sales volume by account
- Change in volume and value of targeted products using account sales data (including retail scan data if available)
- Other outcomes (e.g. established new account, activity participant survey data)

Agreed outcome measurement data (i.e. the assessment report) must be provided to MLA within two months of the conclusion of the specific activity.

All information supplied will be held in STRICT COMMERCIAL IN CONFIDENCE. In some circumstances the information will be aggregated with other ICA outcome data to be used to report on MLA's broad return on investment in ICA activities over the course of the year.

ICA Invoices

ICA activities must be completed by 30 June 2011. Any budget allocation not fully expended by 30 June 2011, or committed to an activity completed by 30 June 2011, will be forfeited under the agreement. Invoices for all activities completed on or prior to 30 June 2011 must be received by MLA by 1 September 2011.

The ICA exporter participant must pay the costs of the specific activity in full and, subsequently, at the completion of the activity, invoice MLA in A\$ for the agreed MLA contribution subject to verification of accrued activity expenditure. Invoices should be despatched to MLA head office and funds will be transferred to the Australian licensed meat exporter's Australian account. The MLA contribution will not be paid unless there is proof of expenditure (copies of all receipts to show the total cost incurred) and proof of completion of the activity. Furthermore there needs to be the provision and acceptance of an ***International Lamb ICA Activity Outcome Report***.

In special cases, there may be a need for the ICA participant and MLA to separately pay their contributions to the cost of a specific activity or vary the payment method outlined above. An agreement in writing from MLA will be required in this situation prior to the commencement of the activity.

Amendments to the Annual Program

All funds which are not utilised for specified activities in the 2010/11 fiscal year will be returned to the ICA funding pool. Where an ICA participant becomes aware that a particular activity will not proceed then they must advise MLA at the earliest opportunity that the funds will not be utilised. Failure to notify MLA of these situations may result in a reduction of MLA's contributions to the participants ICA programs in subsequent years.

There is the provision for ICA participants to negotiate amendments to their Annual Program Proposal due to changes in market circumstances. Participants should, at the earliest opportunity, advise MLA head office that they wish to change their plans via the provision of an amended MLA International Lamb ICA Annual Program Proposal form highlighting the specific market changes. Participants should give one month advance notice to MLA of a request to initiate a change of direction.

When the planned budget allocation for a particular region is insufficient, funds will require to be moved from another region. In this instance, ICA participants must indicate from where they wish the funds to be moved.