

**ANNUAL**

**REPORT**



**2015-16**

**Fostering the prosperity of  
the red meat industry**

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### About this report

This Annual Report presents a summary of MLA's programs, outcomes and financial performance during 2015-16. It contains four main sections:

1. A summary of MLA's operations and highlights of 2015-16 and reports by the MLA Chair and Managing Director (pages 2-12)
2. A *Report to Stakeholders* that outlines MLA's performance across six strategic imperatives, program highlights and progress against key performance indicators, and provides an overview of the company, the strategic framework, investments and operations (pages 13-61)
3. An *About MLA* section with a summary of MLA's finances and corporate strategy, information about corporate governance and overview of the organisation (pages 62-84)
4. A *Directors' Report* and audited *Financial Report* compiled in accordance with the *Corporations Act 2001*, Australian Accounting Standards and MLA's Deed of Agreement with the Australian Government (pages 85-114).

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**prosperity**  
**/prɒs'perəti/**

*n.*

prosperous, flourishing, or thriving condition;  
good fortune; success

# MLA at a glance

## Our purpose

To foster the long-term prosperity of the Australian red meat and livestock industry.

## Our vision

To be the recognised leader in delivering world-class research, development and marketing outcomes that benefit the Australian red meat and livestock industry.

## Our mission

To collaborate with stakeholders to invest in research, development and marketing initiatives that contribute to producer profitability, sustainability and global competitiveness.

## Our strategic imperatives

1. Trade and market access
2. Increasing customer and consumer demand for red meat
3. Improving productivity and profitability across the supply chain
4. Industry sustainability and integrity
5. Industry leadership, innovation adoption and capability
6. Stakeholder engagement and communication

Additional investment areas, while not considered strategic imperatives, are:

- Corporate services, levy collection and AUS-MEAT

## Our values

- Customer centricity
- Accountability through transparency
- Outcomes that make a difference

## Our history

MLA was established in 1998 as a public company limited by guarantee, following the merging of two industry statutory organisations – the Australian Meat & Livestock Corporation and the Meat Research Corporation. MLA is the declared industry marketing body and the industry research body under sections 60(1) and 60(2) of the *Australian Meat and Live-stock Industry Act 1997* (AMLI Act).

## Our funding

MLA is primarily funded by transaction levies paid on livestock sales by producers.

The Australian Government also contributes a dollar for each levy dollar MLA invests in research and development. Other funding streams come from specific unmatched grants from the Australian Government and cooperative funding contributions from other Research and Development Corporations, individual processors, wholesalers, foodservice operators and retailers.

Processors and live animal exporters also co-invest levies into MLA programs through their service companies: the Australian Meat Processor Corporation and LiveCorp. Individual exporters and importers can also co-invest with MLA on marketing activities.

MLA generates additional income via commercial funding contributions which are matched by the Australian Government. This funding is invested in research and development partnerships that benefit the Australian red meat industry through MLA Donor Company.

## Our members

Membership of MLA is voluntary and free to all levy-paying grassfed cattle, grainfed cattle, sheep, lamb and goat producers. MLA had 49,892 members at 30 June 2016.

## Our stakeholders

MLA works in partnership with industry and government to deliver products and services to the cattle, sheep and goat industries.

Through the Science and Research Priorities and the Rural Research, Development and Extension Priorities, the Australian Government sets high-level priority research and development objectives covering

community, industry and environmental concerns.

Peak industry councils provide policy direction, scrutinise budgets and monitor MLA's performance on behalf of the red meat and livestock industry. These are the Australian Lot Feeders' Association, Cattle Council of Australia, Goat Industry Council of Australia and Sheepmeat Council of Australia.

MLA also works closely with the Australian Meat Processor Corporation, Australian Meat Industry Council, Australian Livestock Export Corporation (LiveCorp) and Australian Livestock Exporters' Council to develop programs that address key industry issues and opportunities through the supply chain, manage projects and communicate outcomes.

## Our decision making processes

MLA doesn't invest levies and make decisions in isolation. This is done in concert with producers, the government, peak industry councils and other industry organisations (see 'Our stakeholders' and page 14 for other consultation mechanisms).

The regional consultation model (see page 58), which commenced in the second half of 2015, is giving producers direct input into MLA's research and development priorities.

## Our subsidiary companies

MLA owns two operating subsidiary companies. MLA Donor Company partners with investors in areas that bring value to the red meat supply chain through innovation and new technologies (see pages 69-70). NLIS Ltd administers the National Livestock Identification System (NLIS) database which records livestock movements. NLIS also provides information, tools, training and technical support to NLIS users (see page 70).

## Our staff

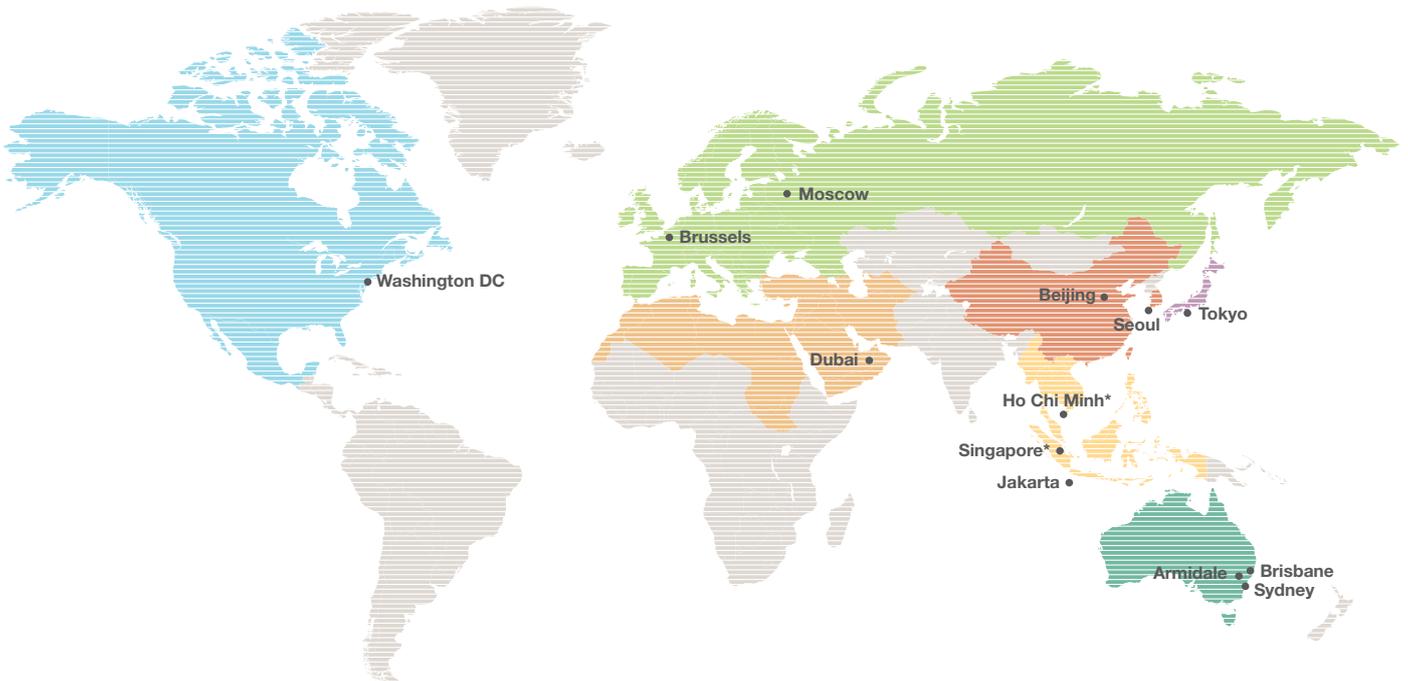
At 30 June 2016 MLA employed 234 staff. More than 45% were from a rural background and more than 31% were under 35 years of age (see page 84).

**Our year**



**Our locations**

MLA staff are based strategically to leverage the best possible access to all stakeholders and markets.



\* MLA has a presence through local agents in these locations but does not have registered offices

# Chair's report



Dr Michele Allan, Chair

This past year has been a relatively good one for much of the Australian red meat and livestock industry, with most of last year's record high livestock prices being surpassed by new ones.

It's not just the markets that have provided relief for many livestock producers. The season has also brought much needed rain across many production areas – in some cases flooding rains which have presented their own set of challenges. At the conclusion of 2015-16, there were only a handful of isolated pockets of Australia with a 'serious' to 'severe' rainfall deficiency, although we know that a full recovery for many producers will take time.

The total value of the red meat and livestock industry (including domestic and red meat and live export markets) in 2015-16 was estimated at \$22.9 billion, just 0.9% lower than 2014-15. Lamb, beef and goatmeat markets all contributed to this remarkable result.

## Lamb market and outlook

One of the trends in the lamb industry in recent years has been the increase in both lamb slaughter and lamb prices

(see figure 1). Historically, it has been either one or the other – never both. This recent trend really shows the strength of domestic and export demand. The Eastern States Trade Lamb Indicator averaged 544.4¢/kg cwt in 2015-16, just 2% lower than the record in 2010-11 but 5% higher than last year.

Lamb exports are expected to reach 240,000 tonnes swt in 2016, 2.6% higher year-on-year (figure 2), in line with rising production, with the Middle East, the US and Greater China taking increased volumes.

At home, domestic consumers maintained their overall consumption of Australian lamb at 231,000 tonnes cwt despite retail prices rising (figure 3).

Another trend over recent years has been the consistency of national monthly lamb slaughter. Since 2014 there has only been a 4% change in the rolling 12-month average number of lambs slaughtered. This reduced volatility in supply has also helped reduce volatility in average pricing in recent years, along with the softer Australian dollar and lower NZ lamb production.

**Looking ahead**, lamb slaughter is likely to remain below 2015-16 levels due to fewer ewes joined, yet remain at historically high levels. Slaughter is expected to rise again after 2017 with 24 million head expected to be reached by 2020 as producers continue to transition from wool production to prime lamb. The rising production is unlikely to be at the expense of prices, simply because NZ production levels, our largest sheepmeat competitor, are anticipated to remain subdued.

## Cattle and beef market and outlook

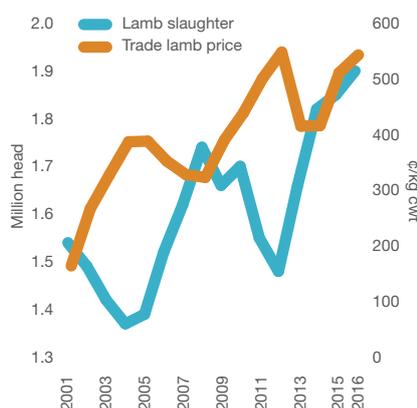
Just a year ago the entire cattle industry was nervously anticipating the Eastern Young Cattle Indicator (EYCI) breaking through the 600¢/kg cwt barrier. Yet in August this year it surpassed 700¢/kg cwt, highlighting what historically low cattle availability combined with widespread rain in most key producing regions can produce. In 2015-16 the EYCI averaged 577¢/kg cwt, 44% higher year-on-year (figure 4).

Another trend in the cattle industry in 2015-16 has been the narrowing in Australian and US cattle prices. In Australian dollar terms, heavy steer prices have been the closest to US prices as they've been in 11 years.

In line with lower cattle supplies, Australian beef production is forecast to fall to 2,169 million tonnes cwt in 2016, 15% lower year-on-year. The reduction was propped up by heavier average carcass weights due to a higher proportion of cattle on feed, lower stocking rates when a widespread seasonal break occurred and a higher proportion of male cattle being slaughtered. Beef exports fell in line with production, but chilled export volumes fell by a lesser extent than frozen volumes.

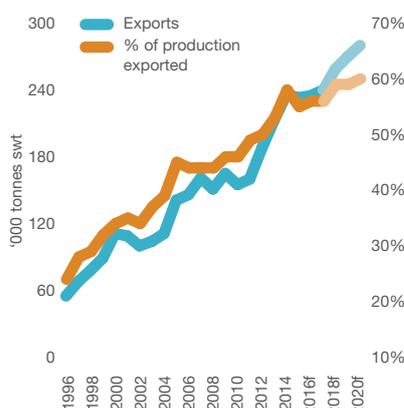
In the domestic market, the rising price of beef has presented a challenge to the household budget. Although domestic consumption has dropped, the value of this consumption has been maintained (figure 5). The price increase is the simple result of supply and demand. The long-term drought across much

Figure 1 – Average monthly lamb slaughter\* vs prices



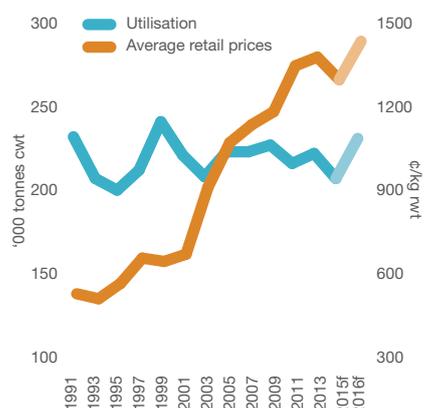
\* rolling 12 month average  
Sources: ABS, MLA estimates

Figure 2 – Lamb export rising with production



Sources: DAWR, MLA forecasts

Figure 3 – Domestic lamb utilisation and retail prices



Sources: ABS, MLA estimates

of Australia's production areas led to record turn-off by beef producers and the herd is now at a 20 year low. At the same time, there's been strong demand for Australian beef in export markets.

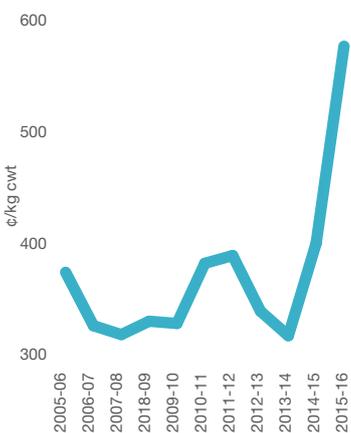
**Looking ahead,** Australian cattle prices will remain wedged between two extreme forces. On the one hand, extremely tight cattle availability will continue to underpin the market during 2017. However, on the other hand, downward pressure will continue to build as production builds in the US especially, while at the same time, some of our major competitors, like Brazil, benefit from improved market access. In the end, the market will be determined by just how long the tight supplies remain, and when higher Australian beef production levels are realised.

Now, more than ever, Australia will need to reinforce its position as a safe provider of high quality beef, with integrity systems to back up claims, given the potential implications of Indian buffalo entering Indonesia. Similarly, Britain's vote to leave the EU will potentially result in the opportunity for Australia to negotiate yet another free trade agreement, providing further market opportunities for Australian beef producers. Nevertheless the work involved for each of these scenarios will mean another busy year for MLA and the industry in 2017.

**Goat market and outlook**

Demand for goatmeat is showing no signs of waning. Eastern states over-the-hooks prices in 2015-16 surpassed last year's record by 33% (figure 6)

**Figure 4 – Eastern Young Cattle Indicator (EYCI)**



Source: MLA

while production reached 33,330 tonnes cwt in 2015-16, just 300 tonnes shy of the record in 2013-14.

**Looking ahead,** the goat market is expected to continue benefiting from demand outstripping supply. Australia has been able to grow exports significantly over the past 10 years, to an increasingly diverse range of customers. This, combined with Australia positioned as the largest goat meat exporter in the world, and an Australian dollar that sits in the mid-to-low US70¢ mark, will continue to assist the Australian goat market throughout 2017.

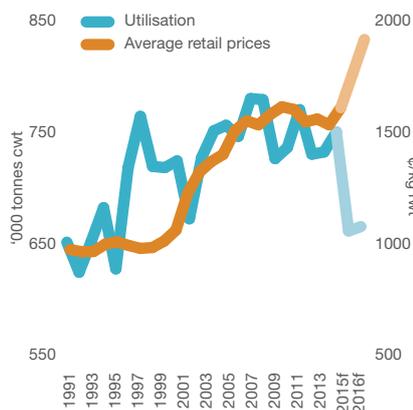
**Board business**

After many difficult years, it has been very pleasing to see livestock producers reaping the rewards from the markets this year. The MLA Board has continued to focus on ensuring that the levies received are invested in research, development and marketing that contributes to the long-term prosperity of the red meat and livestock industry.

At MLA's 2015 Annual General Meeting MLA members elected an additional grassfed cattle representative, Mick Hewitt, to the Board Selection Committee. Mick joined cattle producer representative Ian McCamley, sheep producer representative Jane Kellock, lotfeeder representative Therese Herbert, three representatives appointed by peak industry councils, and two non-voting MLA Directors, on the Selection Committee.

MLA members also voted on the election of three new Directors to MLA's skills based Board: West

**Figure 5 – Domestic beef utilisation and prices**



Sources: ABS, MLA estimates

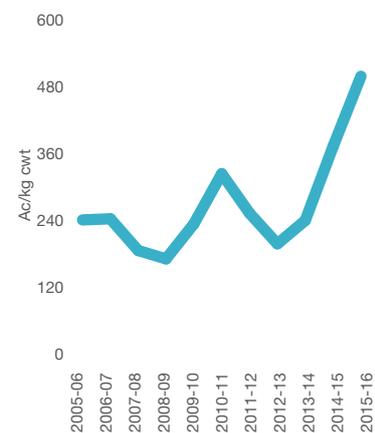
Australian livestock producer, business management adviser and events planner Erin Gorter; industry business builder, technology specialist and post farm-gate value-add expert Rob Fitzpatrick and global brand marketing expert and strategist Steven Chaur. These Directors have integrated well into the MLA Board and bring a complementary skillset to make sound decisions for the long-term benefit of the livestock industry.

The Board continues to look for opportunities to enhance the operational efficiency of MLA and its subsidiary companies, including the Integrity and Information Systems Company headed by Dr Jane Weatherley. Jane will lead the evolution of an expanded NLIS Limited into the newly named company to streamline the management of Australia's traceability and quality assurance programs for beef, sheep and goatmeat.

MLA's other subsidiary, MLA Donor Company, is in a unique position to attract new investment in research and development across the value chain at a time when levy revenue is decreasing. In recent years, MDC's program of work has been worth about \$30 million a year. With the extra funding available from the Australian Government in coming years, MDC can potentially more than double that investment. The MLA Board has made changes including the appointment of a fulltime Chief Executive Officer, Dr Christine Pitt, to capture this opportunity.

During the year the MLA Board also approved of a new model of collaboration in genetics and genomics

**Figure 6 – Goat prices**



Source: MLA

research, development and adoption with the establishment of the National Livestock Genetics Consortium. The aim of the consortium is to double the annual rate of improvement in industry genetic value by 2022. The Board views this as an important way to deliver affordable, accurate and easy-to-use technologies for genetic improvement in beef cattle and sheep.

In June the MLA Board approved MLA's *Strategic Plan 2016-2020* which focuses on the commercial outcomes the company will pursue to increase the profitability, sustainability and global competitiveness of Australia's red meat and livestock industry. Importantly, the Plan is fully aligned with the *Meat Industry Strategic Plan 2020* and the Australian Government's Rural Research, Development and Extension Priorities as well as its Science and Research Priorities.

Six strategic pillars form the foundation of the Plan with each accompanied by an outcome statement, indicating what will be achieved when the strategic pillar is delivered successfully. MLA has 13 strategic priorities to help achieve these outcomes (table 1).

### Outlook

In the year ahead, the MLA Board will be setting its subsidiary companies up for success, bedding down the transition to the expanded Integrity and Information Systems Company and overseeing the implementation of the

rest of the SAFEMEAT Initiatives Review findings. The expanded company will also incorporate the management of big data through the Value Chain Digital Strategy MLA recently initiated in conjunction with industry.

Another exciting opportunity is implementing objective carcase measurement technologies to measure saleable meat yield, including fat and bone in the first stage, and progressing its adoption by industry. This will pave the way for value-based pricing which has the potential to transform the industry and enhance its competitiveness.

A continuing high priority for the MLA Board is the provision of support to MLA Donor Company as it seeks new investors to accelerate innovation across the value chain. Contributing further to the innovation momentum was the confirmation in June of the Northern Beef Collaborative Partnership between MDC and the University of Queensland. This collaboration will inject up to \$8 million/year for up to three years to deliver productivity gains for northern producers.

Another continued focus for the Board is the improvement of farm productivity and profits while also enhancing sustainability. MLA funded and managed research and development has already proven the linkage of reducing methane emissions while increasing productivity through management techniques

and new innovations, such as the psyllid-resistant leucaena, 'Redlands', that was funded by MLA and is now being commercialised. As an added benefit, some producers are now receiving an extra income stream through the Australian Government's Emissions Reduction Fund. The Board sees this as an important area of work and will look for further opportunities to progress it on behalf of the industry.

The Board is also refining MLA's role in international markets as the acknowledged thought leader assisting Australian brands in global markets through account management and consumer insights. MLA's on-the-ground presence in export markets, combined with its carefully researched market insights, places it in a unique position to assist Australian companies to grow demand for Australian red meat.

In closing I would like to thank the Board and the staff of MLA who have worked hard to deliver research, development and marketing which contribute to the prosperity of the red meat and livestock industry.



Dr Michele Allan  
Chair

**Table 1 – MLA's strategic pillars, outcomes and priorities 2016-2020**

Pillar	Outcome	Priority
1. Consumer and community support	The community continues to support and trust the Australian red meat and livestock industry, with industry practices in step with community expectations.	<ul style="list-style-type: none"> <li>Continuous improvement of the welfare of animals in our care</li> <li>Stewardship of environmental resources</li> <li>Role of red meat in a healthy diet</li> </ul>
2. Market growth and diversification	Improved access to markets, with marketing programs and value creating innovation driving increased consumer and customer preference and premiums for Australian red meat.	<ul style="list-style-type: none"> <li>Efficiency and value in trade and market access</li> <li>Marketing and promoting Australian red meat and livestock</li> </ul>
3. Supply chain efficiency and integrity	Increased returns through the value chain, with participants and customers confident in product quality, pricing and integrity systems.	<ul style="list-style-type: none"> <li>Optimising product quality and cost efficiency</li> <li>Guaranteeing product quality and systems integrity</li> </ul>
4. Productivity and profitability	Productivity gains through the value chain from the adoption of tools and technologies.	<ul style="list-style-type: none"> <li>Production efficiencies in farms and feedlots</li> <li>Processing productivity</li> <li>Live export productivity</li> </ul>
5. Leadership and collaborative culture	Industry participants are confident in industry leadership capability.	<ul style="list-style-type: none"> <li>Building leadership capability</li> <li>Protecting and promoting our industry</li> </ul>
6. Stakeholder engagement	Industry participants are confident that the levy investment is delivering value.	<ul style="list-style-type: none"> <li>Engagement with producers and stakeholders</li> </ul>

# Managing Director's report



Richard Norton, Managing Director

Over the past 12 months MLA sharpened its focus and made fundamental changes to foster the long-term prosperity of the Australian red meat and livestock industry.

This involved pursuing four areas:

- consultation and collaboration
- performance monitoring
- strategic direction
- new frontiers.

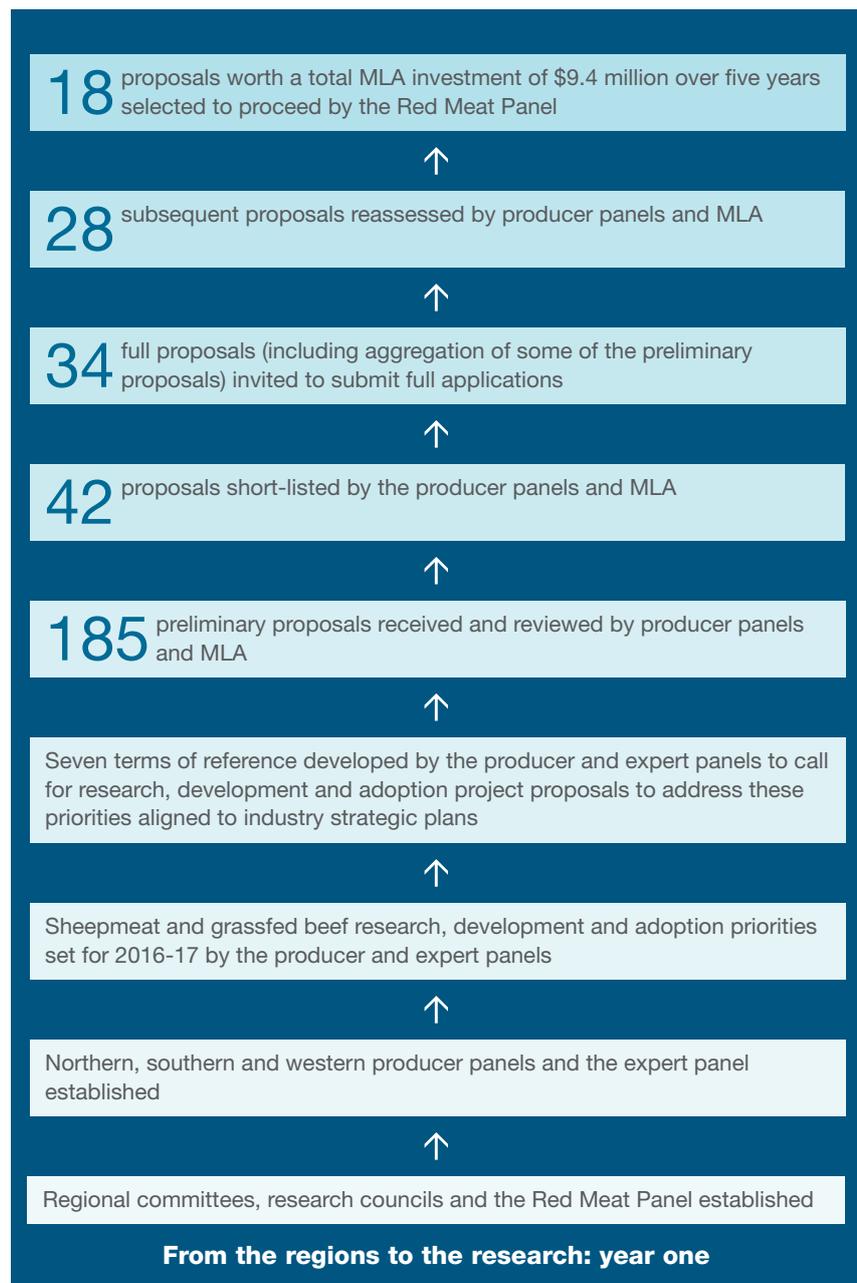
## We consulted and collaborated

MLA has a long history of consulting and collaborating with research providers, producer groups and other research and development corporations (RDCs). Not only does it help share knowledge and inform future research but any co-investment enables the levy dollar to be stretched further. Highlights in 2015-16 were the progress of the regional consultation model, continued face-to-face engagement with levy payers and new collaborations.

## Regional consultation

It was immensely satisfying to see the regional consultation model come full circle in 2015-16. The model was created in 2014-15 to encourage more grassfed cattle and sheep producers to have their say on the direction of MLA's research and development investment. During 2015-16 regional committees, councils and the Red Meat Panel meetings were held, nine sheepmeat and grassfed beef research, development and adoption priorities were shortlisted, 185 preliminary project proposals were received which were narrowed down to 18 final proposals to be funded by MLA (figure 7). This process has taken a mammoth effort by the producers, researchers and MLA staff involved. I'm confident it's the right approach for MLA to continue taking to ensure the research being funded by producer levies and the Australian Government is most relevant and impactful.

Figure 7 – Regional consultation process in year one



## Events attended by Managing Director Richard Norton in 2015-16

<b>July</b>	University WA Agriculture Forum (Crawley, WA), Producer forum (Esperance, WA), MLA Producer Forum and BeefUp Forum (Esk, Qld), BCG Sheep Management Showcase (Birchip, Vic), Red Meat Updates (Launceston, Tas)
<b>August</b>	CEDA Australia's Agribusiness Future (Sydney, NSW), peak industry council meetings (Canberra, ACT), ministerial delegation (China), RD&E Collaboration Workshop (Canberra, ACT)
<b>September</b>	<i>Meat Industry Strategic Plan 2020</i> launch (Canberra, ACT), Royal Agricultural Society Victoria lunch (Melbourne, Vic)
<b>October</b>	Ministerial delegation (Indonesia), Banana Shire Beef Industry Summit (Biloela, Qld), Charters Towers Sustainable Grazing Forum (Charters Towers, Qld), MLA producer forums (Henty, Wagga Wagga, Cootamundra, Jugiong, NSW)
<b>November</b>	The Label Conversation conference (Roma, Qld), Producer meeting (Roma, Qld), MLA Producer forum and MLA annual general meeting (Brisbane, Qld), peak industry council meetings (Brisbane), The CEO Outback Business Summit (Brisbane, Qld), AgForce Central Queensland tour (St Lawrence, Nebo, Middlesmunt, Clermont and Alpha, Qld)
<b>December</b>	Barraba Producer Forum (Barraba, NSW)
<b>February</b>	West Australian Livestock Research Council meeting (Northampton, WA), peak industry council meetings (Sydney, NSW), West Australian Goat Meat Industry Council (Perth, WA), Producer meeting (Freemantle, WA), Australia – US Business Week delegation (Chicago, San Francisco, New York, USA), Cuba Delegation (Havana, Cuba)
<b>March</b>	ABARES conference (Canberra, ACT), Northern Territory Cattleman's Association conference (Alice Springs, NT), Royal Agricultural Society NSW cattle dinner (Sydney, NSW), MSA Producer Awards (Toowoomba, Qld), Producer meeting (Warwick, Qld), Producer meeting (Smithlea, Qld), Producer meeting (Moree, NSW), MSA Producer Awards (Dubbo, NSW)
<b>April</b>	MSA Producer Awards (Bendigo, Vic; Launceston, Tas; Adelaide Hills, SA), Boorowa Beef Forum (Boorowa, NSW), Genetics Forum (Armidale, NSW), Producer meetings (Launceston, Tas; Adelaide, SA; Loxton, SA; Chowilla, SA; Harden, NSW; Boorowa, NSW; Springfield, NSW)
<b>May</b>	Australian Wagyu Conference (Hunter Valley, NSW), LMO conference (Sydney, NSW), World Brahman Congress (Rockhampton, Qld), Miles Show Breakfast (Miles, Qld), Angus National Conference (Albury, NSW), peak industry council meetings (Canberra, ACT), Australian Beef Association Beef Forum (Casino, NSW), Producer meetings (Molong, Orange, Canowindra, Cowra, NSW)
<b>June</b>	AuctionsPlus Sale Day (Sydney, NSW)

### Face-to-face engagement

MLA continued engaging with industry stakeholders around the country. My senior staff and I crossed paths with more than 6,000 producers during the year. At these times I have taken the opportunity to reiterate MLA's role as the provider of research, development and marketing services to the red meat industry. I've also been able to share the outcomes of MLA's Performance Review and Impact Assessment, our new *Strategic Plan 2016-2020* and outcomes from research and marketing campaigns. I will continue to travel far and wide across Australia to share how MLA is investing producer levies and listen to concerns and new ideas.

### Collaboration

During the year MLA worked with other RDCs on applications for the Australian Department of Agriculture and Water Resources Rural R&D for Profit program. This provides funding to RDCs for nationally coordinated, strategic research that delivers outcomes for producers. Of the 29 approved projects, it was very pleasing to hear that MLA will be involved in 10 – and manage half of these.

MLA is also involved in seven research consortiums, spanning from genetics

to climate variability. Our partnership with cooperative research centres also continues, including with the Sheep CRC, CRC for Spatial Information and Invasive Animals CRC.

### We monitored our performance

Monitoring and evaluating our performance forms part of normal business for MLA. We use results to learn from the past and inform what we do in the future. In 2015-16 key highlights in this area were MLA's performance review and impact assessment. Here, I also touch on our program and financial performance.

### Performance review and impact assessment

Every five years MLA is required to fund an independent performance review on its operations, governance and service delivery to industry. The review completed in 2015-16 concluded that MLA is delivering a return of \$6.20 on every dollar invested by its levy payers, research partners and the Australian Government.

Despite the strong result, the review includes a series of recommendations for improvement that will assist MLA to further enhance the red meat industry's profitability and sustainability by 2020.

These recommendations are detailed on pages 60-61.

### Program performance

Across MLA's seven strategic imperatives in 2015-16 were 115 program milestones. Of these, 75% were achieved, 10% were partly achieved, 13% were not achieved and 2% were no longer applicable or not available. I commend MLA employees for their hard work in producing such strong results. Of course, there is still room for improvement, particularly those milestones which didn't quite get over the line, and we will aim for an even stronger result in 2016-17.

### Financial performance

MLA's revenue fell 3.8% in 2015-16 to \$197.8 million, above expectations. Most of this was attributed to a reduction in grassfed cattle levies as producers retained stock and rebuilt their herds.

MLA's total expenditure fell 4% to \$172.4 million, including \$88 million on research and development and \$84.4 million in marketing activities. MLA's actual expenditure during the year was lower than budgeted as the company reviewed its spending in light of the MLA *Strategic Plan 2016-2020*,

investing only in programs which were aligned to the Plan.

MLA's surplus for the year was \$25.4 million, taking the retained earnings as at 30 June 2016 to \$100.7 million. These levy reserves are held by the levy stream in which they are generated. Retained earnings have been building over recent years to allow for reduced levy revenue over coming years as producers rebuild their herds and flocks while at the same time still enabling the company to deliver the priorities and programs outlined in MLA's *Strategic Plan 2016-2020*.

### We chartered our strategic direction

As MLA Chair Michele Allan referred to in her report, MLA developed its *Strategic Plan 2016-2020* during the year. This document is MLA's roadmap, outlining the priorities which will produce outcomes and impacts to contribute to the industry's prosperity. It also informs our annual work plan and where we will devote our funding, resources and energy to in 2016-17.

### We pursued new frontiers

As a company investing in research, development and marketing, MLA must remain at the forefront of innovation. In 2015-16 MLA developed an innovative adoption pilot program, launched its Digital Value Chain Strategy and reinvigorated its subsidiary, MLA Donor Company.

### Adoption pilots

MLA launched the Profitable Grazing Systems pilot in early 2016 as part of a shift in the way it has traditionally delivered research, development and adoption. The program builds on MLA's best practice packages of information, tools and events, with a renewed focus on encouraging producers to try new ideas on-farm and using specialist coaches providing longer-term support and guidance. The ultimate aim is to support producers to make on-farm changes which will drive productivity and profitability and have measurable and tangible impacts.

### Value Chain Digital Strategy

In July 2016 MLA unveiled a visionary plan to accelerate the digital future of Australia's red meat and livestock industry. The 'Value Chain Digital Strategy' – an industry first – will be designed to empower every participant at every point in the value chain through data-driven commercial decision making. It will harness the multitude of new digital technologies right across the value chain to ensure they work together to build prosperity throughout the red meat industry.

MLA will lead the development of the strategy with industry to deliver seamless capture, integration and interpretation of the vast and increasing range of data being generated through new technology.

### MLA Donor Company

MLA's subsidiary company, MLA Donor Company, is in the early stages of being revamped with a quest to source more investors, entrepreneurs and venture capitalists to co-fund research and development that benefits the red meat value chain. With levy funding in decline and the value of the red meat industry increasing, MLA has access to more Australian Government funding than it can match with levies alone. This increasing importance of MDC was reflected in the appointment of Dr Christine Pitt as the MDC's first Chief Executive Officer.

At MLA we have an expert team of people who combine their skills and work together to foster the prosperity of the Australian red meat and livestock industry. Once again our *Annual Report* showcases six of our staff who reflect the diversity of the company and its passion for the industry. I hope you enjoy reading their profiles on page 12.



Richard Norton  
Managing Director



# 2015-16 highlights

Highlights from major projects MLA has led, contributed to or managed include:

## Awarding performance

The top-performing MSA cattle producers in each state were recognised at the inaugural MSA Excellence in Eating Quality Awards (page 59).



## Free trade progress

The Trans-Pacific Partnership negotiations, which concluded in October 2015, will deliver significant new tariff reductions for Australia's beef, sheepmeat, goat and offal exports to several trading partner nations (page 20).

## True Aussie awareness

MLA international marketing activities strengthened the positioning of the 'True Aussie' brand in Australia's two largest Asian beef markets. Consumer brand awareness increased in Japan from 18% in 2014-15 to 25% in 2015-16 and in Korea from 36% awareness to 46% (page 30).



Image courtesy of NZ Department of Foreign Affairs and Trade

## Sales increase

MLA's Australia Day lamb ad won 'TV ad of the year' for the second year running, generating a 36.9% sales increase across the two-week campaign period. The three phases of the 'You're Better on Beef' campaign contributed to increased volume and value of beef sales. For example, beef's value share increased by \$17 million following the July/August 2015 campaign (pages 30 and 34).



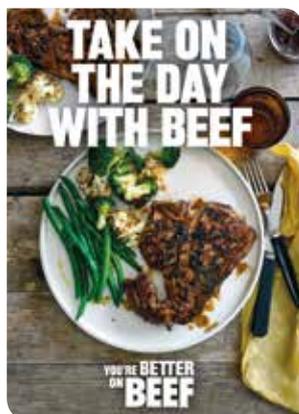
## Grab-and-go beef

Through a partnership with MLA Donor Company, hot, cooked beef products were rolled out to 900 Woolworths stores nationally, providing an opportunity to use 800 tonnes of outside flat cuts, delivering \$5.5 million/year in new profit for the red meat industry (page 29).



## World-first multi-trait sheep genetics

Eating quality breeding values were produced for a wide range of animals. A new eating quality index was also developed, enabling producers to achieve further gains for growth and lean meat yield in their animals while maintaining eating quality (page 38).



## Pain relief breakthrough

Through MLA Donor Company, the first producer-administered pain relief product for cattle, ILIUM® Buccalgesic OTM, became commercially available.

A similar product for sheep is expected to be available for use during 2016-17 (page 48).



## World-leading automation

World-leading cutting and objective measurement tools for lamb and beef processing advanced to working prototypes through MLA Donor Company (pages 40-41).



## New adoption pilots

MLA is piloting a program to support improved business performance with more than 95 participants (page 54).



## Strategic direction

MLA released its *Strategic Plan 2016-2020*, which is closely aligned to the *Meat Industry Strategic Plan 2020* and the Australian Government's priorities (page 6).



## Research priorities

The first annual round of MLA's new regional consultation process was completed with nine priorities identified for research, development and adoption, 185 preliminary proposals for future research, development and adoption projects and the endorsement of 18 full proposals, representing \$9.4 million in MLA funding over five years (pages 7 and 58).

## Comprehensive review

MLA's independent Performance Review and Impact Assessment showed that MLA delivered exceptional results to industry through many of its programs, but some areas could be improved. For every \$1 invested in MLA's programs, the industry is recouping \$6.20 in current and future benefits (pages 60-61).

# Industry insiders

## Jack O'Connor

Assistant Meat and Livestock Market Analyst, Sydney

I'm from a property at Harden, NSW, where my family has run an extensive mixed farming enterprise since 1926. Today it primarily includes Merino wool and prime lamb production, and grows wheat and canola.

I joined MLA's market information team in 2015 while completing a Bachelor of Agricultural Economics at the University of Sydney.

Outside of MLA, I help run a small mixed farm in Uganda, Africa. We aim to empower the community through a range of agricultural developments that provide a sustainable food and revenue source for a local school.



## Daniel Lee

Trade Development and Analysis Assistant Manager, Korea

I have been working in MLA's Korea office for three years, working in trade development and more recently in lamb foodservice marketing. In my role here I work closely with various importers in Korea to maintain our strong relationships and also to find new opportunities within the market for Australian beef and lamb.

Previously to MLA I worked for one of the largest meat importers in Korea. I migrated to Sydney at the age of five and graduated from the University of Sydney with a Bachelor of Agricultural Economics. I have lived in Korea for the last four years.



## Joy Tang

Country Manager, China

I am based in Beijing and lead MLA's China team. During the seven years I've worked at MLA, I have witnessed China going from a 5,000 tonne market to become Australia's second largest sheepmeat market and fourth largest beef market.

Before joining MLA, I worked for Austrade for nine years and I lived in Melbourne for six years, working for Top Cut and helped set up Tender Plus China in Shanghai with other partners in 1999.

Understanding both the Australian red meat industry and Chinese market is critical in my role to capture the opportunities and lead the team to maximise the market access and market the products effectively for our industry.



## Dr Helen Fadma

Livestock Services Manager, Indonesia

I was born and raised in Bogor, Indonesia. I'm a veterinarian graduate from Bogor Agriculture University. I started working for MLA five years ago when the 2011 ban was imposed on Australian live cattle to Indonesia.

As a veterinarian, my background in animal welfare and health has contributed significantly to my role as Livestock Services Manager where I manage the joint MLA/LiveCorp Livestock Export Program in Indonesia.

The part that I love most from my job is that I can be the 'bridge' between Indonesian and Australian cultures. Being an Indonesian helps me to understand the Indonesian market and then transfer this knowledge to the program.



## Rebecca Austin

Program Manager Digital Platform, Trangie, NSW

I've worked at MLA since the end of 1999. I started work with the Meat Standards Australia team, and have since worked in a number of different teams. My current role is to work with the red meat and livestock industry to develop the industry's value chain digital strategy. This strategy is about helping industry to better use the current data that exists in the supply chain and also helping it benefit from all the new technology that is becoming more accessible.

I've always been really passionate about the red meat industry. I grew up on my family's cattle station in the NT and I now live with my husband and three children on a property in the central-west of NSW.



## Tim Ryan

Meat and Livestock Market Analyst, Sydney

Along with my three siblings, I grew up at Baynton, central Victoria, on my family's sheep property. While studying economics in Melbourne, and working on the farm and at a local abattoir during my holiday breaks, I competed at an Intercollegiate Meat Judging competition. Subsequently, I joined the Australian Meat Judging Team and toured the US, and have since become the assistant coach of the current Australian team.

I have been an analyst with MLA's market information team for two years, delivering important data and insights across the supply chain. Working at MLA unites my passion for the livestock industry with my background in economics.



# Report to stakeholders



This *Report to stakeholders* provides a transparent overview of MLA's actual activities and outcomes in 2015-16, reporting against the objectives and planned activities outlined in *MLA's Annual Operating Plan 2015-16*.

MLA has regarded 2015-16 as a 'transitional year' given the release of the *Meat Industry Strategic Plan 2020* in September 2015 after *MLA's Annual Operating Plan 2015-16* had been finalised.

In 2015-16 MLA took its strategic direction from the Australian Government's Science and Research Priorities,

Rural Research and Development Priorities and Agricultural Competitiveness White Paper Priorities (the latter two priorities are now superseded by the Rural Research, Development and Extension Priorities), the *Meat Industry Strategic Plan 2010-2015* and the *MLA Corporate Plan 2010-2015*.

From July 2016 to June 2020, MLA will take its strategic direction from the *MLA Strategic Plan 2016-2020* which is aligned to the *Meat Industry Strategic Plan 2020* and the Australian Government's Science and Research Priorities and its Rural Research, Development and Extension Priorities.

<b>Science and Research Priorities</b> <ul style="list-style-type: none"> <li>• Food</li> <li>• Soil and water</li> <li>• Transport</li> <li>• Cybersecurity</li> <li>• Energy</li> <li>• Resources</li> <li>• Advanced manufacturing</li> <li>• Environmental change</li> <li>• Health</li> </ul>	<b>Rural Research and Development Priorities</b> <ul style="list-style-type: none"> <li>• Productivity and adding value</li> <li>• Natural resource management</li> <li>• Climate variability and climate change</li> <li>• Biosecurity</li> <li>• Supply chain and markets</li> <li>• Supporting the Rural Research and Development priorities</li> </ul>	<b>Agricultural Competitiveness White Paper Priorities</b> <ul style="list-style-type: none"> <li>• Advanced technology</li> <li>• Adoption of research and development</li> <li>• Soil, water and managing natural resources</li> <li>• Biosecurity</li> </ul>	Established by the Australian Government
<b>Policy direction, budget and performance monitoring</b>			Provided by the peak industry councils and through regional and industry consultation
<b>Meat Industry Strategic Plan 2010-2015</b> contains the following strategic themes: <ul style="list-style-type: none"> <li>• Environment and ethics</li> <li>• Market access</li> <li>• Our industry</li> <li>• Our people</li> <li>• Innovation</li> <li>• Marketing and promotion</li> <li>• Economics and infrastructure</li> </ul>			Established by the Red Meat Advisory Council
<b>MLA Strategic Plan 2010-2015</b> contains the following strategic imperatives: <ul style="list-style-type: none"> <li>• Improving market access</li> <li>• Growing demand</li> <li>• Increasing productivity across the supply chain</li> <li>• Promoting industry integrity and sustainability</li> <li>• Increasing industry and people capability</li> </ul>			Overseen by the MLA Board and managed by the MLA Leadership Team
<b>Research and development and marketing business plans</b> <b>Whole-of-industry R&amp;D consultation:</b> <ul style="list-style-type: none"> <li>• North Australia Beef Research Council</li> <li>• Southern Australia Meat Research Council</li> <li>• Western Australia Livestock Research Council</li> <li>• 18 regional red meat and livestock committees (excluding WA)</li> </ul> <b>Whole-of-industry marketing consultation:</b> <ul style="list-style-type: none"> <li>• International markets</li> <li>• Domestic market</li> <li>• Meat Standards Australia</li> </ul>			Managed by the MLA Leadership Team
<b>MLA Annual Operating Plan 2015-16</b> contains the objectives, planned activities and key performance indicators for the following strategic imperatives: <ol style="list-style-type: none"> <li>1. Trade and market access</li> <li>2. Increasing customer and consumer demand for red meat</li> <li>3. Improving productivity and profitability across the supply chain</li> <li>4. Industry sustainability and integrity</li> <li>5. Industry leadership, innovation adoption and capability</li> <li>6. Stakeholder engagement and communication               <ul style="list-style-type: none"> <li>• Corporate services, levy collection and AUS-MEAT</li> <li>• MLA Donor Company</li> </ul> </li> </ol>			Managed by the MLA Leadership Team
<b>MLA Annual Report 2015-16</b> ( <i>Report to stakeholders</i> )			

<p><b>1.</b> Trade and market access</p> 	<p><b>2.</b> Increasing customer and consumer demand for red meat</p> 	<p><b>3.</b> Improving productivity and profitability across the supply chain</p> 	<p><b>4.</b> Industry sustainability and integrity</p> 	<p><b>5.</b> Industry leadership, innovation adoption and capability</p> 	<p><b>6.</b> Stakeholder engagement and communication</p> 	<p><b>Corporate services, levy collection and AUS-MEAT</b></p> 
<p>MLA assists in maintaining and improving market access for Australian red meat by supporting industry and government to demonstrate product integrity, liberalise the trade and support the provision of supply chain assurance for the livestock export sector.</p>	<p>MLA works to grow demand for Australian beef, sheepmeat and goatmeat through aggressive marketing and promotions in domestic and global markets, as well as through eating quality, nutrition research and product development programs.</p>	<p>MLA invests in research and development that creates opportunities for cattle, sheep and goat producers and supply chains to improve the productivity and profitability of their enterprises.</p>	<p>MLA invests in programs that support the industry's environmental, animal welfare, community communications and workforce sustainability practices.</p>	<p>MLA supports industry innovation and research strategies by working to ensure industry has appropriately skilled people across the red meat supply chain.</p>	<p>MLA engages with a wide range of stakeholders on the value of its levy investment and ensures levy payers have opportunities to influence how it is invested. This includes coordinating effective and efficient consultation mechanisms with industry.</p>	<p>Supporting MLA's six strategic imperatives are the services essential to the effective management of the levy investments including financial accounting, contracting, evaluation and reporting. This area also includes the costs associated with the management of AUS-MEAT and the levy.</p>

**Highlights in 2015-16**

<p>Developing a shelf life prediction tool</p> <p>Establishing the framework for producers to sign on to the industry's integrity systems from a single online hub</p> <p>Delivering training to more than 1,161 people to support ESCAS</p> <p>MLA with industry ensured the red meat industry was favourably positioned in the Trans-Pacific Partnership negotiations</p>	<p>Expanding the number of saleyards covered by MLA's National Livestock Reporting Service</p> <p>Selling grab-and-go hot cooked beef in Woolworths stores</p> <p>Globalising MSA with eight brands using the eating quality message internationally</p> <p>MLA's Australia Day ad generating nearly a 37% increase in lamb sales</p>	<p>Producing eating quality breeding values for a wide range of animals</p> <p>Advancing lamb and beef automation technologies to working prototype stage</p> <p>Launching the National Livestock Genetics Consortium</p> <p>Discovering through a palatability trial of five varieties of leucaena - including the new psyllid-resistant 'Redlands' - that stock exhibited no significant preferences</p>	<p>Receiving approval of the new K5 strain of rabbit haemorrhagic disease (for release in 2016-17)</p> <p>Commercialising the first producer-administered pain relief product for cattle</p> <p>Increasing community engagement with Target 100's GoodMeat campaign</p>	<p>Launching the 'Emerging Leaders' building capability initiative with 15 participants</p> <p>Working with researchers and more than 300 producers through Producer Research Sites to promote productive and sustainable pastures</p> <p>Launching new adoption pilot programs to lift on-farm productivity</p>	<p>Identifying priorities for research, development and adoption through the regional consultation model</p> <p>Launching the first phase of the new MLA website</p> <p>Launching a new proactive media strategy to increase MLA's communications in rural and regional Australia</p> <p>Launching the <i>MLA Strategic Plan 2016-2020</i></p>	<p>Releasing the independent economic Impact Assessment of MLA's research, development and marketing programs showing a benefit-cost ratio of 6.2 to 1</p> <p>Releasing the independent Performance Review which found MLA delivered exceptional results to industry through many of its programs, although some areas could be improved</p>
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**Milestone scorecard**

<p><b>15 milestones:</b> 12 achieved 1 not achieved 2 not available</p>	<p><b>25 milestones:</b> 18 achieved 2 partly achieved 5 not achieved</p>	<p><b>14 milestones:</b> 9 achieved 4 partly achieved 1 not achieved</p>	<p><b>31 milestones:</b> 23 achieved 4 partly achieved 4 not achieved</p>	<p><b>15 milestones:</b> 13 achieved 1 partly achieved 1 not achieved</p>	<p><b>8 milestones:</b> 5 achieved 1 partly achieved 2 not achieved</p>	<p><b>7 milestones:</b> 6 achieved 1 not achieved</p>
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# Trade and market access

MLA assists in maintaining and improving market access for Australian beef, sheepmeat and goatmeat by supporting industry and government to demonstrate product integrity, liberalise the trade and support the provision of supply chain assurance for the livestock export sector.

## MILESTONE SCORECARD

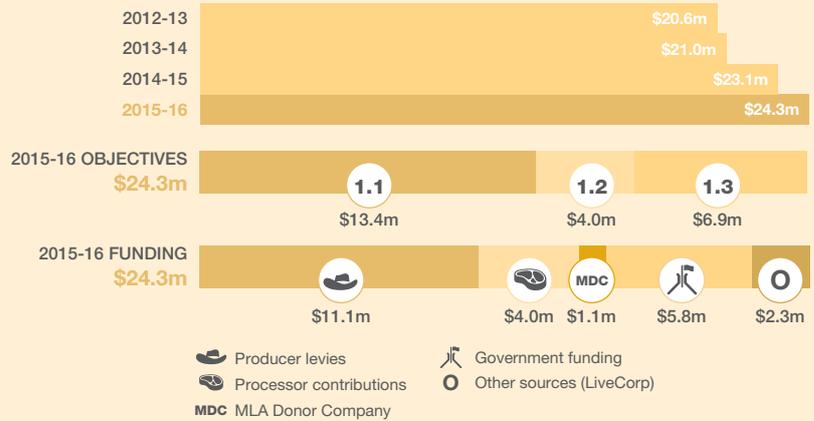
### 15 milestones

- 12 achieved
- 1 not achieved
- 2 not available

### Objectives under this strategic imperative include:

- 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

## INVESTMENT



### Meat Industry Strategic Plan 2010-2015 Strategic Themes

- Market access
- Marketing and promotion
- Economics and infrastructure

### Australian Government Science and Research Priorities

- Food
- Transport

### Australian Government Rural Research and Development Priorities

- Biosecurity
- Productivity and adding value
- Supply chain and markets

### Agricultural Competitiveness White Paper Priorities

- Adoption of research and development
- Advanced technology
- Biosecurity

## KEY ACHIEVEMENTS

### Shelf life prediction tool

MLA, in partnership with the University of Tasmania, is developing a tool that accurately predicts the shelf life of vacuum-packed meat in domestic and export markets.



### Single sign-on to integrity systems

The framework was established for producers to access NLIS, LPA and NVDs from one online location with a single sign-on. The project is expected to be delivered in 2016-17.



## FACTS AND FIGURES

Export value of FTAs in Asia over 20 years	No. of sheep tracked in live export study	Time since WTO delivered its last agricultural outcome	The benefit-cost ratio of the market access program	Recipients of animal welfare training in live export markets
<b>\$20b</b>	<b>16,000</b>	<b>20 years</b>	<b>24:1</b>	<b>1,161</b>
137,000 eDECs generated in 2015-16. Year on year	No. of visitors at LEP EXPO 2016 in Jakarta	Cattle movements recorded by NLIS in 2015-16	Sheep and goat movements recorded by NLIS in 2015-16	Annual cost of non-tariff barriers
<b>↑59%</b>	<b>500</b>	<b>30m</b>	<b>21m</b>	<b>\$1.3b</b>

## + OPPORTUNITIES

- Outcomes from a five-year research project into inanition (loss of appetite) in live export sheep will direct future industry projects to build more animal resilience and improve productivity, profitability and animal welfare outcomes.
- In future, the meat shelf life prediction tool is likely to be incorporated into a secure website, accessible to the entire production chain. It will further underpin Australia's reputation for supplying clean, fresh product and has the potential to reduce meat waste.
- Funded through MLA Donor Company, new producer apps for generating and sending electronic National Vendor Declarations (eNVDs) from mobiles and tablets will provide convenient options for producers while reducing industry costs.

## ■ CHALLENGES

- Field trials of producer apps for generating and sending eNVDs will begin in saleyards in the first half of 2016-17, with a focus on solving the operational and logistical challenges of this more complex selling platform.
- Producer uptake of eNVD apps will be influenced by their access to a mobile phone service and their willingness to embrace the technology.
- Implementation of new and improved systems to support the controls and traceability of livestock in international markets.

## ◀ OUTLOOK 2016-17

- Access to the National Livestock Identification System (NLIS), Livestock Production Assurance (LPA) and NVDs from a single online portal will be rolled out from late 2016.
- The LPA accreditation process will be strengthened from 1 September while existing producers will commence a three-year recommitment and e-learning program from January 2017.
- MLA will take its shelf life prediction tool for vacuum-packed beef and lamb to the supply chain for adoption while continuing work to extend its application to other packaging methods.
- Work continues to achieve a timely entry into force for the Trans-Pacific Partnership and positioning the industry for favourable outcomes under other trade agreements.
- MLA will support the industry rollout and adoption of the Live Export Global Assurance Program.

## ESCAS support

The Exporter Supply Chain Assurance System continued to improve animal welfare and husbandry knowledge in key live export destinations with training delivered to 1,161 participants in feedlots, abattoirs and at ports.



## More open trade in the Pacific

The Trans-Pacific Partnership negotiations, which concluded in October 2015, will deliver significant new tariff reductions for Australia's beef, sheepmeat, goat and offal exports to several trading partner nations.



## Develop and deliver industry systems that underpin product integrity

MLA supports industry to maintain its reputation for producing safe and wholesome beef and sheepmeat by managing food safety, quality assurance, traceability and integrity systems.



### STRATEGIES

**Conduct** scientific research to ensure food safety systems are at the leading edge of knowledge and practice

**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

### OBJECTIVE HIGHLIGHTS

#### Meat safety

MLA-funded research at the University of Tasmania is creating a predictive tool that can assess the shelf life of vacuum-packaged meat in domestic and export markets. It promises to have far-reaching implications for Australian product, enabling the supply chain to guarantee freshness and safety to consumers, with a high degree of confidence, in a wide range of environments.

The project will begin the validation process, including supply chain trials, in 2016-17. The model could be incorporated into the management systems of supply chains to keep track of shelf life in real-time.

#### Integrated integrity systems

The establishment of a streamlined management structure for the delivery of the industry's integrity systems (National Livestock Identification System, Livestock Production Assurance and National Vendor Declarations) is being progressed as an outcome of the SAFEMEAT Initiatives Review.

The single integrity systems company, which will operate as a wholly-owned subsidiary of MLA, will have overall responsibility for the management of the integrity systems, paving the way for enhanced integration and efficiency.

#### Single sign-on

Producers can look forward to streamlined access to the industry's integrity databases through a single sign-on platform. Single sign-on will allow producers to use one login to record cattle movements, order National Vendor Declarations (NVDs) and access carcass performance information.

Integrated into the myMLA portal concept, single sign-on will be delivered in 2016-17.

#### eNVD

Funded through MLA Donor Company, during 2015-16 three producer eNVD apps, suitable for iPhone and Android, were developed and field trialled across cattle, sheep and goat supply chains.

The eNVD apps enable producers to generate NVDs on or offline (with the NVD able to be sent once the user is back in mobile service). The apps have been used successfully to track individual consignments from farm to feedlot, farm to processor and from property to property.

One integrated supply chain has expanded their proprietary software to trial the new paperless system, tracking consignments between feedlot and processor. Field trials of eNVD apps being used in the saleyards system will begin in the first half of 2016-17. MLA is hopeful commercial apps will be available to producers in 2016-17.

#### NLIS update

The NLIS website was updated in 2015-16 with increased usability and more information links to assist producers.

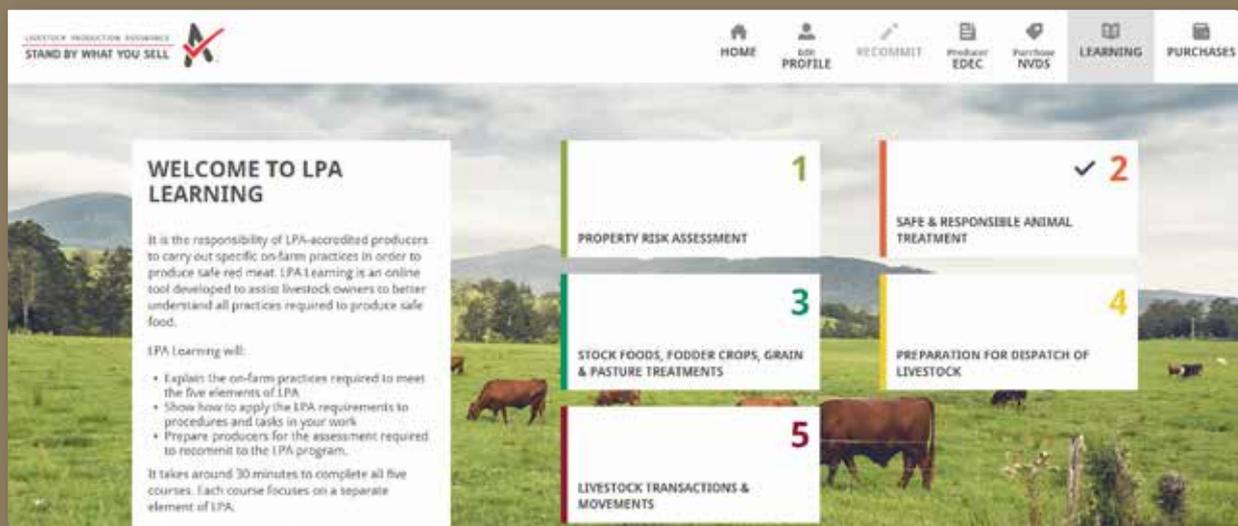
During early 2016-17, this flexible delivery model will feature a new dashboard that delivers a snapshot of relevant information about a producer's Property Identification Code (PIC), the number of animals on the PIC, recent movements and changes over time. With an emphasis on compliance, the new dashboard will help producers keep their NLIS records current and accurate.

**KEY MILESTONES**

MILESTONE	RESULT	COMMENTARY
Satisfaction rating of MLA's food safety activities by industry (processors and AMIC) rated at more than 85%	Achieved	An MLA survey revealed that 91% of stakeholders were satisfied with MLA's performance in the food safety program
Develop a comprehensive information resource on shelf life	Achieved	Up-to-date shelf life research is available as a hard copy and electronic publication
NLIS Database Refresh project completed	Not achieved	The project was delayed as the scope expanded to include eNVD and single sign-on
eDEC tool replaced by a simple-to-use interim solution by September 2015	Achieved	The eNVD system was integrated into the NLIS platform in September 2015. The eDEC tool will continue to be made available while the eNVD becomes established
Implement eNVD data standards for business-to-business use	Achieved	Data standards were developed for the eNVD and a portal was made available to software providers via MLA Donor Company to access the data standards and tools to build software for the delivery of eNVDs
A whole-of-industry eNVD strategy has been endorsed and enabling tools supporting this strategy are built	Achieved	The whole-of-industry eNVD strategy was endorsed by SAFEMEAT and enabling tools, including eNVD data standards and the central eNVD platform, were built
Development of an online assessment and registration tool for LPA by December 2015	Achieved	The LPA learning and online assessment tool was developed in December 2015. The LPA Advisory Committee endorsed the release of the tool from July 2016
Achieve recognition of industry assurance programs meeting national standards for food safety, traceability, biosecurity and animal welfare by June 2016	Achieved	SAFEMEAT endorsed a framework for government recognition of industry integrity programs as a means of complying with regulated national standards for food safety, traceability, animal welfare and biosecurity. Each jurisdiction has the discretion to adopt the framework

## LPA learning

An e-learning resource has been developed for the Livestock Production Assurance (LPA) program to enhance its promotion of food safety quality control on farm and ensure producers are more informed about their obligations. The five-part program addresses key on-farm issues such as property risk assessments and how to manage those risks, safe and responsible animal health treatments, and effective record keeping. During 2016-17, new producers to LPA will undergo a strengthened LPA accreditation process, requiring them to read the learning modules and complete an assessment. Producers already LPA-accredited will become involved in a recommitment program where every three years they will be required to demonstrate their understanding of the key principles of LPA.



## Support industry and government to maintain and liberalise world meat markets

MLA assists industry and government to defend existing favourable market access conditions and secure access improvements by providing research, undertaking trade liberalisation advocacy programs and building in-market coalitions.

### STRATEGIES

**Support** industry and government to maintain and defend existing favourable market access conditions in overseas markets

**Assist** in positioning the Australian red meat and livestock industry for the WTO Doha Round

**Assist** in positioning the Australian red meat and livestock industry for FTA negotiations

**Develop** strategies to remove access barriers



### OBJECTIVE HIGHLIGHTS

#### Impact assessment

MLA's economic impact assessment found the jointly funded (producer levy and processor contribution) Market Access Program demonstrated an exceptional return on investment for the period 2010-11 to 2014-15, achieving a benefit-cost ratio of 24:1 (see page 61).

#### Free trade agreement (FTA) update

The recent trifecta of North Asian free trade agreements with Japan, Korea and China has delivered unparalleled gains to the red meat sector. The export value from this trade reform is estimated at a combined \$20 billion over the next 20 years.

The Trans-Pacific Partnership (TPP) negotiations, which concluded in October 2015, will, once implemented, deliver even further tariff reductions and supply chain cost savings. For Australia's beef trade to Japan, the tariff on frozen and chilled beef will fall to 9% over 15 years under the TPP outcome as opposed to the end point of 19.5% for frozen beef and 23.5% for chilled beef under the Japan-Australia Economic Partnership Agreement. In Canada, Australian beef's above-quota tariff of 26.5% will be phased out, while the Australian sheepmeat tariff of 2.5% will be eliminated once the TPP is entered into force. For Australia's trade to Mexico, the 20-25% beef tariff will be eliminated within 10 years, the 10% sheepmeat

and goatmeat tariffs will be eliminated in eight years and the 10-15% tariffs on live animal exports and the majority of offal tariffs will be eliminated upon the TPP entering into force. The focus now will be securing a timely entry into force of the TPP agreement.

During 2016-17, the Market Access Program will continue to position the industry for positive outcomes from a number of ongoing and yet-to-be launched trade negotiations including the Regional Comprehensive Economic Partnership (RCEP) and the envisaged Australia-European Union FTA which is currently in a scoping/impact assessment phase.

#### World Trade Organization (WTO)

Although multilateral trade negotiations (via the WTO Doha Round) have remained slow, the 163 WTO members did agree, in December 2015, to abolish all agricultural export subsidies. While these are not presently applied to red meat, it does help ensure that these measures will not be applied in the future. This was the first time in 20 years the WTO delivered an outcome for agriculture. Unfortunately, there has yet to be an outcome for improving market access for the Australian red meat industry and there is no realistic short-term prospect of progress given the current negotiation impasse.

#### Non-tariff trade barriers

MLA continues to collaborate with industry and government to remove non-tariff barriers to trade that are estimated to cost the red meat value chain about \$1.3 billion annually.

In conjunction with the Australian Meat Industry Council and the Australian Meat Processor Corporation, MLA assisted with three cold chain integrity workshops in China to help improve access for chilled product. In the Middle East region, attention was focused on product shelf life issues and improved access for manufacturing beef. This work continues as does implementing action plans which aim to reduce offal restrictions, increase establishment listings and improve certification issues across several key markets.

**KEY MILESTONES**

MILESTONE	RESULT	COMMENTARY
Submissions prepared by MLA on market access barriers are endorsed by industry/peak councils	<b>Achieved</b>	All submissions prepared by MLA were endorsed by industry/peak industry councils
The Australian Government has clarity on industry access issues and values MLA's input	<b>Achieved</b>	Feedback received from the Federal Trade Minister's office indicated the red meat industry provided clear and incisive advice on trade positions
Demonstrable progress is made on implementing the Indonesia, China and EU market access and engagement strategies	<b>Achieved</b>	MLA partnered with industry stakeholders and in-market operatives to improve access conditions in Indonesia (around the issuance of import permits and the number of eligible products). Additional work saw collaboration with the Australian Government in guiding the implementation of the Indonesia-Australia Partnership on Food Security in the Red Meat and Cattle Sector

## Preparations for an Australia-European Union Free Trade Agreement (A-EUFTA)

MLA has begun positioning the Australian beef, sheepmeat and goatmeat sectors for improved access in the lead-up to the A-EUFTA negotiations. This has involved proactive advocacy with parliamentary and government officials in both Canberra and across Europe.

This effort will intensify following the June 2016 referendum which saw the United Kingdom vote to leave the EU. This unprecedented move will require Australia to establish a new, separate trading regime with the UK. The UK accounts for about 63% of all Australian red meat exports to the EU.



*Above left to right: The Hon Steven Ciobo MP, Minister for Trade, Tourism and Investment; MLA's International Business Manager for Europe, Josh Anderson; and Dr Mark Higginson, Australia's Ambassador to Belgium, Luxembourg, the European Union and NATO, discussing red meat industry priorities under a potential Australia-European Union Free Trade Agreement.*

OBJECTIVE 1.3

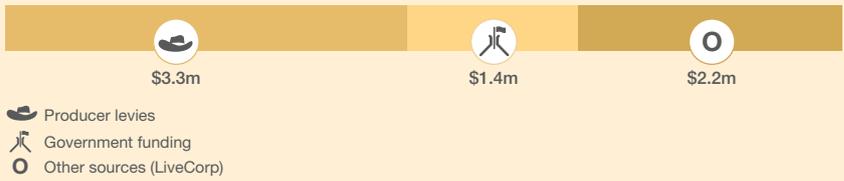
# Maximise market options for producers and exporters in the livestock export market

The joint MLA-LiveCorp Livestock Export Program provides research and development and in-market support services to address market access issues and assist cattle, sheep and goat supply chains to meet their responsibilities, particularly under the Exporter Supply Chain Assurance System (ESCAS).



## INVESTMENT

**\$6.9 million**



## STRATEGIES

**Assist** supply chains to deliver continuous improvement in animal health and welfare

**Provide** research and support to enable improvements in supply chain efficiency and performance

**Provide** communications support for the Industry Reform Strategy

**Assist** industry and government to defend and improve market access conditions and build demand for livestock



## OBJECTIVE HIGHLIGHTS

### Exporter Supply Chain Assurance System (ESCAS) support

MLA's livestock services managers, positioned in key export markets around the globe, continue to support ESCAS which now operates in 23 countries.

As commercial supply chains mature in countries such as Indonesia which have had ESCAS in place since 2011, the basic training and support required from MLA changes with reduced need for ESCAS training. In this case, MLA looks to support improvements in livestock performance through the system to gain better returns from the animals on feed.

Footage was aired in June 2016 showing significant breaches of animal welfare practices in non-ESCAS-approved facilities in Vietnam. MLA was not the lead agency on this issue but worked closely in support of industry and the Department, including the Australian Livestock Exporters' Council, Red Meat Advisory Council and Cattle Council of Australia, to ensure a timely and rigorous industry response.

During 2015-16, a best practice breeder management handbook was compiled to support Indonesia's planned importation of 25,000 heifers from northern Australia. During 2016-17, it is envisaged that, as well as supporting ESCAS, more Australian technical

skills will be involved in supporting the live export breeder trade and educating local farmers in animal welfare, husbandry and best practice management.

The Australian industry continued to provide assistance in the form of gap and risk analyses, with training delivered to 1,161 participants in feedlots, abattoirs and at ports. Animal welfare and ESCAS seminars were also run in four key cities for more than 420 industry and government representatives.

### Livestock Global Assurance Program (LGAP) progress

Research outcomes from the LGAP pilot phase were delivered to the Australian Livestock Exporters' Council for consideration in late 2015-16. Aimed at improving animal welfare outcomes in live export supply chains by strengthening the ESCAS regulatory framework, LGAP research was carried out in Jordan (stunning sheep), Malaysia (non-stun goats), Indonesia (non-stun and stunning cattle) and Australia (exporters and importers). LGAP, co-funded by MLA, LiveCorp and the Australian Government, completed its pilot phase in 2014-15.

### Inanition research

A five-year research project on inanition (loss of appetite) in live export sheep, funded by MLA, LiveCorp and matched dollar for dollar by the Australian Government, has delivered recommendations for improved practices for preparing animals for sea voyages. The project, led by Murdoch University, investigated the leading causes of death of sheep while at sea – salmonella and inanition – and possible prevention strategies. To achieve this, researchers recorded the individual eating and drinking habits of 16,000 sheep confined in the embarkation depot, using radio-frequency identification technology. They found more than 90% of animals adapted quickly, eating and drinking for more than 30 minutes a day. However, the remainder were much slower to adapt to the conditions and subsequent ration. Sheep reluctant to feed were not attracted to various appetisers either. The study concluded more research funds should be invested in producing more robust sheep or looking at strategies that can be applied on-farm to build sheep resilience. It also concluded the 8-10% of sheep that fail to adapt and don't eat and drink for more than 30 minutes a day prior to the voyage were considered 'high risk' and may therefore be more susceptible to salmonella and/or inanition during shipping.

**KEY MILESTONES**

MILESTONE	RESULT	COMMENTARY
The Livestock Export Program meets 85% of exporter/importer requests for gap analysis, risk analysis, training and technical advice	<b>Achieved</b>	MLA met all requests for training, gap and risk analysis, delivering 148 training events covering 1,161 people and 77 gap and risk analyses across all markets. There were 168 days of technical advice delivered, meeting all requests
For each of the supply chain efficiency key initiatives, deliver four programs to support improvements in supply chain efficiency and performance	<b>Achieved</b>	MLA delivered 29 supply chain performance improvement projects. This included 11 in Indonesia, nine in Vietnam, two in South-East Asia and seven in the Middle East
Peak councils rate Livestock Export Program advice on live export issues as valuable (3/5), measured by stakeholder survey	<b>Not available</b>	Stakeholder survey was not completed in 2015-16
Peak councils and government rate Livestock Export Program advice and management of market access issues as valuable (3/5), measured by stakeholder survey	<b>Not available</b>	Stakeholder survey was not completed in 2015-16

**Grassroots education**

Indonesia's planned importation of 25,000 heifers from northern Australia has already created more demand for Australian technical skills in animal husbandry and cattle production systems. During 2015-16, MLA helped educate local farmers in East Kalimantan in best practice management including animal nutrition and stock handling and also produced a best practice breeder management handbook that has been presented to the Indonesian Government.

In other work underpinning ESCAS, the LEP EXPO 2016 was held in Jakarta for the second consecutive year. A joint initiative of MLA and LiveCorp, the two-day event is considered Indonesia's only one-stop-shop for cattle products and services. A feature of the EXPO was the breeding seminar which attracted 180 participants and promoted a better understanding of Australia's cattle production system.



# Increasing customer and consumer demand for red meat

MLA works to grow demand for Australian beef, sheepmeat and goatmeat through aggressive marketing and promotions in domestic and global markets, as well as through eating quality, nutrition research and product development programs.

## MILESTONE SCORECARD

### 25 milestones

18 achieved  
2 partly achieved  
5 not achieved

### Objectives under this strategic imperative include:

- 2.1 Develop and deliver market and consumer insights for better decisions
- 2.2 Aggressive promotion of beef across global markets
- 2.3 Aggressive promotion of sheepmeat and goatmeat across global markets

## INVESTMENT



### Meat Industry Strategic Plan 2010-2015 Strategic Themes

Marketing and promotion  
Innovation

### Australian Government Science and Research Priorities

Food  
Health

### Australian Government Rural Research and Development Priorities

Productivity and adding value  
Supply chain and markets  
Supporting the Rural Research and Development Priorities

### Agricultural Competitiveness White Paper Priorities

Adoption of research and development  
Advanced technology

## KEY ACHIEVEMENTS

### Greater coverage

MLA's National Livestock Reporting Service reported on an additional five saleyards and provided a new indicator for WA cattle producers.



### Grab-and-go beef

Through a partnership with MLA Donor Company, hot, cooked beef products were rolled out to 900 Woolworths stores nationally, providing an opportunity to use 800 tonnes of outside flats, delivering \$5.5 million/year in new profit for the red meat industry.



## FACTS AND FIGURES

Time taken for vending machine to heat red meat meal	UAE consumers surveyed aware of 'True Aussie' brand	Lamb sales increase from Australia Day lamb campaign	No. of companies involved with beef CoMarketing	No. of companies involved with lamb CoMarketing	Penetration of 'True Aussie' logo in Japanese supermarkets
<b>2 mins</b>	<b>&gt;50%</b>	<b>↑ 37%</b>	<b>52</b>	<b>21</b>	<b>58%</b>
Farm-gate return of MSA	No. of education brochures distributed to health carers	Beef value share increase from July/Aug 2015 campaign	No. of brands involved with beef CoMarketing	No. of brands involved with lamb CoMarketing	Japanese foodservice chains using the 'True Aussie' logo
<b>\$153m</b>	<b>100,000</b>	<b>↑ \$17m</b>	<b>234</b>	<b>53</b>	<b>27</b>

**+ OPPORTUNITIES**

- Opportunity exists to position Australian red meat to capitalise on global trends such as food ‘grazing’, premium retail-ready meals and meeting demand from consumer segments such as ‘active ageing’.
- Market insights are being used to understand future consumer attitudes and behaviours and guide the development of innovative products, such as high moisture extrusion cooked products.
- Australian red meat has an opportunity to capitalise on the trend of global fast food and casual dining franchises gaining footholds in the Middle East/North Africa region.
- Marketing activities can position lamb as a versatile, easy-to-cook meat that brings people together.
- Marketing campaigns should continue to focus on removing nutritional barriers to beef consumption and highlighting the iron credentials of beef.

**■ CHALLENGES**

- It’s important red meat is positioned as an affordable and convenient alternative to chicken and pork in supermarkets, and products are developed which add value to secondary cuts and carcasses which don’t meet specifications.
- As lamb’s heartland consumers age, it’s important the industry engages a new, younger audience by showcasing the relevance of lamb to their lives.
- Research shows one in three Australian women are still not getting enough iron from their diet.
- Health risks associated with red meat and cancer were raised in a report from the International Agency for Research on Cancer.
- Health care professionals are not always clear on the role of red meat in the context of chronic disease risk and sustainability concerns.
- Tight supply and improved market access of major competitors in global markets is likely to see Australia lose marketshare.

**📌 OUTLOOK 2016-17**

- ‘Little Foodies’ baby food range (featuring several red meat products) will be launched in domestic supermarkets to increase the quantity and frequency of red meat consumption by toddlers.
- Ready-to-eat red meat meals will be trialled in vending machines in Melbourne, Europe and the Middle East through a partnership with MDC.
- Through MDC, the value of secondary cuts and trimmings will be increased through high moisture extrusion cooked red meat products which will be trialled in South-East Asia.
- MLA will also create opportunities for MSA brands in international markets.
- The ‘You’re Better on Beef’ campaign platform will continue, with phases in July 2016 (winter campaign), October/November (iron campaign) and June/July 2017.
- A new iconic Australia Day lamb campaign will be launched, with a message of sharing lamb with family and friends on 26 January, reaffirming lamb as Australia’s national dish.

**MSA goes global**

Meat Standards Australia (MSA), Australia’s red meat eating quality system, embraced a global focus with eight Australian brands adopting the export guidelines to use the MSA eating quality message internationally.



**Sales increase**

MLA’s Australia Day lamb campaign generated a 36.9% sales increase across the two-week campaign period. The three phases of the ‘You’re Better on Beef’ campaign contributed to increased volume and value of beef sales. For example, beef’s value share increased by \$17 million following the July/August 2015 campaign.



## Develop and deliver market and consumer insights for better decisions

MLA delivers market and consumer insights to help red meat producers and other value chain partners make informed business decisions. MLA also works to develop innovation insights to identify growth opportunities in emerging markets and market segments.



### STRATEGIES

**Collect and disseminate** livestock market data and analyses that help producers make informed business decisions

**Collect and disseminate** international market data and conduct incisive analyses of relevant world meat market developments

**Develop** consumer and customer insights for decision making and KPI tracking

**Develop** value chain innovation insights

### OBJECTIVE HIGHLIGHTS

#### New insights to guide innovation

MLA's Insights2Innovation program identified five areas of opportunity for Australian red meat: the export markets of China, South-East Asia and the Middle East, the snack food market and 'active ageing' consumers. An 'attractive cities' profile was developed to map 'hot spots' for Australian red meat by assessing factors such as e-commerce, port infrastructure and government policy in cities in the three overseas regions. These insights will be used to identify and develop innovative products. For example, consumers in South-East Asia and China desire food without fear so MLA has started a project to look at tamper-proof packaging. MLA is also exploring opportunities to collaborate with processing/value-adding companies to develop snack foods to capitalise on the global trend of 'grazing' (smaller meals eaten on-the-go instead of the traditional three square meals a day) and products that meet the demands of baby boomers, such as smaller portion sizes and products that can be easily chewed.

#### Understanding consumers

MLA conducted a major consumer research project to enhance the industry's understanding of the Australian red meat consumer to ultimately grow domestic red meat

demand. MLA shared data and insights from this 'Usage and Attitude Study' with industry participants. The insights have been adopted by MLA's marketing and trade teams and the creative, media and PR agencies MLA works with. This will guide the development of MLA's marketing activities that are based on a deep understanding of consumers, helping to ensure MLA's investment is targeted and efficient. MLA has also expanded the 'Global Tracker' consumer study to include four more countries and new data points, such as adding questions specific to retail and foodservice channels, to better inform marketing investment decisions by MLA and industry stakeholders.

#### Improved saleyard reporting

MLA added five new saleyards to the markets covered by the National Livestock Reporting Service (NLRS) in 2015-16. Market reports are now available for the Deniliquin, Cootamundra and Cowra sheep saleyards and the Moss Vale and Charters Towers cattle saleyards. MLA also developed a market indicator for WA cattle producers, which was launched in July 2015. The weekly Western Young Cattle Indicator (WYCI) draws on data from the Muchea, Mt Barker and Boyanup markets, reported by the NLRS. The new indicator provides a direct comparison for WA producers against

the longstanding Eastern Young Cattle Indicator (EYCI). The categories of stock included in the WYCI are the same as the EYCI, including C2 and C3 yearling and vealer steers and heifers.

#### Improved market communication

The Market Information Statistics Database was launched in September 2015 to give the red meat supply chain better access to export, production and price data. The database, available on the MLA website, averages 100 queries a day with the most searched term being 'Australian cattle prices'.

MLA added a new information platform to its quarterly cattle industry projections in 2015 with the development of three-minute YouTube videos which summarise the key messages from the projections. This approach was refined in 2015-16 to include lamb, alternating with beef each quarter. The beef videos each received more than 3,000 views and the lamb video has been viewed more than 1,000 times.

**KEY MILESTONES**

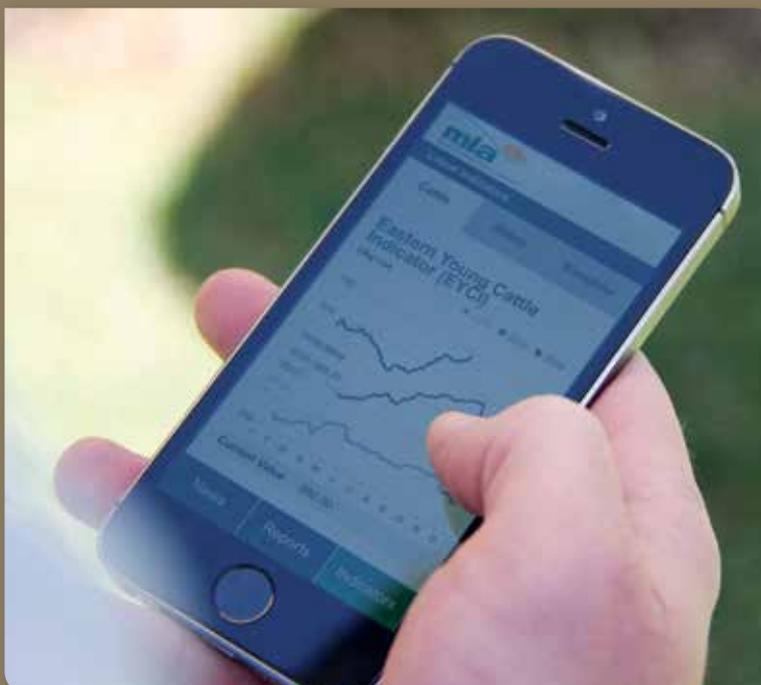
MILESTONE	RESULT	COMMENTARY
Over 90% of stakeholders who utilise MLA market and industry insights information believe it is valuable and contributes towards their business decision making process	Achieved	99% of survey respondents rated market information as valuable
Maintain the National Livestock Reporting Service's ISO accreditation by reporting over 80% of livestock market sales	Achieved	NLRS passed its annual ISO certification audit
Establish innovation insights strategies to identify and evaluate new innovation opportunities that will underpin growth in at least three key markets and market segments	Achieved	An e-commerce platform and 'attractive cities' profiling is being evaluated in China and a South-East Asia multi-sector workshop was completed to identify key growth segments and innovation gaps. Through a strategic value chain partner, MLA is facilitating using a 'customer demand accelerator model process' to evaluate new value-added red meat beef products for new and existing retail and export markets. A series of customer segmented workshops in China has been completed with value-added red meat opportunities identified for specific markets
Design and deliver at least three industry workshops and/or communication materials that build industry's capabilities and awareness of emerging trends and opportunities for new growth opportunities in emerging markets and market segments	Achieved	A series of targeted trends and consumer insights workshops was conducted in Brisbane, Melbourne and Sydney with high industry participation and engagement. Customised materials were designed and delivered to specific value chains upon request. At least two new value-added products in the mega-trending areas of snacking and/or active ageing have been identified as a direct result of the facilitated workshops

## Market Information Plus

MLA updated its NLRS app in 2015-16. Known as 'Market Information Plus', the app is an interactive tool for producers to compare and analyse sheep and cattle prices from across 70 saleyards to guide marketing decisions.

The new design includes the ability to compare weekly, monthly and annual saleyard data for specific classes of sheep and cattle and gives producers the option to chart or grid this information.

MLA's digital market service was also enhanced with revamped over-the-hooks reports for Queensland, Victoria and NSW. These weekly market reports now include charts and information about how the indicators can be used to guide individual businesses. *Meat & Livestock Weekly* was emailed twice a week to subscribers, with a downloadable version of the statistical tables and charts attached.



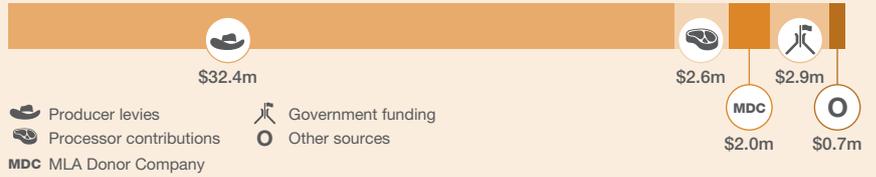
## Aggressive promotion of beef across global markets

MLA delivers high-impact beef promotions to strengthen customer loyalty to beef in the domestic market. It also invests in nutrition research and marketing programs. MLA delivers business development and ‘brand Australia’ building programs globally. It also supports the adoption and recognition of the MSA beef grading system through the supply chain.



### INVESTMENT

**\$40.6 million**



### STRATEGIES

**Strengthen** customer loyalty and commitment for beef in the domestic market

**Build** evidence supporting health benefits and maintain fact-based recommendations

**Communicate and promote** evidence-based nutrition information on red meat to key influencers

**Build** the True Aussie brand to differentiate and add value to Australian beef in export markets

**Develop** novel value-adding options through packaging and product innovation that enhances demand for beef in global markets

**Support** brand owners in developing their brands to better differentiate them in global markets

**Ensure** sufficient integrity programs are implemented to build confidence in the MSA program

**Support** adoption and recognition of the MSA beef grading system through the supply chain



### KEY MILESTONES

MILESTONE	RESULT	COMMENTARY
<b>Domestic market</b>		
Maintain beef's value share at 36% or higher of all fresh meat; and penetration in the last four weeks (preceding the survey) at 69% or higher	<b>Partly achieved</b>	The closing value share of beef for 2015-16 was 36.8%, up from 36.3% in 2014-15. Value share peaked at 38.2% in July/August 2015 and only dropped below 36% in summer months in line with the seasonal trend. Four-weekly penetration was 68% as at 9 July 2016
Improve key beef attributes that drive consumer purchase propensity as measured by consumer tracking	<b>Achieved</b>	Key attributes that are important to consumers and the focus of 2015-16 beef communications were: 'Makes healthy meals' (consumer endorsement up from 49.1% to 52%) and 'Contains a wide variety of vitamins, minerals and nutrients' (consumer endorsement up from 50% to 54%)
Strong trade/end user support for, and uptake of, MLA beef marketing programs	<b>Achieved</b>	Retailer support was seen for the beef brand campaign across summer and winter, as well as strong buy-in from independent retail (through the Australian Butchers' Guild). Promotions occurred across the foodservice sector. Further support was received from Spirit Hotels and Rashay's chain of restaurants
<b>International markets</b>		
International business plans are endorsed by industry and at least 80% of KPIs listed are achieved	<b>Achieved</b>	International marketing strategies were endorsed by the peak industry councils in February 2016. MLA delivered more than 80% of the international markets implementation plan KPIs
Business development programs deliver supply chain opportunities and create strong trade and customer links	<b>Achieved</b>	MLA business development activities (such as chef immersions, information seminars, butcher training, trade workshops) received more than an 80% satisfaction rating from industry participants
Over 80% of Australian exporters are satisfied with MLA delivery of key events (trade shows, missions, etc)	<b>Achieved</b>	MLA participated in five key international trade shows. More than 80% of surveyed exporters were satisfied with MLA's delivery of these events

MILESTONE	RESULT	COMMENTARY
<b>Value-adding innovations</b>		
Develop novel value-adding options through packaging and product/process innovation that enhances demand for beef in global markets	<b>Achieved</b>	A suite of beef grab-and-go products successfully launched in the domestic retail market as a result of being developed through a strategic value chain partnership involving a key processor, large retailer and MLA. A dry-aged beef production process was also developed
Work with supply chain partners and end customers to develop at least one new beef product opportunity that encompasses demand-driven technologies that transform and value-add low-value cuts, with the potential to add at least \$5/head in net value and grow demand for producers	<b>Achieved</b>	A range of new product concepts for targeted meal occasions including beef snacks and active ageing are under development after being identified through market and consumer-focused exercises.  Examples of projects contributing to the \$5/head increased value include the deli hot box grab-and-go project which has the potential to deliver \$1.13/kg (\$2.39/head) net benefit, while the SmartShape meat shaping technology provides a premium of over \$0.50/kg (\$6.25/head)
Design and deliver at least two industry workshops and/or communications materials that improve beef industry capabilities and awareness to adopt and prosper from new products and value-adding innovations	<b>Achieved</b>	Customised workshops have been delivered to targeted value chains on new product concepts based on latest global trends and consumer insights. These include a global trends workshop in Sydney and Brisbane featuring snacking and ageing population trends, 'On my plate' online community panels and a YouTube video on dry-aged beef protocols
Lead and deliver objectives in the cross-sectoral Rural Research and Development for Profit Insights program	<b>Achieved</b>	The first three milestone reports for the Rural Research and Development for Profit 'Insights2Innovation' project have been successfully submitted to the Department of Agriculture and Water Resources
<b>MSA</b>		
100% of MSA-licensed processors implement the MSA Model V1.8 (MSA Model 2014)	<b>Not achieved</b>	All MSA beef processors used the current MSA optimisation model (V1.7) for 3.1 million cattle MSA graded in 2015-16. Version 1.8 is awaiting endorsement by the MSA Pathways Committee for implementation
Improvement of national eating quality measured by the MSA Index	<b>Partly achieved</b>	The national average MSA Index was 57.52 in 2015-16, just 0.9 points lower nationally than 2014-15. However, the average MSA index increased by 0.19 for grassfed cattle, representing 49% of MSA graded cattle

## Grab-and-go beef

An MLA Donor Company (MDC) initiative with processor Teys Australia delivered a red meat alternative to 'grab-and-go' roast chickens in supermarkets. After trialling pre-cooked hot beef in selected Woolworths stores in Queensland in April 2016, two products were rolled out to 900 Woolworths stores nationally in July. The 'Cedric Walter' traditional roast beef and hot corned beef products are ready to slice and serve. The products add value to muscles such as the outside flat and use innovative packaging technology. The beef can be cooked in-store in a new high-temperature inner bag before being inserted into the outer carry-home bag.





OBJECTIVE HIGHLIGHTS

**Domestic market – consumer and retail activities**

MLA's 2015-16 domestic beef campaign responded to research that consumers rate nutrition as the second biggest reason for eating less beef, behind price. Three phases of the 'You're Better on Beef' campaign focused on the nutritional benefits of beef with national television, radio and outdoor advertising, online video and social media campaigns, point-of-sale material and influencer campaigns. An 'inspiration session' hosted by Mamamia, Australia's number one website for mothers, showed women how to use beef to produce simple, delicious mid-week meals. Each campaign phase contributed to an increased volume and value of beef sales. For example, beef's value share increased by \$17 million (compared to the same four-week period the previous year) following the July/August 2015 campaign. After the iron-focused campaign (November 2015) the number of mothers who limited red meat consumption due to health concerns fell from 32% before the campaign to 28% after.

At retail, MLA's biannual new cut concepts presentations to national retailers and their vendors contributed to new products appearing on shelves in 2015-16. Costco Wholesale is piloting *yakiniku* sliced beef and beef brisket in their range while Coles and some IGA networks are selling sub-primaled beef rumps. MLA supported a campaign with a national retailer to gain a greater understanding of shopper behaviour. An email promoting winter beef cuts was sent to 12.3 million customers; it was opened by 38.3% of recipients, 29.8% activated it and 15.6% purchased a promoted cut. This contributed to a 15% year-on-year increase in the retailer's beef sales during the campaign.

MLA launched a newsletter, *Butcher's Paper*, as an insert in *The Australian Butchers' Voice* magazine which is circulated to 2,700 butchers. *Butcher's Paper* includes market information, shopping and consumer trends, a cut masterclass, product innovation tips and details of upcoming MLA campaigns. The first issue featured the breakdown of a whole chuck to demonstrate the versatility of the primal and show butchers how to produce two new steak options for their range, the

Delmonico and Denver. An associated innovation workshop was attended by 55 butchers – 76% found the session extremely valuable, 88% said they would sub-primal the chuck and 94% would break down and value-add lamb legs.

**Red meat nutrition – events, research and crisis management**

As part of a partnership with the Dietitians Association of Australia, MLA supported the Australian Healthy Weight Week in February 2016 which involved 750 events around the country. More than 1,100 dietitians and 40,000 members of the public took part in activities promoting healthy meals, and 40,000 copies of MLA's *Guide to healthy, balanced meals* brochures were distributed. MLA also supported the Dietitians Association of Australia's National Conference in Melbourne in May 2016, where more than 200 delegates visited MLA's stand.

MLA Donor Company is working with the University of Otago in NZ to trial powdered beef products as a low-cost dietary supplement for young children in Indonesia to overcome iron and zinc deficiencies. The findings from this study will inform global policy about the amount of red meat required from six months of age to prevent iron and zinc deficiencies and support normal growth and development.

In October 2015, MLA reassured consumers on the benefits of Australian red meat in its response to a report on the carcinogenicity of red and processed meat by the International Agency for Research on Cancer, an agency of the World Health Organization. MLA's primary focus was to place the findings in the context of the Australian Dietary Guidelines which recommends Australians eat 455g/week of cooked red meat to meet their iron and zinc requirements. Credible third parties, including healthcare experts and media spokespeople, were briefed on the report's findings to ensure a balanced and consistent message. MLA's strategic response was well understood and supported by the peak industry councils and key industry stakeholders who were also pre-briefed. Despite high media coverage, reporting was largely balanced and the coverage of red meat and health has remained above 75% favourable/neutral since then.

**MSA beef**

Australia's red meat eating quality grading system, MSA, has gone global with eight Australian brands embracing the MSA export guidelines and using the MSA grading system to underpin their brand message in overseas markets. On the home front MSA brands continued to grow during 2015-16 with a further nine meat brands embracing the system, bringing the total to 140.

MSA adoption continued with another 3,244 producers becoming MSA registered with 74% eligible to supply cattle to the 43 MSA-licensed beef processors. This resulted in 3.1 million cattle being MSA graded with average compliance to MSA requirements maintained at 93%. Cattle producers with carcasses compliant to MSA and company specifications were rewarded with an additional \$0.24/kg for young, non-feedlot cattle and \$0.15/kg for cattle that met grainfed criteria. This resulted in an additional farm-gate return of \$153 million.

Producer uptake of the MyMSA feedback system continues to grow with more than 10,000 visits throughout the year and now 67% of all new producer registrations occur online. The online MSA e-learning module for producers, released and now accessed by more than 1,200 producers during 2015-16, won a gold medal in the Australia-wide Training Industry Awards.

**True Aussie**

MLA international marketing activities strengthened the positioning of the 'True Aussie' brand in Australia's two largest Asian beef markets in 2015-16.

Consumer brand awareness of 'True Aussie' increased in Japan from 18% in 2014-15 to 25% in 2015-16 and in Korea from 36% awareness to 46%.

**Japan – Aussie-style barbecue**

Australian steak sales in Japan increased by an average 197% at major supermarkets during the 'Let's Barbie' campaign in July and August 2015. Campaign events included a commercial broadcast on television, huge digital billboards in Tokyo and public barbecues. At an event at the Australian Embassy in Japan, 2 August was officially named annual 'Barbie Day', receiving significant national media coverage. Market research by Kantar

showed the 'Let's Barbie' television commercial was one of highest performing in their client database, in the top 2% for consumer engagement and the top 1% for purchase persuasion. The value of barbecue-type cuts exported from Australia to Japan between May and July 2015 increased 29.4% year on year, compared to an average increase of 17.1% across all beef cuts.

### Middle East/North Africa (MENA) – LuLu

MLA ran a collaborative Ramadan program with the largest retailer in the MENA region, LuLu. 'True Aussie' co-branded Ramadan point-of-sale material featured in 19 hypermarkets across the United Arab Emirates (UAE), Kuwait, Qatar, the Kingdom of Saudi Arabia and Oman. In-store activities were supported by radio and print media advertising in Saudi Arabia and the UAE. Social media activities included videos of MLA's Chef Tarek giving live in-store recipe demonstrations, with supporting recipes uploaded weekly to the LuLu website. Sales of Australian beef and lamb increased by 18% in volume and 10% in value compared to 2015 levels.

### South-East Asia – trade events

More than 30 Australian beef and lamb exporters attended the biennial Food Hotel Asia tradeshow in Singapore. MLA's co-funded stand generated up to 15 new leads from companies in Singapore and surrounding countries. Networking events hosted by MLA introduced trade sector exhibitors to 55 leading chefs from Singapore and Malaysia. More than 60 importers also attended red meat forums hosted by MLA in Hanoi and Ho Chi Minh City in Vietnam to learn more about importing Australian red meat. Some relaxation to tight regulatory cut restrictions in Indonesia in November 2015 saw the reintroduction of the rump as an additional export option. MLA provided six training forums across Indonesia to provide importers with information on loin alternatives.

### EU – trade promotion

MLA assisted two major Australian beef importers to grow their online businesses into Europe with promotional merchandise and social media support. These distributors ran

successful campaigns over Christmas 2015 and achieved a 300% increase in sales compared to the same period in 2014. MLA partnered with another importer to host chef workshops with large German wholesalers and, as a result, a regular supply of grassfed and grainfed Australian cuts was established into foodservice and wholesale sectors. MLA also hosted 16 Australian exporters at the 2015 ANUGA trade show in Germany – the largest food show in Europe, with more than 155,000 visitors from 200 countries attending the event.

### North America – culinary immersion

MLA ran two Australian grassfed beef and lamb culinary immersion events at Palm Springs and Chicago in May 2016. The 36 participants included chefs from large national and regional restaurant chains, hotels, independent restaurants and restaurant groups, universities and culinary consultants. These education events were positive for business development, with seven new leads – representing 1,100 restaurants across the US – requesting samples, additional menu ideas, supplier pricing and new Aussie grassfed beef menu placements. Four existing accounts – representing 126 restaurants – are considering additional beef or lamb products to their existing menu. The events also generated strong social engagement within the large US foodservice community, with 11,455 likes on the blog post about the events and 1.41 million impressions on Facebook and Instagram activity during the events.

### Korea – digital marketing

MLA's red meat marketing activities in Korea in 2015-16 included a strong digital strategy. MLA engaged consumers with daily content on Facebook, such as facts about Australian red meat, recipes and events, including four key seasonal promotions. MLA's Korean Facebook page has 38,038 followers, and received 85,682 likes, 68,695 comments and 21,539 shares in 2015-16. 'Country of origin' is a key driver of consumer trends in Korea, and Australia has a high perception, even though 'True Aussie' is in its infancy. MLA rolled out 'True Aussie' branding in 2015-16 and distributed 12.6 million 'True Aussie Beef' stickers to 2,334 stores. MLA also

supported 8,515 days of in-store sampling promotions in 2015-16, and 35,303 sampling days by industry.

### CoMarketing

The Collaborative Marketing Program (CoMarketing) continues to support Australian red meat brand owners to develop marketing strategies for their beef, veal, lamb and goatmeat brands. The number of beef companies involved in CoMarketing programs with MLA increased from 50 to 52 in 2015-16. These companies collectively have 234 brands, of which 81 are MSA certified and 14 are underpinned by the Pasturefed Cattle Assurance System (PCAS) or third-party verified grassfed brands.

### Value-adding innovations – dry-aged beef

In response to renewed interest in dry-aged beef in the foodservice sector, a food manufacturer developed a best practice guide for this process via an MLA Donor Company project. The guide, which is targeted at butchers and chefs to ensure consistent product, is supported by a YouTube video featuring MLA's Corporate Chef, Sam Burke. In another dry-aged project, Meat Standards Australia has commenced running consumer sensory research to develop consistent eating quality standards for dry-aged beef, which did not previously exist.

## Aggressive promotion of sheepmeat and goatmeat across global markets

MLA delivers high-impact seasonal lamb campaigns to maintain the market share of lamb in the domestic market. MLA also invests in nutrition research and marketing programs to ensure key influencers continue to recommend red meat consumption three to four times a week. MLA delivers business development and 'brand Australia' building programs for sheepmeat and goatmeat globally. It also identifies and evaluates opportunities for new lamb products and develops new technologies to transform and value-add low-value cuts.



### INVESTMENT

\$18.9 million



### STRATEGIES

**Strengthen** consumer loyalty and customer commitment for sheepmeat in the domestic market

**Build** evidence supporting health benefits and maintain fact-based recommendations

**Communicate and promote** evidence-based nutrition information on red meat to key influencers

**Build** the True Aussie brand to differentiate and add value to Australian sheepmeat in export markets

**Develop** novel value-adding options through packaging and product innovation that enhances demand for sheepmeat and goatmeat in global markets

**Support** brand owners in developing their brands and products that better differentiate them in global markets

**Ensure** sufficient integrity programs are implemented to build confidence in the MSA program

**Support** adoption and recognition of the MSA sheep grading system through the supply chain

## Red meat from vending machines

MLA Donor Company supported an innovation by Australian lamb processor Frew Group to value-add lamb by developing ready-to-eat meals from vending machines. The vending machines can heat single-serve meals such as lamb meatballs in Massaman curry in just two minutes.

The vending machines were on show at IFFA, a global meat processing exhibition in Germany, in May and are looking to be trialled at railway stations and universities in Melbourne, Europe and the Middle East.

The vending machines not only value-add secondary cuts and provide convenient meals to time-poor consumers, they also create a new opportunity for Australian lamb in the face of volume restrictions into the EU (which apply to frozen but not cooked product).

The vending machines also collect point-of-sale information and will potentially gather consumer feedback.



**KEY MILESTONES**

MILESTONE	RESULT	COMMENTARY
<b>Domestic market</b>		
Maintain lamb's market share of fresh meat at retail at 13.5%	<b>Not achieved</b>	The closing value share of lamb was 13.3% in 2015-16, slightly below 13.4% in 2014-15
Improvement in key lamb attributes as measured by consumer tracking: 'Top of mind awareness' and 'Is loved by Australians'	<b>Not achieved</b>	'Top of mind awareness' averaged 14% in 2015-16 compared to 14.3% in 2014-15. The measure 'Is loved by Australians' was discontinued as a tracking measure in February 2016, at which point endorsement was at 68% for FY16, down from 71% in FY14. MLA is now measuring attributes that are most important to Australian consumers (e.g. purchase drivers) and has reflected these in strategy development and future target setting
<b>International markets</b>		
International business plans are endorsed by industry and at least 80% of KPIs listed are achieved	<b>Achieved</b>	International marketing strategies were endorsed by the peak industry councils in February 2016. MLA delivered more than 80% of the international markets implementation plan KPIs
Business development programs deliver supply chain opportunities and create strong trade and customer links	<b>Achieved</b>	MLA business development activities (such as chef immersions, information seminars, butcher training, trade workshops) received more than 80% satisfaction rating from industry participants
Over 80% of Australian exporters are satisfied with MLA delivery of key events (trade shows, missions, etc)	<b>Achieved</b>	MLA participated in five key international trade shows. More than 80% of surveyed exporters were satisfied with MLA's delivery of these events
<b>Value-adding innovations</b>		
Work with supply chain partners and end customers to develop at least one new smallstock product opportunity that encompasses demand-driven technologies that transform and value-add low-value cuts, with the potential to add at least \$1/head in net value and grow demand for producers	<b>Achieved</b>	Several smallstock product opportunities were developed, including dry-aged sheepmeat (achieving a premium of \$3-\$4.39/head), and recovered lamb meat from the aitch bone after leg boning, as well as deboned forequarter and leg meat to prepare cooked meals that will be sold directly to the end consumer via vending machines. The value-adding opportunity for the meat preparation and cooking supply chain phase is estimated at \$6.36/head
Design and deliver at least one industry workshop and/or communications resource that improves industry capabilities and awareness to adopt and prosper from new products and value-adding innovations	<b>Achieved</b>	A new 'web-scraping process' to gather market insights for lamb was delivered to a large processor and is now being adopted as a routine, cost-effective market insights method within its sales and marketing team
<b>MSA</b>		
Two supply chains trialling MSA cuts-based sheepmeat	<b>Not achieved</b>	Under the Sheep CRC, a cuts-based MSA prediction model for sheepmeat has been developed. Three supply chains engaged with the Lamb Supply Chain Group have been briefed on the model. Application will depend on the development of real-time intramuscular fat measurement, which is a priority for a value chain Rural Research and Development for Profit project
MSA Index implemented for sheep	<b>Not achieved</b>	An MSA Index for sheep will be implemented once a cuts-based model is developed. Eating quality indices have been integrated into Australian Sheep Breeding Values (ASBVs), within the Sheep Genetics program



OBJECTIVE HIGHLIGHTS

**Domestic market – spring and Australia Day campaigns and Masterpieces**

MLA's spring lamb campaign contributed to a 2.5% growth in lamb sales at a time when lamb retail prices were 9% higher. The campaign used a television commercial and billboards to position lamb as the seasonal meal of choice with a wide range of versatile, easy-to-cook cuts. A social media campaign, DisasterChef, was fronted by well-known chef George Calombaris. It was designed to place lamb as an easy, versatile meal option for less confident, younger consumers.

The 2016 Australia Day lamb campaign centred on the idea that no Australian should lamb alone on Australia Day. The video component of 'Operation Boomerang' featured a well-known cast of Australians and was supported by social media and PR campaigns. Sales results for the period (average sales figure of the third and fourth week of January) finished the highest on record at 36.9%, despite Australia Day falling on a Tuesday. (The last time Australia Day fell on a Tuesday sales increased by 10.1%.) During the campaign period, lamb's overall category value was 13.8%, up from 12.6% in 2015. The advertisement was also awarded 'TV Ad of the Year' at a prestigious media event, for the second year running. In addition to this the campaign received three golds at The Effie Awards (Effectiveness in Advertising Awards), along with the coveted Grand Effie, in recognition of the effectiveness of the campaign.

The autumn lamb campaign expanded from a historical focus on roasts and highlighted the versatility of the whole carcass. Lamb was positioned as the easy go-to solution in any situation, regardless of the unpredictability of autumn weather or spontaneous guests. Activities including television ads, billboards, social media, mobile ads and PR were aimed at engaging consumers when they were in the meal planning process with content that responded to the current weather forecast. The campaign resulted in a sales growth of 4.5% over the campaign period.

The Masterpieces whole-of-carcass series for beef, lamb and goatmeat was launched to engage the foodservice

sector with information about non-loin cuts, including beef chuck, lamb leg and goat forequarter. In the first three months of the program, Masterpieces content achieved 300,000 views across Facebook and YouTube and increased Facebook page audience numbers by 27% and YouTube channel subscribers by 176%.

**Nutrition**

General practitioners (GPs) are a trusted source of information but most are not trained in nutrition. MLA is providing doctors with practical tips on healthy eating so they can help their patients follow a healthy, balanced diet which includes red meat three to four times a week as per the Australian Dietary Guidelines.

MLA continued to work with ThinkGP, one of the leading online GP educators in Australia, to develop a second accredited learning module, this time on infant nutrition. The module was launched in September 2015 and 1,800 GPs have enrolled in both modules (the first was on weight management). MLA's partnership with GP publication, *Australian Doctor*, included developing a digital newsletter and supporting factsheets dedicated to nutrition. More than 2,000 GPs subscribed to the newsletter in 2015-16, with around half reading the content. The best-performing article, 'Four steps to healthy balanced meals', received 30,000 impressions on Facebook and the associated factsheet was downloaded almost 300 times.

MLA launched a new website [www.mlahealthymeals.com.au](http://www.mlahealthymeals.com.au) in February to provide nutrition professionals with a central point of nutrition information, including scientific and behavioural evidence, about the role of red meat as part of a healthy balanced diet.

**MSA sheepmeat**

MSA continues to gain momentum in the sheepmeat industry with 5.2 million sheep processed using the MSA pathways during 2015-16, with 63% trade marked as MSA, up from 51% for 2014-15. Victoria represented the largest percentage of MSA lambs with 48% of the total MSA production. South Australia had the largest increase in MSA lambs being

presented for grading (an increase of 21%) and Tasmania had the largest growth in MSA trade marked lambs (an increase of 62%).

Of the 3,244 new MSA producer registrations, 60% were eligible to supply sheep to the MSA program to the 19 MSA-licensed sheep processors.

**Japan – Lambassadors and Genghis Khan promotions**

MLA's 'Lambassador' program created buzz among Tokyo's chefs about the versatility and quality of Australian lamb. Nine Lambassadors, including chefs, a butcher, a food stylist, a representative from the Sheepmeat Eating Association, a restaurant owner and a food consultant, travelled to Australia to learn more about Australian lamb production and how lamb is used creatively by chefs. Follow-up activities in Japan included creating a new lamb dish for 20 restaurant chefs; demonstrations for 20 influential food journalists and 170 bloggers/social influencers; and a lamb cutting demonstration for 30 culinary school teachers. Lambassadors cooked 1,500 lamb chops in two days for 10,000 visitors to the 2015 Hitsuji (sheepmeat) Festival, which received 60 media reports. The launch of *The Lambassadors* recipe booklet was attended by 90 media, and 30,000 copies of the booklet have been distributed to chefs in Tokyo.

The Hokkaido region has the highest sheepmeat consumption in Japan. This market is dominated by the 'Genghis Khan' dish (barbecue lamb). MLA worked to entrench Genghis Khan cuisine as a cultural icon in Hokkaido, in conjunction with the Genghis Khan Association. Through the Association, 2,000 copies of a multilingual *How to Genghis Khan* guide were distributed to restaurants to help independent restaurateurs target more than five million foreign tourists and compete for new customers in a flat economy. MLA continued to help manage the Genghis Khan Supporters Club, which it established in 2013 to encourage Hokkaido consumers to be proud of the local lamb dish. Activities included managing the club's social media profile, school events and the annual Genghis Khan festival in Sapporo.

### Middle East/North Africa (MENA) – butcher training

MLA trained 423 retail butchers at 20 sessions across the MENA region in 2015-16. The events educated butchers about different cuts, the attributes of Australian lamb and beef, and demonstrated how to set up point-of-sale displays. The training emphasised the 'True Aussie' attributes of quality, consistency, halal and trust, and led to the placement of 'True Aussie' cut charts, pack stickers, caps and aprons into three large retailers in the region. MENA celebrity, Chef Tarek Ibrahim, also trained more than 3,000 chefs in 48 sessions across the region, including at culinary schools in the United Arab Emirates, Jordan and Egypt.

### South-East Asia – chefs' tour

A tour to Australia inspired 10 Malaysian chefs to add new lamb products to the menus of their restaurant chains. MLA and the Victorian government hosted 10 of Malaysia's top chefs who participate in MLA's Red Majesty Chefs program (designed to promote and showcase how Australian beef and sheepmeat can be used in modern Chinese cuisine). The tour through Victoria, which included visits to exporters and producers, was designed to give the chefs a better understanding of lamb supply chains and discover alternate ways of using lamb in Chinese cuisine menus.

### EU – retail promotions

MLA co-sponsored in-store promotions with a major UK retail chain with a strong focus on lamb around peak times of the year such as Easter. Selected in-store promotions contributed to sales increasing by more than 100% year on year. MLA put lamb on the menu in Germany to celebrate Australia's national sail training ship, *Young Endeavour*. The event was hosted by Australia's Ambassador to Germany, His Excellency David Ritchie AO and *Young Endeavour*'s captain, Lieutenant Commander Gavin Dawe OAM. German dignitaries, businesses and media were treated to dishes such as braised lamb in prosciutto blankets which were prepared onboard by the *Young Endeavour*'s Navy chefs.

### US – retail and foodservice promotions

Thousands of Australian lamb and grassfed beef samples were provided to consumers in partnership with the Stop & Shop retail chain in Massachusetts as part of a 'True Aussie' lamb and grassfed beef 'tailgating' promotion. (Tailgating is the custom of barbecuing on the back of utes outside sporting events.) Other lamb retailers also conducted increased sampling during the winter and Easter periods. Sales increased between 30% and 100% at participating stores during the period.

'True Aussie' goat was a featured partner in New Orleans, Louisiana, during the year at the Rising Star Chefs Gala event. Rising Stars recognises up-and-coming independent chefs. More than 450 local chefs, restaurateurs, local media and consumer food enthusiasts attended, and foodservice leads from the event were provided to an importer partner. Australian goatmeat also featured at Rising Stars events in Miami and San Francisco – excellent target markets for Aussie goatmeat due to their consumers' love of ethnic flavours and preparedness to experiment.

### China – cold chain integrity

MLA's promotional activities in China in 2015-16 focused on improving market access conditions and assisting industry increase plant listings and chilled access. MLA also supported business development through the education and training of Chinese customers on Australia's integrity systems and how to handle and present beef products. MLA ran a workshop on cold chain integrity for Australian chilled red meat for AQSIQ (China Administration of Quality Supervision, Inspection and Quarantine) in August 2015, with presentations on the Australian red meat export system, industry supply chain systems, cold chain management system and red meat knowledge. It was attended by 68 Chinese government officials from more than 40 red meat import entry ports in China. MLA also held training for 45 customs officials from the pricing departments in 33 ports in China.

### Value-adding innovations

MLA carried out a project to assess how different fat scores impact the dry-ageing process for lamb. The research outcome was that fatter lambs produce a richer-flavoured product with less yield loss. Chef-designed menu ideas have been developed and the value to the industry is being evaluated, based on the potential for new markets (including hoggets and mutton) and premiums for lambs which fall outside current weight or dentition grids in the premium artisan trend of dry-ageing.

### CoMarketing

In 2015-16, 21 lamb companies had collaborative marketing (CoMarketing) programs with MLA. These companies collectively have 53 lamb brands, including seven MSA brands. The goatmeat component of CoMarketing was formalised, with two goatmeat companies receiving support for their two brands.

# Improving productivity and profitability across the supply chain

MLA invests in research and development that creates opportunities for cattle, sheep and goat producers and supply chains to improve the productivity and profitability of their enterprises.

## MILESTONE SCORECARD

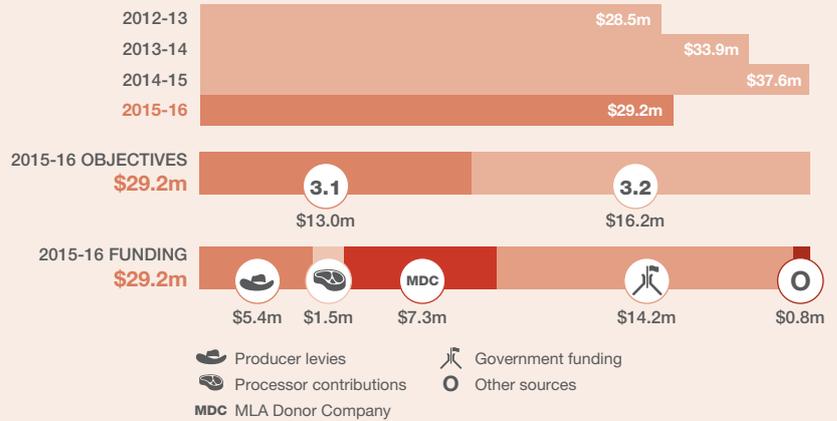
### 14 milestones

- 9 achieved
- 4 partly achieved
- 1 not achieved

### Objectives under this strategic imperative include:

- 3.1 Identify and deliver innovative opportunities to increase on-farm productivity and profitability through genetic and management interventions
- 3.2 Identify information platforms and technologies that drive productivity and innovation throughout supply chains

## INVESTMENT



### Meat Industry Strategic Plan 2010-2015 Strategic Themes

- Innovation
- Our people
- Economics and infrastructure

### Australian Government Science and Research Priorities

- Food

### Australian Government Rural Research and Development Priorities

- Productivity and adding value
- Supply chain and markets

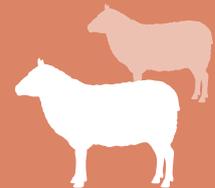
### Agricultural Competitiveness White Paper Priorities

- Advanced technology

## KEY ACHIEVEMENTS

### World-first multi-trait sheep genetics

Sheep Genetics has delivered a world first, a new multi-trait single-step carcass analysis that means eating quality breeding values can be calculated for a wide range of animals. In addition, Sheep Genetics has also developed a new eating quality index which enables producers to achieve further gains for growth and lean meat yield in their animals while maintaining eating quality.



## FACTS & FIGURES

Sides of beef processed by automated rib cutting machine	MSA compliance of graded beef carcasses	Accuracy of DEXA lean meat yield measurement	Producers trained in Livestock Data Link	Cost of dark cutting to Australian industry
<b>7,000/day</b>	<b>93%</b>	<b>85%</b>	<b>200</b>	<b>\$50m/yr</b>
Proportion of Australian cattle slaughter MSA graded	No. of Beef Industry Language White Paper recommendations	Accuracy of subjective lean meat yield measurement	Number of BladeStop™ units sold	Benefit-cost ratio of MDC automation program
<b>38%</b>	<b>40</b>	<b>30%</b>	<b>129</b>	<b>4.7:1</b>

**+ OPPORTUNITIES**

- Australia became part of the global eating quality conversation with MLA attending the International Eating Quality Conference in Paris, in late 2015, which aims to standardise eating quality research worldwide and create opportunities for research collaboration.
- The first *Australian Beef Quality Audit Report* was released at the MSA Excellence in Eating Quality forums held nationally during 2015-16, providing the opportunity for producers to benchmark their MSA performance.
- Advances in automation and objective measurement in beef and lamb have the potential to provide feedback to producers and the value chain that will ultimately enhance the consumer experience and improve market competitiveness.
- To encourage producer adoption, leucaena research outcomes need to be packaged with regionally relevant information on leucaena establishment strategies.

**■ CHALLENGES**

- The uptake of Livestock Data Link (LDL) by the processing sector remains relatively low, requiring its value to be clearly communicated and overcoming some technical challenges.
- Regardless of the pathway to slaughter, key challenges are to enable all Australian cattle to be MSA eligible and accurately predict the eating quality of all Australian cattle.
- Increasing the value of the carcass requires greater carcass utilisation and eating quality segregation.
- To remain a world leader in feedlot animal welfare, research outcomes are required that improve weather forecasting and the heat-load estimates of animals so industry is even better prepared to manage severe weather events.

**📌 OUTLOOK 2016-17**

- LDL will be rolled out to another three processing plants in southern Australia and will be introduced to two plants in northern Australia.
- Benchmarking tools in the myMSA feedback system will be introduced.
- In beef genetics, a DNA test for breed composition will continue to be developed which will help breeders achieve their desired breed composition mix in tropically adapted breeds and will eventually lead to predicting the genetic potential of composites.
- The development of a multi-energy X-ray system (MEXA) will commence, providing feedback to beef producers on lean meat yield and enabling the phenotype to be objectively measured.
- New management guidelines for non-Merino ewes will be delivered to optimise condition score profiles across the annual production cycle.

**World-leading automation**

Lamb and beef processing technologies saw new, world-leading cutting and objective measurement tools advance to working prototypes. The ability to accurately, reliably and objectively measure carcass attributes including lean meat yield will pave the way for producers to be paid on the actual value of the animal.

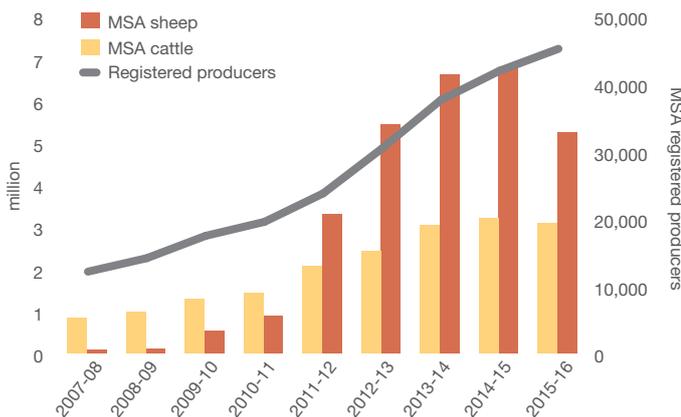


**Genetics collaboration**

MLA and MLA Donor Company collaborated with industry to launch the National Livestock Genetics Consortium which aims to double the annual rate of improvement in the industry's genetic value by 2022.



**Growth in MSA registered producers and MSA graded livestock**

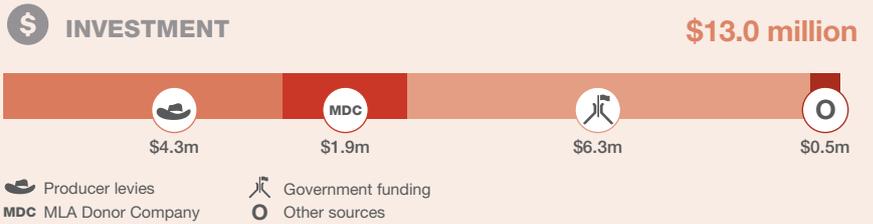


Source: MSA

OBJECTIVE 3.1

# Identify and deliver innovative opportunities to increase on-farm productivity and profitability through genetic and management interventions

MLA assists livestock producers to increase their on-farm productivity and profitability by investing in research and development that creates opportunities to enhance the genetic performance of livestock and the feedbase, and improve grazing and feedlot systems and eating quality.



## STRATEGIES

**Enhanced** rates of animal and feedbase genetic improvement for the beef and sheep industries

Continued **investment** in knowledge of management and measurement technologies that predict variation in eating quality performance

**Improved** productivity in grazing and feedlot systems

## OBJECTIVE HIGHLIGHTS

### Beef and sheep genetics

Beef and sheep genetics continue to advance by pinpointing and influencing the key profit drivers of fertility, eating quality and yield.

Australian sheep genetics research produced a world first, delivering a new, multi-trait, single-step carcass analysis, meaning eating quality breeding values can be calculated for a wider range of animals. These new ASBVs accompany a new selection index incorporating eating quality which will assist commercial lamb producers to target, more precisely, the best genetics for their business. The breakthrough was the result of decades of information gathering and analyses from LAMBPLAN, MERINOSELECT, the Sheep CRC and MLA's Resource Flock.

In the field of beef genetics, the 'Northern Repronomics™ Fertility Project' is focused on enhancing the evaluation of reproduction traits, enabling genomic selection and rapidly increasing the rates of genetic improvement in tropically adapted breeds. The legacy of the Beef Cooperative Research Centre (CRC) continues with enhanced analyses of research outcomes, searching for new insights and information with a special focus on cow body condition and longevity. In other work, a DNA test for breed composition is being developed which will underpin brand integrity, help manage *Bos indicus* content in tropically adapted breeds

and contribute to the development of genomic selection for multi-breed populations.

### National Livestock Genetics Consortium launch

Red meat producers will benefit from the National Livestock Genetics Consortium which aims to double the annual rate of improvement in industry genetic value by 2022. To date this new model of research, development and adoption has generated more than \$32 million in cash and attracted more than \$38 million of in-kind resources, in addition to \$52 million already invested by MLA, MLA Donor Company and others. The aim is to deliver affordable, accurate and easy-to-use technologies for genetic improvement, in beef cattle and sheep.

### MSA research

To improve the accuracy of the MSA beef grading model and increase livestock compliance to MSA requirements, a 'mixing and stress trial' was commissioned. The aim of the research is to identify on-farm objective measures of stress, develop an infra-red camera to measure stress indicators and develop management guidelines to reduce the impact of stress on beef eating quality. Results are due in early 2016-17. Stress is a major cause of dark cutting in livestock, estimated to cost the industry more than \$50 million a year.

For the MSA lamb and sheepmeat program, key research includes the development of a cuts-based model for MSA lamb as well as a yearling sheepmeat project. The sheepmeat project is testing the eating quality of lamb, hoggets and young mutton and has been extended to understand international consumer responses to eating quality, with work being conducted in China and the US. The work will be finalised in 2016-17.

The first *Australian Beef Quality Audit Report* was released at the MSA Excellence in Eating Quality forums held nationally during 2015-16 (see page 59), providing the opportunity for producers to benchmark their MSA performance.

### Grazing advances

An ongoing leucaena trial at Whitewater Station, Queensland, compared the palatability of five varieties including 'Wondergraze' and the new psyllid-resistant 'Redlands'. The trial found stock exhibited no significant preferences. During 2016-17, researchers will record further observations (such as persistence characteristics) as the plants mature. Research into the methane-inhibiting properties of the marine algae *Asparagopsis* (red algae), under the MLA-managed National Livestock Methane Program, has delivered promising results for reducing the industry's carbon footprint. A sheep trial conducted in WA showed reductions in methane emissions per animal by up to 80%.

**KEY MILESTONES**

MILESTONE	RESULT	COMMENTARY
Increased rate of genetic improvement in beef and lamb through higher rates of genetic gain principally focused on eating quality (lamb) and reproductive rate (beef) and higher numbers of recorded seedstock animals particularly in northern Australia	Achieved	Sheep Genetics has delivered new eating quality breeding values and selection indexes. Reproductive rate trends are improving in northern Australia, with over 46,000 new records for fertility measures added since January 2014
Development and implementation of an MSA cuts-based program for lamb in two supply chains	Partly achieved	Under the Sheep CRC, a cuts-based MSA prediction model for sheepmeat has been developed. Three supply chains have been briefed on the model. Application will depend on the development of real-time intramuscular fat measurement, which is a priority for a Rural Research and Development for Profit value chain project
Development of at least two technologies that can predict yield and elements of eating quality in beef and lamb supply chains	Achieved	DEXA has been validated to provide high-accuracy prediction (85% relative to CT) of lean meat yield (LMY) for sheep. 3D camera imaging has been developed to positive proof-of-concept to predict LMY in sheep and beef carcasses
Establishment of three R&D programs to improve reproductive performance, increase northern feedbase options and develop novel options for lifting growth rates as part of the new growNORTH initiative (subject to the Department of Agriculture and Water Resources approving the initiative)	Achieved	Four growNORTH projects commenced in management intervention to improve reproductive performance, calf alert technology and growth paths for increasing beef production (heifers and cull cows)
Quantify the economic impact (using producer case studies) of adopting recommended practices to improve breeder herd productivity	Partly achieved	The economics of improving reproduction of beef cattle in northern Australia has been assessed and case studies have been conducted. Significant work is required to translate this into a useful document for industry
Evaluated Sperm Chromatin Structure Assay and the Sperm Protamine Deficiency Assay as predictors of bull semen quality and female reproductive traits	Achieved	Genome-wide studies identified regions of chromosome X that were associated with sperm chromatin integrity, protamine deficiency and % normal sperm
Developed and tested prototype systems for the on-property production of algae as a protein and energy supplement in northern Australia, including determining the optimal growth conditions for dry matter and crude protein accumulation and developing simple methods to harvest and store algae from these ponds	Achieved	The project investigating the use of micro algae on farm was completed. Results have identified a fast-growing, protein-rich, saline- and heat-tolerant microalga, and detail a new hydrodynamic pond design, airlift for efficient mixing and a low-cost harvesting process.

**Feedlots**

MLA has funded several key feedlot projects, including improved weather forecasting and heat-load estimates for feedlots to enable better preparation for extreme events. Two new user manuals for industry are nearing completion: *Feedlot Design and Construction* which features world-leading design and technology options; and *The Manure Handbook* which outlines best practice management for disposing of effluent and manure in feedlots.

**Non-Merino ewe reproduction**

Working on both commercial properties and research stations, MLA has funded research to improve the management of non-Merino ewes through developing an improved understanding of the impact of condition score on ewe and lamb survival, growth rate and reproduction. The result will be a tailored management system for non-Merino ewes that offers specific guidelines and advice to help producers maximise their enterprise productivity and profitability.



**OBJECTIVE 3.2**

**Identify information platforms and technologies that drive productivity and innovation throughout supply chains**

Working in partnership with technology providers, individual processors and the Australian Meat Processor Corporation, MLA via MLA Donor Company manages a research and development portfolio to improve processing efficiencies, address labour availability and health and safety, and increase innovation and supply chain information.



**STRATEGIES**

**Develop and prove** technologies that improve carcass information

**Facilitate** improved information flows within value chains

**Develop** new technologies to improve value chain productivity and efficiency

**Implement** new practices and technologies to increase labour efficiency and compliance with market specifications

**OBJECTIVE HIGHLIGHTS**

**Objective carcass measurement**

In April 2016, MLA was successful in receiving a \$4.8 million Australian Government grant, through the Rural Research and Development for Profit program, to develop more accurate measurement technologies using, for instance, multi-energy X-ray (MEXA) and 3D digital imaging. This important project leverages the capacity of 19 research and industry partners to achieve accurate, consistent measurements of live animals and carcasses. This will create opportunities for value-based payments to producers based on objectively measured meat yield and eating quality attributes.

**Lamb automation**

Automation of beef and lamb processing is a fast-moving space with the significant achievements in the lamb sector in recent years through the successful LEAP program being fast-tracked into beef. Commercial interest in robotic cutting and measurement technology has created strong research-industry partnerships, through MDC, reflected in the uptake by lamb processors of LEAP III (primal cutting using DEXA X-ray), LEAP IV (middle cutting system) and LEAP V (forequarter processing). LEAP V, presently a high-throughput production prototype, will be introduced into

two new processing facilities during 2016-17. A six-way automated robotic cutting system for mutton and goat also reached working prototype phase. The focus for LEAP during 2016-17 is to further refine the technology and extend the adoption and commercialisation into the processing sector.

Uptake of the BladeStop™ bandsaw, which reduces serious workplace injuries, has increased to more than 100 units across the meat supply chain. During 2016-17, the retro-fitted DigitDetect™ system, developed by MDC and Scott Technology, aimed at increasing the safety of saw operators in butcher shops and smaller processing plants, will become commercially available.

During 2015-16 an impact study on the return on investment of MDC’s automation program indicated a 4.7:1 benefit-cost ratio on investments.

**Livestock Data Link (LDL)**

LDL, an MLA-developed carcass feedback and information resource tool, was reviewed during 2015-16 with several enhancements recommended to improve its usability for producers. To encourage a wider adoption of the tool, MLA trained almost 200 producer members of the JBS Farm Assured program on how to access their carcass feedback information through LDL.

During 2016-17 it is expected another three processors will start delivering carcass feedback to producers via LDL, and animal health and disease feedback information for producers will be added. Uptake of LDL by industry is slower than anticipated, with the challenge ahead to demonstrate its value to the industry.

**Language review**

A review of the AUS-MEAT beef language, aimed at keeping descriptions meaningful and current, has resulted in more than 40 recommendations being delivered to industry through the development of an Australian Beef Industry Language White Paper. The review, initiated by peak industry councils and coordinated by MLA, focused on the language being customer rather than process driven, reducing complexity and aligning descriptions from the live animal through the supply chain. The AUS-MEAT language has significant influence internationally and has been adopted by the United Nations Economic Commission for Europe (UNECE) Meat Standards Working Group.

**KEY MILESTONES**

MILESTONE	RESULT	COMMENTARY
Develop and demonstrate in a supply chain a high-volume sensing system to increase capacity and productivity and provide accurate supply chain data on carcass quality which offer options that can directly benefit producers	Achieved	Dual-energy X-ray absorptiometry (DEXA) lamb carcass lean meat yield prediction was demonstrated at the JBS Bordertown plant, improving measurement accuracy to 85%, compared to CT scanning
Livestock Data Link (LDL) is demonstrated as adding value to both producers and processors through enhanced information flow and decision making abilities	Partly achieved	LDL is being successfully adopted within the JBS Farm Assured group, with two further processors having recently agreed to extend LDL to their producers. Animal health and disease feedback using the National Sheep Health Monitoring Program data was delayed due to technical issues, however, these have now been overcome
A whole-of-industry information exchange strategy endorsed by industry and implemented through key programs such as LDL	Not achieved	A report identifying the business requirements has been completed and a draft strategy has been developed for endorsement by industry
Realise net benefits of \$1 million/annum from processing technologies developed under the MLA Donor Company (MDC) program and for which installation is completed in 2015-16	Achieved	MLA's performance evaluation indicated \$2.51 million/year net benefits have been or will be realised from the following technologies that became operational in 2015-16: beef scriber/rib cutter, six-way cutting, LEAP III/IV primal and middle cutting and BladeStop™
Total aggregated net benefit of MDC-funded technologies installed in 2015-16 and previous years reaches \$10 million/annum	Achieved	MLA's performance evaluation indicated that for the period 2010-15, the aggregated net benefit of these technologies was \$345 million. This equates to \$69 million/annum
Five MDC-funded supply chain efficiency commercial innovations have achieved at least 80% of their annual adoption strategy targets, including associated cost-benefit analyses	Achieved	83% of targets achieved, with key achievements including: LEAP III/IV commercial sales to three processors, Australian BladeStop™ sales exceeding 129 units, X-ray guided beef rib cutter handed over to production, and mutton automated robotic six-way cutting system moves to full production. Four ex-post and two ex-ante cost-benefit analyses were also completed
Updated BeefSpecs tool includes prediction of eating quality attributes (carcass yield, MSA marble score, MSA ossification and MSA Index) and capability to assess the costs and benefits of changing livestock management for improved compliance	Partly achieved	A pilot is underway to assess prediction of carcass characteristics by using 3D cameras with a major vertically integrated supply chain

## Automated robotic beef rib cutting

The significant achievements in lamb automation in recent years started flowing through to the beef sector in 2015-16, with the development of the first automated robotic beef rib cutting prototype. The system uses advanced imaging based on dual energy X-ray, laser-line scanning and colour imaging. These technologies calculate precise cutting lines, objectively estimate the lean meat yield of the carcass and offer the option of value-based pricing of livestock.

Developed by Scott Technology in partnership with MLA Donor Company, this new system is faster, more accurate and consistent, safer and more efficient than the manual process of determining lean meat yield. Objective measurements using DEXA have achieved 85% accuracy/consistency in lamb and an encouraging result in beef, as calibrated to the gold standard of helical CT scanning. In comparison, subjective measurement is only about 30%. The working prototypes are now in production.



# Industry sustainability and integrity

MLA invests in programs that support the industry's environmental, animal welfare, community communications and workforce sustainability practices.

## MILESTONE SCORECARD

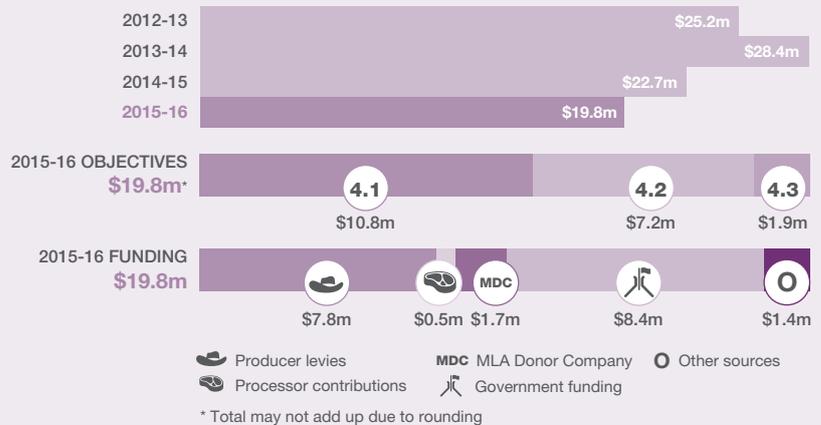
### 31 milestones

- 23 achieved
- 4 partly achieved
- 4 not achieved

### Objectives under this strategic imperative include:

- 4.1 Sustainable supply chain resource management
- 4.2 Animal welfare, biosecurity and animal well-being without reducing productivity levels
- 4.3 Support industry's effective engagement with the community

## INVESTMENT



### Meat Industry Strategic Plan 2010-2015 Strategic Themes

- Environment and ethics
- Our industry
- Innovation
- Economics and infrastructure

### Australian Government Science and Research Priorities

- Food
- Environmental change
- Soil and water
- Resources

### Australian Government Rural Research and Development Priorities

- Biosecurity
- Climate change and variability
- Natural resource management
- Productivity and adding value
- Supply chain and markets

### Agricultural Competitiveness White Paper Priorities

- Adoption of research and development
- Advanced technology
- Biosecurity
- Soil, water and managing natural resources

## KEY ACHIEVEMENTS

### Rabbit control

The new K5 strain of rabbit haemorrhagic disease (formerly calicivirus) has been approved for use with a target release date of autumn 2017. Following community engagement, the virus could potentially be released at 500 sites nationwide.



### Pain relief breakthrough

The first producer-administered pain relief product for cattle, ILIUM®Buccalgesic OTM, became commercially available via a partnership with MLA Donor Company. A similar product for sheep is expected to be available for use in 2016-17.



## FACTS & FIGURES

No. of parkinsonia biocontrol agent release sites	Producers with Emissions Reduction Fund contracts	Potential release sites of K5 strain rabbit haemorrhagic disease	Primary students attending Target 100 video conferencing lessons	Silverleaf night-shade areas under best practice management
<b>50</b>	<b>400</b>	<b>500</b>	<b>4,000</b>	<b>95,000ha</b>
Producers completing MLA animal husbandry practices survey	Consumers engaging with Target 100 events	Views of GoodMeat 2.0 series	No. of parkinsonia biocontrol agents released	Electricity savings identified by major beef processor
<b>1,500</b>	<b>145,463</b>	<b>541,181</b>	<b>30,000</b>	<b>8%</b>

**+ OPPORTUNITIES**

- Biological control of parkinsonia will soon become a more potent option with the release of more than 30,000 biological control agents across northern and Western Australia and the upcoming registration of a new bioherbicide.
- Producers will be able to use outcomes from northern feedbase research into assessing new pasture legumes and grasses, suited to Queensland's moderate rainfall zones, to build their enterprise's productivity and profitability.
- MLA-funded research into biosecurity and disease control is raising Australia's profile internationally as a proactive, safe and trustworthy supplier of quality red meat.
- Successful live demonstrations at food events, such as Regional Flavours in Brisbane and the national Taste food festivals, demonstrated a strong public appetite for understanding the paddock-to-plate journey and personal engagement with producers.

**■ CHALLENGES**

- The design of the NumNuts device for sheep needs further refinement, particularly improving its pain-relief efficacy on the scrotum. An investor is also being sought so the project can proceed to commercialisation.
- To enable the feedlot sector to provide the best animal welfare outcomes, a euthanasia manual providing protocols and a clear framework for the process, followed by on-site training, is in development.
- A challenge is to reduce the variability, in some locations, of a hand-held pasture biomass assessment tool by coupling allied sensors to estimate pasture quantity at the change of seasons.

**📌 OUTLOOK 2016-17**

- A Rural Research and Development for Profit project is being implemented to fast-track the availability of biological control agents for weeds such as blackberry, cylindropuntia, gorse, parkinsonia and parthenium.
- Two new Rural Research and Development for Profit projects are being implemented: controlling rabbits through monitoring impact of the new RHD virus; and controlling wild dogs through early warning systems.
- MLA will refresh the Target 100 program to keep abreast of supply chain challenges, community expectations and build on its previous achievements.

## Emissions Reduction Fund opportunity

MLA, in collaboration with AACo, led a project that directly contributed to the development of the 'Beef Cattle Herd Management' method and research on productivity gains associated with reduced methane emissions.



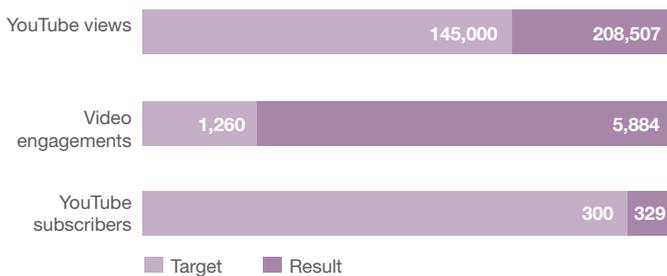
## GoodMeat success

The success of Target 100's second GoodMeat\* series far outstripped expectations, reaching over 541,181 views across YouTube and Facebook.

It also stimulated a 102% increase in subscribers to Target 100's YouTube channel and an almost five-fold increase in video engagements.



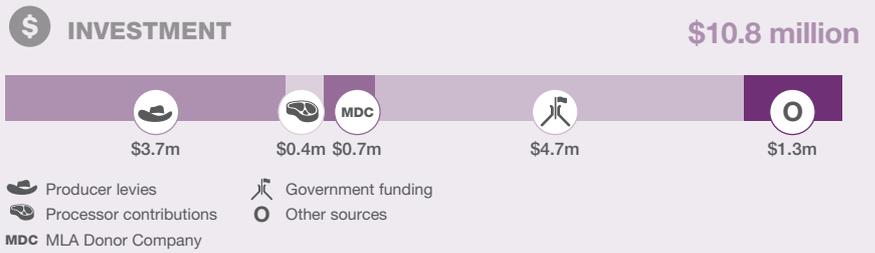
### GoodMeat 2.0 targets and results



\* GoodMeat aims to debunk myths around red meat production and share stories behind the making of 'good meat' with the community.

## Sustainable supply chain resource management

MLA supports the livestock industry to further its environmental sustainability through research and development focused on improving natural resource management, responding to climate change and increasing productivity while demonstrating environmental stewardship. Off-farm research will continue to focus on using energy and water resources more efficiently.



### STRATEGIES

**Support** sustainable on-farm resource productivity

**Develop and implement** through-chain environment strategy

### KEY MILESTONES

MILESTONE	RESULT	COMMENTARY
Cost-effective weed management options for producers including parkinsonia biocontrol agents (looper caterpillar) classified as 'established' in >30 target zones across northern Australia (Queensland, NT and WA) and a parkinsonia bioherbicide approval for registration under review to the Australian Pesticides and Veterinary Medicines Authority (APVMA)	Achieved	Biocontrol agents (looper caterpillars) have been released at more than 50 sites, and establishment has been achieved at 31 sites (across Queensland, NT and WA). A parkinsonia bioherbicide is undergoing APVMA approval
10,000ha of silverleaf nightshade infected areas will be under best practice management during the 2015-2016 control season, including 150 producer demonstration/trial sites	Achieved	An additional 159 on-farm demonstrations have been established, bringing the cumulative number of sites to 396; corresponding to greater than 95,000ha of land under best practice management
Preliminary host specificity testing of Jatropha leaf miner to control bellyache bush completed and assessment completed of Nigrospora fungus for biocontrol of giant rat's tail grass	Achieved	Host testing of the Jatropha leaf miner is progressing with oviposition and larval feeding tests completed for 26 test plant species. There is no evidence of larval feeding or larval development on any non-target test plant species. The Nigrospora fungus has been assessed and has been deemed not suitable as a biocontrol of giant rat's tail grass
New tools for managing feral pigs, including submission of an APVMA registration package for a new pig toxin based on sodium nitrite, and release of PIGOUT® Econobait pending registration approval	Not achieved	Submission of an APVMA registration package has been delayed until at least December 2016 for a new (sodium nitrite based) pig toxin after delayed completion of field testing and technical issues with ensuring stability of the sodium nitrite in the bait matrix. PIGOUT® Econobait has not been released as the APVMA rejected the registration on grounds of inadequate stability and manufacturing difficulties with pest animal pesticide, 1080
New strain of rabbit calicivirus released across Australia pending APVMA registration approval	Achieved	APVMA approval has been granted for release of a new strain of calicivirus (K5) in autumn 2017. State approval is required before field release. An expression of interest call for participation in the release program attracted more than 500 responses from producers and community groups

MILESTONE	RESULT	COMMENTARY
New management options for producers to deal with hotter and more variable climates at a whole-farm level through: completion of NRM spatial hub assessment for potential of utilising remote sensing of land condition data to improve biomass, productivity, pasture growth models and grazing decision tools; evidence base underpinning recommendations for use of wet season spelling to recover poor condition grazing land developed and communicated; identified the long-term impacts of different grazing strategies on vertebrate faunal biodiversity (wildlife abundance and diversity); and completion of the Wambiana grazing trial analysis and deliver products designed with producer input to assist grazing land management decisions	Achieved	<p>More management options for producers were developed: whole-farm planning enabling infrastructure investment decisions (water points, fencing); a draft safe carrying capacity tool; improved seasonal forecast tools (Bureau of Meteorology reporting and the Climate Kelpie website); and spelling and grazing practices (guidelines from the Wambiana grazing trial) assist managing variable seasons.</p> <p>Research at Wambiana is supporting a grazing approach recommended for long-term sustainability (moderate approach) that also encourages wildlife biodiversity</p>
Developed strategies to abate N-based greenhouse gas emissions in feedlots, potentially allowing the industry to develop abatement methodologies that are approved under the Emissions Reduction Fund	Achieved	A project examined the potential mitigation of ammonia and nitrous oxide emissions from feed pads through the use of lignite addition to the pen surface, and clearly demonstrated that direct emissions of ammonia could be reduced by up to 67%. Ammonia emissions are an important precursor to potential nitrous oxide emissions
Completed benchmarking of the phosphorus (P) efficiency of a number of key pasture legume and grass species to identify those which have 30% better P-use efficiency. This will include the development and delivery to industry of lower P fertiliser management guidelines, strategies for targeted fertiliser use and objective information concerning the P-fertility requirements of emerging, novel and alternative pasture legumes	Achieved	<p>Benchmarking of the phosphorus efficiency of a key pasture legume and grass species to identify those which have 30% better P-use efficiency has been completed.</p> <p>Development and delivery to industry of P fertiliser management guidelines has commenced with broad-based awareness activities. Further packaging and approaches to delivery are to be progressed</p>
First results from the Pasture Variety Trial Network released to industry with results from over 100 varieties of six key pasture species evaluated in five environments	Not achieved	Development has been completed of the web-based delivery platform and user testing. Analysed pasture data is required to be 'ground truthed' with pasture specialists (public and private) before public release
Improved strategies and tools developed allowing for selection of sub-clover varieties which have resistance to fungal root diseases	Achieved	Genomic tools have been developed for selection of sub-clover. Markers for P efficiency and root disease have been identified and are being developed for inclusion in breeding programs. A paper has been accepted in the journal <i>Nature</i> , indicating the importance and originality of this work
Completed the 15-year breeding program for a psyllid-resistant variety of leucaena with the application for Plant Breeder's Rights for the selected line/s successfully completed	Achieved	Breeding program completed with the new 'Redlands' variety. An application for Plant Breeder's Rights has been lodged. Seed increase is underway
Technologies/processes that, in combination, demonstrate >10% reduction in electricity usage by meat processors defined and/or validated	Not achieved	An MDC-funded refrigeration project at a major beef processor identified electricity savings of 8%
New technologies or processes capable of reducing the fossil fuel consumption (LPG/natural gas/coal etc) for meat processing plants by 5% are defined and/or validated	Achieved	A project investigating the optimisation of biogas production from covered anaerobic lagoons demonstrated increased biogas production by 10% which offset more than 5% of natural gas use at the site. Another project will save 10% of another processing plant's boiler fuel requirements (equivalent to a reduction in natural gas use of 17,000GJ per year). A further project investigated new approaches to flash steam recovery in a rendering cooker and discovered 15% energy recovery potential

## Sustainable supply chain resource management

MILESTONE	RESULT	COMMENTARY
New technologies or processes capable of reducing abattoir town water consumption are demonstrated and/or validated	Achieved	A project is looking at 'phytoremediation' (the use of plants to clean up polluted soils) as a new way to 'polish' waste water from abattoirs and move toward more sustainable waste water management and less dependence on town water
High-rate anaerobic pond technology adopted with ex-post cost-benefit analysis completed	Achieved	MDC projects with two value chain partners on high-rate anaerobic digestion completed
Ex-ante cost-benefit analysis on conversion of waste to value-add products completed	Achieved	An MDC project with a value chain partner on the cost-benefit analysis of converting blood meal to bioplastic was completed. A feasibility study into a centralised waste treatment facility was successful and is progressing to secure funds for building
Develop strategy that identifies the value propositions for producers through the adoption of environmental value chain opportunities	Achieved	A strategy identifying value propositions along the supply chain was completed

### Invasive animals

The new K5 strain of rabbit haemorrhagic disease virus (RHDV), formerly known as calicivirus, has been approved by the Australian Pesticides and Veterinary Medicines Authority (APVMA) for release. Following community engagement, there could be potentially 500 release sites nationwide, with a target release date of autumn 2017. Work continues to progress the new sodium nitrite-based pig bait which is undergoing more field trials and is expected to be submitted to the APVMA for product registration during 2016-17. MLA remains supportive of fox and wild dog control measures through its involvement in the Invasive Animals Cooperative Research Centre.



### OBJECTIVE HIGHLIGHTS

#### Weeds

MLA assisted CSIRO, Pilbara Mesquite Landcare group and others to improve parkinsonia control (one of the 20 'Weeds of National Significance') with the release of more than 30,000 biological control agents across northern and Western Australia. To support this, a new bioherbicide, in the form of a pathogenic fungi, is undergoing registration for release.

In the southern states, 300 producer and local government trial sites are contributing information to forming updated, regionalised, best practice management strategies for the control of silverleaf nightshade. The project exceeded its goal for the area under

monitoring by 46,000ha and has been a collaborative effort by producers, Landcare groups, local government and state departments.

#### Feedbase and Pasture Variety Trial Network

The feedbase portfolio targets better profitability of livestock enterprises through improving pasture quality, quantity and utilisation. Projects included on-property assessment of new pasture legumes and grasses for moderate rainfall zones across Queensland and southern Australia.

With Caring for Country funding, the NRM Spatial Hub is providing a unique rangelands management whole-farm

planning tool that combines the world's latest mapping and imagery technology to assist management decisions.

The Pasture Trial Network, funded through MLA Donor Company, aims to help producers select the best pasture varieties for their climate and enterprise. The tool is in the prototype phase with data analysis continuing before it is adapted for the web. To keep Australian producers informed of the latest pasture varieties, the Pasture Variety Trial Network, in conjunction with the Australian Seed Federation, is conducting trials across southern Australia to evaluate new species of ryegrass, fescue, phalaris, clover, lucerne and others.

In southern mixed-farming zones, new seeding techniques for hard-seeded annual legumes have resulted in germination on the first major autumn rains. High quality legume pastures can be established for less than \$100/ha, growth is rapid with no loss of productivity in the first year.

Tedera, a new species suited to Mediterranean-like climates, is to be commercialised. Tedera provides high quality green forage during summer and autumn and can be used to reduce or eliminate the need for supplementary feeding.

**Climate variability and Emissions Reduction Fund methodologies**

The Managing Climate Variability Program is a \$4.29 million collaborative research effort by agricultural industries to help producers prepare for and manage climate change. The three-year program, which concluded in 2015-16, has delivered a wide range of services, products and tools, many of which can be accessed through the Bureau of Meteorology website including:

- The Water and the Land website which integrates information from various weather bureaus, organised by weather elements
- POAMA, a state-of-the art long-range forecast system which can predict outlooks for up to nine months ahead, as well as *El Nino* and *La Nina* events
- the Northern Rainfall Onset prediction tool
- the Climate and Water Outlook video.

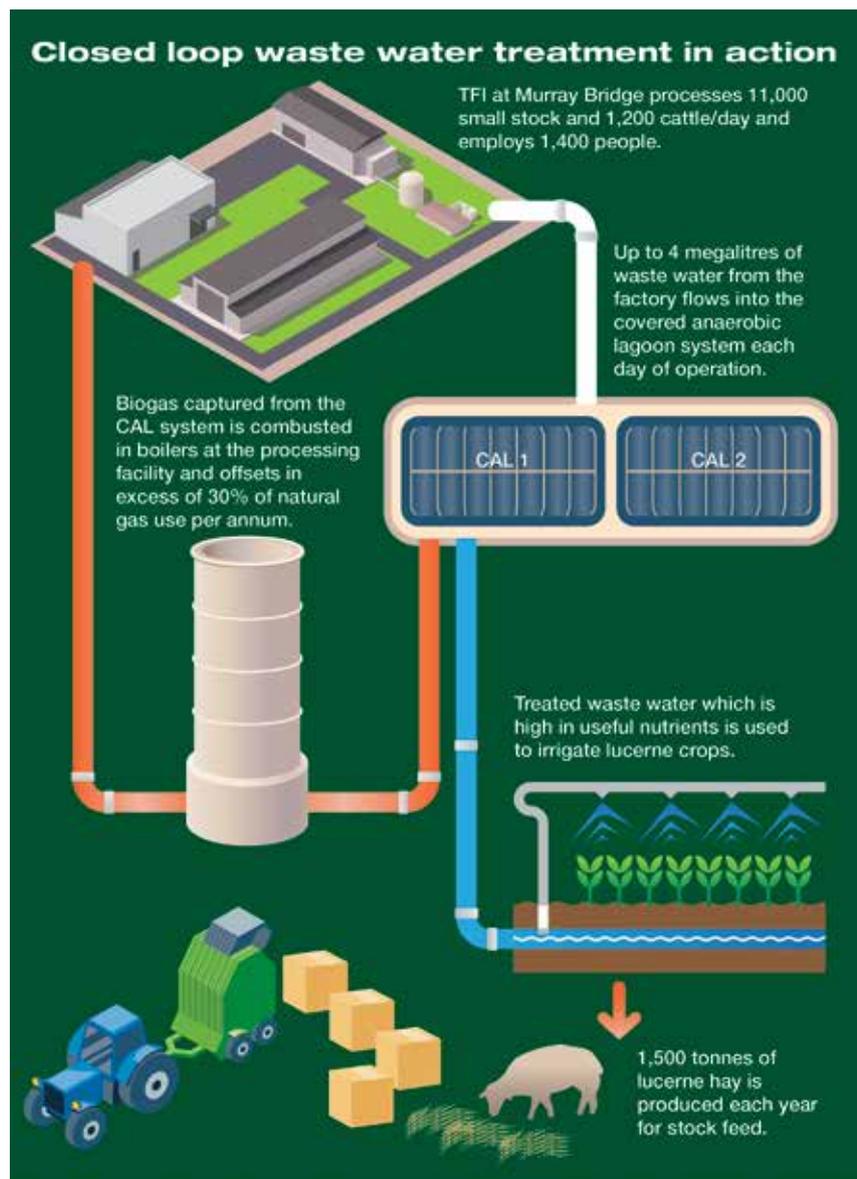
MLA, in collaboration with AACo, led a project that directly contributed to the development of the 'Beef Cattle Herd Management' method and research on productivity gains associated with reduced methane emissions. In the third Emissions Reduction Fund auction, announced in May 2016, three projects were approved (comprising more than 20 properties and more than 200,000 cattle) using the 'Beef Cattle Herd Management' method.

**Processor energy efficiency measures**

During 2015-16, MLA invested \$2.25 million in projects through the Supply Chain Sustainability program, aimed at delivering more environmentally sustainable outcomes

for the red meat processing industry. Within this program, Thomas Foods International (TFI) partnered with MLA Donor Company and service providers Johns Environmental and Quantum Power to achieve a 30% reduction in their natural gas requirements (see figure below). Through the installation of a closed-loop waste water treatment system at their Murray Bridge plant in SA, TFI captured the equivalent of 9,127 standard household gas bottles of biogas. This, and other investments made through the program in last five years, has reduced costs in the processing sector by \$27 million and decreased carbon dioxide equivalent emissions by 268,000 tonnes over the same period.

In the next five years, it is estimated the program will generate benefits of \$10 million in electricity cost savings, \$17 million in fossil fuel-derived heating energy offsets through the use of biogas generated from abattoir waste, and reduce carbon dioxide equivalent emissions by a further 270,000 tonnes.



OBJECTIVE 4.2

# Animal welfare, biosecurity and animal well-being without reducing productivity levels

MLA invests in research and development to help the industry address major animal diseases affecting it and improve biosecurity measures to contain these diseases. MLA also invests in cost-effective opportunities for the industry to support continuous improvements in the welfare of livestock being raised, handled, transported and processed in Australia.



**STRATEGIES**

**Manage and improve** livestock welfare to meet community expectations

**Support** industry to improve animal health and biosecurity

**OBJECTIVE HIGHLIGHTS**

**Animal welfare**

The first producer-administered pain relief product for cattle became commercially available from veterinarians in 2015-16 with a similar product for sheep expected to be on the shelves in 2016-17. ILIUM® Buccalgesic OTM is the result of collaborative research and development between MLA Donor Company (MDC), Troy Laboratories and CSIRO. Administered orally, the product aims to improve animal welfare by reducing pain associated with on-farm husbandry practices. The NumNuts castration and tail-docking tool for sheep, developed by MLA and Scottish engineering firm, 4cDesigns, has entered the commercialisation phase, while proof-of-concept trials are underway for a cattle castration version. MLA is also funding research to set the minimum residue levels of lignocaine (a local anaesthetic used in NumNuts), which will determine any meat withholding periods.

MLA is reviewing all previous research into feedlot heat stress. Outcomes will pinpoint areas for improvement and direct new research efforts, including the ability to produce longer-term and more accurate heat-load forecasts (see page 39).

**Biosecurity**

MLA continued its behind-the-scenes commitment to Australia's biosecurity by continuing to invest in risk management programs to ensure the industry is both protected and prepared. During 2015-16, MDC invested \$2 million in the Foot and Mouth Disease Risk

Management Project (continuing until March 2017) which is investigating which virus serotypes are present in neighbouring countries and ensuring a vaccine is available should an outbreak occur. As a result of this investment, Australia is considered internationally as a leading authority on this disease. MDC also invested \$380,000 in developing an improved diagnostic technique for capripox, a skin disease that affects sheep and goats and has serious market access ramifications. The new test, which will be finalised during 2016-17, has helped position Australia as a frontrunner in disease management globally, with several nations expressing interest in using the test. During the year, an MLA-funded project resulted in the development of a mathematical prediction tool to simulate the potential spread of bluetongue disease in the event of an outbreak.

**Endemic diseases**

MLA funded Australia's first cost-of-disease review in almost a decade and its findings revealed a changed landscape of priorities and directions for new research and adoption efforts and the need to regularly scrutinise the status of animal diseases in Australia and their impact. For example, bovine viral diarrhoea virus (pestivirus) went from being unknown to being the second highest on the cattle disease impact list, estimated to cost the Australian industry an estimated \$117 million/year. In sheep, peri-natal mortality (including losses to dystocia) led the way, costing the nation an estimated \$540.4 million/year.

Internal parasites were identified as having the highest impact on the farmed goat industry, with goats being included in the review for the first time.

MLA-funded research into buffalo fly control, ranked number three on the priority list of endemic diseases, hopes to find a new biological control agent that will inhibit its spread. Wolbachia, a maternally transmitted intracellular bacterium, will be trialled to see if it will provide area-wide control and arrest the fly's southerly spread. The research team has also developed two important research tools to enable these studies: a persisting colony of buffalo flies that can be reared in a laboratory without using live cattle, which delivers an important animal welfare outcome; and a buffalo fly cell line which will contribute to further work including insecticide testing, resistance screening and vaccine design.



 KEY MILESTONES

MILESTONE	RESULT	COMMENTARY
Livestock producers and industry will have baseline data to address the increasing consumer and community scrutiny of animal well-being credentials	Achieved	National animal husbandry survey completed with 1,210 producers interviewed. Results provide baseline data and inform extension and adoption efforts
Livestock producers will have improved tools and techniques to manage animals in feedlots for improved health and welfare	Achieved	Animal welfare officer training courses conducted by ALFA and MLA were attended by 157 feedlot personnel. <i>The Bovine Respiratory Disease Best Practice Manual</i> and <i>Euthanasia Guidelines Manual</i> are nearing completion and will be made available to industry
The livestock industry will have improved processes to detect and respond to new and exotic diseases and biosecurity threats	Partly achieved	ELISA diagnostic test for capripox is being validated for international use
Livestock producers will have improved processes and tools to manage and reduce the impact of endemic disease on productivity and market access	Partly achieved	Barbervax, a world-first vaccine against a sheep nematode parasite, is in its second year on the market. Theileria PCR diagnostic test developed. Concerted adoption promotion underway
Established a new program of sheep animal health RD&E projects based on the priority endemic diseases identified in the B.AHE.0010 endemic disease survey and impact assessment project	Achieved	Six animal health projects were approved through the open call process and now need to go through the MLA internal approval process. A WormBoss Producer Demonstration Site was established to demonstrate the efficacy and financial benefits from implementing integrated parasite management
Completed a risk assessment of bluetongue transmission in southern Australia by identification of endemic <i>Culicoides</i> spp. host-feeding preferences and their competence to transmit bluetongue virus	Achieved	Transmission risk found to be low to negligible. Southern <i>Culicoides</i> spp. found to favour birds and marsupials as hosts
Identified the vector/s of theileriosis and assessed the potential for passive transfer of the organism, for example on contaminated needles used for injection	Partly achieved	<i>Haemaphysalis longicornis</i> found to be infected – transmission still to be proven. Mechanical transmission (e.g. on needles, biting insects' mouthparts) shown to be possible
Developed a quantitative, real-time PCR (qPCR) diagnostic test for theileriosis in multiplex format which is more sensitive and provides faster and more cost-effective results than conventional PCR	Achieved	A project delivered a qPCR test which identifies the strain of <i>Theileria</i> in a blood sample, as well as the parasitaemia (parasite load)
Completed efficacy trials using the Barbervax vaccine for barber's pole worm in goats, enabling a claim to be submitted to the Australian Pesticides and Veterinary Medicines Authority (APVMA) for Australian goats and Barbervax (MDC project)	Partly achieved	Efficacy field trials were performed and unfortunately the results were mixed: one trial worked well, a second showed some positive effects, but a third failed. Because the anti-vaccine antibody responses were similar in all three trials, the underlying cause of the variable vaccine efficacy is not understood. It was concluded that the results were too variable for registration to be granted by the regulators
Assessed the production and financial benefits to feedlot operators from the adoption of the principles of 'acclimation' under Australian feedlot conditions	Not achieved	Problems sourcing sufficient cattle for the trial work have delayed project completion. Project agreement has been varied to extend timelines for completion

## Support industry's effective engagement with the community

MLA supports industry bodies and individual producers to authentically communicate the integrity of livestock production practices to the broader community and demonstrate industry's commitment to improvements underpinned by science.



### INVESTMENT

\$1.9 million



### STRATEGIES

**Support** the industry to maintain the community's trust and confidence in the integrity and ethics of the Australian red meat industry by building knowledge and providing experience

**Equip and empower** producers and their representatives to build our industry's reputation through facts and engagement



### OBJECTIVE HIGHLIGHTS

#### GoodMeat 2.0 campaign

During 2015-16, Australian consumers proved they were very hungry for information on where their red meat came from with the second YouTube series of GoodMeat exceeding its target audience views by almost four-fold. Starring *Bondi Rescue's* Andrew Reid and chef and leading social media personality Rob Nixon (who has more than one million subscribers to his YouTube channel), the campaign used these two popular identities with strong social media followings to help producers tell their stories directly to consumers.

GoodMeat 2.0 consisted of five short, animated education pieces and five live-action pieces filmed on three properties at Goondiwindi, Queensland and hosted on the social media channels of MLA community engagement platform, Target 100.

The first GoodMeat series was also released on Facebook during the year, attracting a further 195,946 views.

#### Rebranding Target 100

Target 100, which has engaged the community with Australia's sustainable red meat industry since 2012, was evaluated during 2015-16 to compare the value of retaining the current model versus rebranding and relaunching the program.

The outcome was to refresh Target 100 during 2016-17, to further align the expectations of the community with industry practices. Key stakeholders, producers and peak industry councils will be invited to contribute to the future direction of the program.

#### Education

MLA continued to raise the profile of the red meat and livestock industry through the development and promotion of primary, secondary and tertiary teaching resources, accessible on the Target 100 website. During 2015-16 there were 1,988 downloads of education materials, ranging from study guides for high school students to posters and guides for primary students; an increase of 50% on 2014-15.

Approximately 4,000 primary students from NSW, ACT, Queensland, Victoria and SA expanded their knowledge on how beef and lamb are produced through 34 lessons hosted via video conferencing. Cattle and sheep producers helped present nearly two-thirds of these lessons with teachers, adding to the engagement and learning experience for the students.

MLA continued its membership of the Primary Industries Education Foundation Australia which attended/presented at five teacher conferences across Australia, reaching 2,315 teacher attendees and 121 workshop participants.

**KEY MILESTONES**

MILESTONE	RESULT	COMMENTARY
Percentage of consumers stating they are reducing red meat consumption due to perceived animal welfare or environment reasons remains below 7%	Achieved	Consumer sentiment benchmark research in 2015-16 found the percentage of consumers reducing meat consumption due to environment reasons fell to 1.6% and due to animal welfare reasons fell to 3.2% (to total 4.8%). This is the first time this figure has been under 5% since this benchmarking project began in 2010
Drive increased engagement with the community engagement program through the Target 100 social platforms by 20% from the 2014-15 baseline	Achieved	Average monthly engagement on MLA's Facebook page increased by 164% year on year and Twitter referrals have increased by 86% during 2015-16
Promote beef and lamb teacher guides and drive an increase in their use as tracked by teacher resource downloads from Target 100 by 20% from the 2014-15 baseline	Achieved	During 2015-16 there were 1,988 downloads of education materials, ranging from study guides for high school students to posters and guides for primary students, an increase of 50% on 2014-15. Lessons have been streamed live into 127 primary schools across Australia to utilise the MLA teacher resources and introduce farmers to students
Assist industry in responding to community reputation issues as measured by peak council feedback	Achieved	MLA provided issues management support to assist industry's response to two major issues during 2015-16: a cancer report released by the International Agency for Research on Cancer and a live export welfare breach in Vietnam

## Red meat flavours

Taste festivals held in Melbourne, Sydney (pictured below) and Perth helped raise the profile of red meat in 2015-16, collectively attracting 60,463 patrons. The format at the Taste food festivals this year featured 34 live presentations across three events in 13 days. Target 100 involved 10 producer advocates and all the presentations were sold out. Additionally, Regional Flavours, held in Brisbane's Southbank and attended by 85,000 people in July 2015, was a great success with Target 100 and beef and lamb well represented in the Hunting Club, a pop-up bar and bistro that championed Queensland's best meat and malt. Regional Flavours was attended by six producer advocates who, matched with a celebrity chef, spoke to audience members throughout six cooking demonstrations.



# Industry leadership, innovation adoption and capability

MLA supports industry innovation and research strategies by working to ensure industry has appropriately skilled people across the red meat supply chain.

## MILESTONE SCORECARD

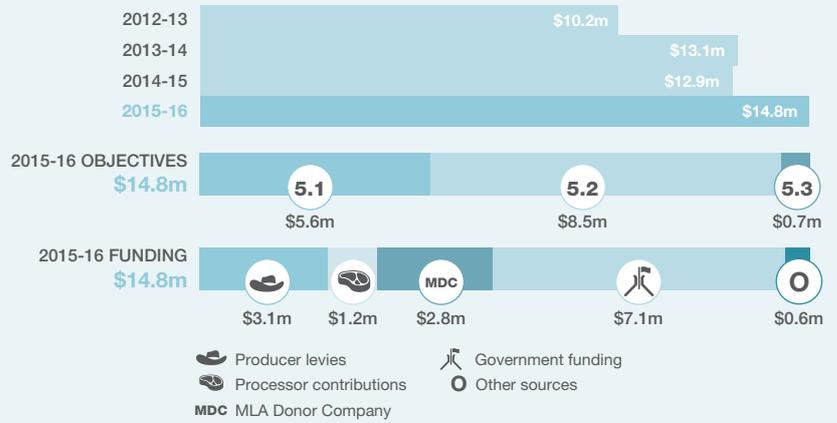
### 15 milestones

- 13 achieved
- 1 partly achieved
- 1 not achieved

### Objectives under this strategic imperative include:

- 5.1 Platforms for supporting skill development and innovation adoption by producers
- 5.2 Build industry value chain innovation capability
- 5.3 Industry leadership and issues research

## INVESTMENT



### Meat Industry Strategic Plan 2010-2015 Strategic Themes

- Innovation
- Our people
- Our industry
- Economics and infrastructure

### Australian Government Science and Research Priorities

- Food
- Resources

### Australian Government Rural Research and Development Priorities

- Productivity and adding value
- Supply chain and markets
- Supporting the Rural Research and Development Priorities

### Agricultural Competitiveness White Paper Priorities

- Adoption of research and development
- Advanced technology

## KEY ACHIEVEMENTS

### Pasture partners

MLA built links with researchers and more than 300 producers through 25 southern Producer Research Sites which promote productive, sustainable pastures and best practice grazing management.



### Agri-food traineeships

The 'Emerging Leaders' initiative was launched to retain and develop the 'bright young minds' of Australia's agri-food industries – 15 participants from six agri-food sectors (eight in the red meat sector) have begun the first two-year professional development program.



## FACTS & FIGURES

No. of 'Emerging Leaders' selected across six agri-food sectors	No. of producers at 16 Pasture Updates events	Northern producers involved with EDGE workshops	Number of new sheep Producer Demonstration Sites	Reduced ewe and lamb mortality from Bred Well Fed Well
<b>15</b>	<b>800</b>	<b>150</b>	<b>6</b>	<b>\$50m/yr</b>
'Emerging Leaders' in the red meat industry	Producers involved in Producer Research Sites	Producers involved in pilot Profitable Grazing Systems	Students in the Intercollegiate Meat Judging program	Industry advocates trained to engage with the community
<b>8</b>	<b>300</b>	<b>95</b>	<b>163</b>	<b>33</b>

**+ OPPORTUNITIES**

- Red meat producers will be equipped to measure, monitor and manage key business performance indicators, helping to boost their confidence in making decisions which are informed by value chain data.
- The development of new sustainable commercial business models to inform producer decision making will be supported by MLA given the withdrawal of state extension services.
- The integration of digital and other information platforms and tools to support business decisions will provide producers with access to new-found data and evidence to inform data-driven decisions.
- Through MLA Donor Company (MDC), a network of future agri-food industry leaders will be created, with collaboration encouraged between agri-food sectors, processing and value-adding companies, industry organisations and universities.

**■ CHALLENGES**

- Adoption of new research and development remains a priority, particularly in northern Australia.
- Designing and delivering engaging and targeted adoption programs that achieve on-farm practice change to deliver productivity benefits remains challenging, while supporting industry to transition to a user-pays system.
- Challenges exist in the capacity and capability of the service provider sector to support producers to adopt and integrate research and development outputs in a whole-farm context.
- A key challenge is attracting and retaining leaders across agri-food value chains.

**📌 OUTLOOK 2016-17**

- Four presenters will each deliver at least four BusinessEDGE courses a year in southern Australia, and the course will be reviewed after 12 months.
- Outcomes from the leucaena Producer Demonstration Site will be extended to the broader beef industry through field days, webinars, YouTube videos and podcasts.
- 30 Bred Well Fed Well workshops will be delivered to sheep producers, and the delivery model reviewed.
- Making More From Sheep and More Beef from Pastures will be considered for transition to the Profitable Grazing Systems adoption program.
- The Pastoral Profit program will be reviewed during 2016-17 to assess the benefit and impact to industry.
- The second intake for the Emerging Leaders program will be recruited.
- The MDC Collaborative Innovation Strategies Program will continue to broaden and build innovation across the entire value chain.

**New adoption pilots**

MLA launched several pilot initiatives to lift the productivity of red meat producers and demonstrate practice change and industry impact. This included Bred Well Fed Well for the southern beef industry, and the Profitable Grazing Systems program which has already been delivered to 95 producers.



**A profitable performer**

MLA delivered business management skills to 1,198 sheep and beef producers in the southern rangelands zone in 2015-16, through the MLA/Australian Wool Innovation Pastoral Profit program.



**OBJECTIVE 5.1**

**Platforms for supporting skill development and innovation adoption by producers**

MLA supports the adoption of research and development through various educational platforms, tools and services that enable levy payers to build their skills and capacity to enhance their decision making and overall business management.

**STRATEGIES**

**Facilitate** the adoption of MLA research and development through tools and innovative learning programs

**Partner** with producers to support the development and adaptation of research and development and accelerate adoption

**Continuously measure and monitor** the performance and overall impact of the levy investment in research, development and adoption



**OBJECTIVE HIGHLIGHTS**

**Profitable Grazing Systems pilot**

MLA launched a 12-month adoption program in January 2016 to help lift the productivity of red meat producers and demonstrate practice change and industry impact. The pilot, Profitable Grazing Systems, centres on groups of producers being supported and guided by specialist coaches to build their skills and adopt practices that improve their business performance. MLA partnered with 10 service providers to develop and deliver the pilot to 95 producers in a mix of production zones and beef, sheep and goat enterprises. A peer-reviewed curriculum has been developed for each production zone. MLA has also developed a monitoring and evaluation framework to guide the collection and reporting of data to inform and assist it to assess the value of its investment in adoption, more effectively report outcomes and benefits back to stakeholders, and continually improve the management of its adoption programs.

**Producer Research Sites**

MLA continued to build links between researchers and more than 300 southern producers through its Producer Research Sites program to promote productive, sustainable pastures and best practice grazing management. Researchers, the five state coordinators and producers from 18 of the groups shared their learnings at the first national producer feedback workshop in Melbourne in June 2016.

**Producer Demonstration Sites (PDS)**

The PDS program was redesigned in 2015-16 to broaden the opportunity for producer involvement through open annual calls, enhance the alignment with regional producer priorities and streamline the application process. MLA established six new sheep sites during the year, bringing the total number of demonstration sites to 15.

**BeefUps**

Four BeefUp events were held in WA and Queensland to increase producer awareness of MLA and the latest regionally relevant research and development. A new delivery model was introduced where MLA partnered with local organisations to host the days and added feedback sessions to encourage producer involvement. Surveys showed that BeefUps exposed producers to information and tools which they could use on farm immediately to improve the productivity and profitability of their business and influenced them to attend other adoption events.

**EDGE**

MLA ran 12 EDGE northern events during the year, attended by 150 producers. A new one-day course, Grazing Fundamentals, was added as an introduction to grazing land management and nutrition. The BusinessEDGE two-day program was adapted to suit southern grazing businesses. Participants rated all elements of the workshop 9/10. Four presenters are being trained to deliver this course in southern Australia.

The northern EDGE program was reviewed and all workshop material was updated with the most recent research and development outcomes.

**Making More From Sheep (MMFS)**

MLA and AWI launched a new module, 'Efficient Pastoral Production'. The module was developed by technical experts and industry-leading sheep producers and road-tested by sheep producers from all pastoral areas. MMFS also delivered a set of animal health resources aligned to the 'Healthy and Contented Sheep' module. MMFS delivered 151 events to 3,124 producers in 2015-16. Workshop evaluation showed, on average, the value received from MMFS events was 8/10, and 86% of producers intended to change their practices as a result.

**More Beef from Pastures (MBfP)**

MBfP delivered 117 events to 6,159 producers in the 14 months to May 2016. On average, workshop evaluation showed the value received from events was 8/10 and 41% of producers intended to change their practices as a result.

**Pastoral Profit**

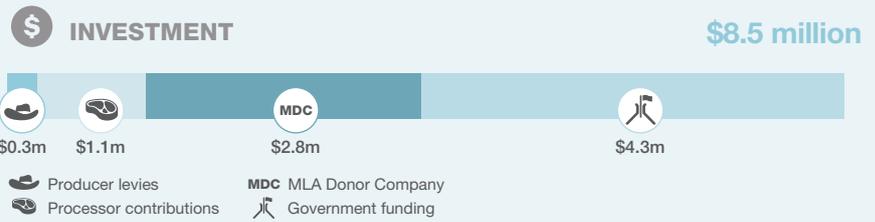
The MLA/AWI business management program, Pastoral Profit, delivered 38 events to 1,198 sheep and beef producers in the southern rangelands zone in 2015-16. On average, producers rated the value of the events to their business 8.1/10 and 54% indicated they intended to change practices as a result of the event.


**KEY MILESTONES**

MILESTONE	RESULT	COMMENTARY
On average, 50% of engaged producers in the majority market programs (More Beef from Pastures (MBfP), Making More From Sheep (MMFS), FutureBeef and the Pastoral Profit program) will apply at least one new practice to improve their business performance	<b>Achieved</b>	On average 70% of surveyed producers across the majority market programs stated they intended to change their practices (41% for MBfP events; 86% for MMFS events; 54% for Pastoral Profit events; 99% for EDGE events; and 68% for FutureBeef)
Ten additional Producer Demonstration Sites (PDS) to be implemented (across sheepmeat and grassfed beef programs)	<b>Not achieved</b>	Six new producer demonstration sites (PDS) for sheep producers were established engaging over 300 producers. Robust monitoring and evaluation processes integrated. No demonstration sites for beef producers were established due to reassessment of the benefits of PDS projects for the beef industry
A pilot for a new adoption program will be completed that will underpin MLA's future investments in producer adoption for the next five years	<b>Achieved</b>	Ten producer groups, involving 95 producers, were recruited to pilot the program and provide feedback on feasibility
BusinessEDGE delivery will be enhanced in the north and a new program will be implemented for southern producers and also for those within the pastoral zone	<b>Achieved</b>	The BusinessEDGE launch was initiated in Victoria and Tasmania. Rollout is continuing across the remaining southern states
A new monitoring, evaluation and reporting framework will be implemented to ensure effective and transparent measurement of overall on-farm RD&A program impact for the red meat and livestock industry against the <i>Meat Industry Strategic Plan 4</i> , the <i>Sheep Industry Strategic Plan</i> and the <i>Beef Industry Strategic Plan</i>	<b>Achieved</b>	A monitoring, evaluation and reporting framework was completed for extension and adoption programs. Integration into flagship extension and adoption programs is ongoing. One professional development activity was completed for external project leaders
At least 300 producers will be actively involved in the Producer Research Sites program as part of the Feedbase Investment Plan	<b>Achieved</b>	More than 300 producers have been actively involved in the Producer Research Sites across 25 producer groups spread over southern Australia
The Parasite Control module within the <i>Going into Goats</i> manual will be reviewed and updated content developed to provide Australian goat producers with current best practice advice to minimise the impacts of parasites on enterprise profitability and sustainability	<b>Achieved</b>	The module has been reviewed and content updated. It will be published in early 2016-17
Developed a management package for the successful integration of goats into sheep and/or cattle enterprises. The management package will focus on the benefits of 'co-grazing' with economic analyses demonstrating the benefits of diversifying into goats	<b>Partly achieved</b>	The management package will be finalised in early 2016-17 once desktop publishing and final fact checking are completed
Completed the pilot phase for a new feedlot extension model that utilises face-to-face communication to open dialogue with feedlots, and a range of different media, including mailouts, emails and a Facebook page as mechanisms for making information available and maintaining contact with interested feedlots	<b>Achieved</b>	The Feedlot Technology Adoption Group pilot was successfully completed and has been extended for a further two years

## Build industry value chain innovation capability

MLA supports industry innovation and research strategies by working to ensure industry has appropriately skilled people within individual companies, throughout the supply chain and also among research, technical and scientific and extension providers.



### STRATEGIES

**Attract and build** individual value chain innovation capability

**Work** with enterprises and value chains to build capability to implement innovation strategies

**Support** the development of essential science, research, technical and extension capabilities

### KEY MILESTONES

MILESTONE	RESULT	COMMENTARY
The Intercollegiate Meat Judging program is successfully delivered with positive feedback received from participating companies and students documented	Achieved	In 2015-16, 163 students and coaches from 15 tertiary institutions participated in the program. A survey showed that 77% of participants rated the program as exceeding their expectations. An alumni survey indicated that 100% of respondents are employed in the industry
The Collaborative Innovation Strategic Partnership (CISP) program is demonstrating significant benefit to processors and producers as evidenced through a stakeholder engagement survey	Achieved	Endorsement of the CISP program is evidenced by 100% agreement to progress at scheduled go/no go review meetings. Positive feedback was also provided through media reports of producer and value chain workshops, and via independent third-party interviews. Transitioning five value chains to the next phase of the program also demonstrates the program is delivering benefits
The 'Young value chain innovators program' is designed and delivered and attracts at least 15 participants and is supported by industry and university programs	Achieved	There has been placement of 15 trainees in the 'Food Value Chain Innovators Emerging Leaders Program' as a major initiative of the building industry capability pillar of the Insights2Innovation program

### OBJECTIVE HIGHLIGHTS

#### Emerging Leaders

As part of the Australian Government's Department of Agriculture Rural Research and Development for Profit grant, MLA has joined forces with other agri-food bodies to develop the 'Emerging Leaders' initiative. This program aims to retain and develop the 'bright young minds' of Australia's agri-food industries and to create thought leaders for the future. The first intake of Emerging Leaders in June 2016 included 15 participants, with eight in the red meat industry who were placed in traineeships with seven processing and value-adding companies. The program, funded via MDC, involves six residential programs with universities to build participants' skills in areas such as leadership and influence.

#### Collaborative Innovation Strategic Partnership program

MLA's Collaborative Innovation Strategic Partnership (CISP) program aims to build innovation capability along the value chain. During 2015-16, companies participating in the program represented 66% of Australia's total beef and sheepmeat production.

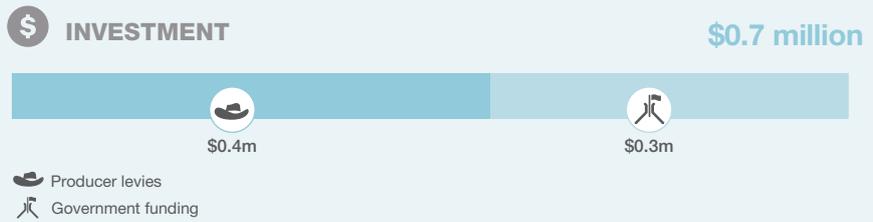
Analysis of the 2015-16 program via MDC has shown MLA's partnerships with industry have created an increased appetite for operational excellence investment and risk which has driven investment in innovation. For example, one CISP partner's investment in 'operational excellence' initiatives has increased from 62% to 70% over three years, demonstrating a stronger commitment to investigating new

pathways and radical change rather than just improving on existing processes.

During 2015-16, the application of beef spray chilling technology across eight beef processing sites, within one CISP partner business, proved it could deliver more than \$11/head return in yield savings (by reducing carcass shrinkage) and provide a direct annual benefit of more than \$7 million.

Other processing improvements, broadly adopted by CISP partners, include the rollout of the fully automated lamb LEAP system X-ray primal and middle cutting machine, a beef X-ray machine that provides accurate cutting of rib set, the use of RTL aitch bone pullers and a beef knuckle puller which have created combined savings of up to \$500,000 in occupational health and safety benefits.

MLA invests in current and future industry leaders through a range of industry development and scholarship opportunities. This upskilling also serves to empower participants to promote the industry. MLA also delivers research on priority industry issues at the request of peak industry councils to inform their policy development.



**STRATEGIES**

**Equip and empower** producers to build the industry’s reputation through skills development

**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

**KEY MILESTONES**

MILESTONE	RESULT	COMMENTARY
Three people to be supported through industry leadership programs in 2015-16 and actively engaged in industry activities	Achieved	Horizon scholar Caitlyn Daffey, Nuffield scholar Liz Manchee and ARLP participant Wil Wilson were sponsored by MLA in 2015-16 and have been actively engaged as advocates for the Australian red meat and livestock industry
20 previous industry leadership program participants to be actively engaged in the alumni program, with at least five participating in events and five media trained	Achieved	33 producers and stakeholders attended a full-day workshop at MLA’s North Sydney office to undertake presentation training, industry orientation and capability building in March 2016. Over a dozen producers were engaged with MLA-sponsored consumer events and another eight engaged to assist with MLA’s education program
Three projects completed and used by peak industry councils to progress priority policy issues on behalf of the red meat industry	Achieved	Five projects were completed on industry issues covering levy payer identification, price transparency, the CSIRO Transit model, regulatory impacts on agriculture and taxation

**OBJECTIVE HIGHLIGHTS**

**Industry advocates**

MLA took a new approach to engaging with the community. It hosted a workshop in March 2016 for a diverse group of 33 producers who will use their extensive industry knowledge and communication skills to become advocates for the red meat industry. The producers were chosen because they are familiar with the red meat sector and are experienced, accomplished communicators in a broad range of environments and across numerous communication platforms. The advocates will use their own experiences and personal stories to encourage a better understanding of the industry by the urban population and to build relationships with people keen to develop a deeper understanding of the paddock-to-plate journey.

Feedback from the workshop’s participants provided useful insights which will influence some community engagement opportunities during 2016-17.

MLA will continue to engage this group and invite them to participate at upcoming events and in educational and social media opportunities.

**Price transparency**

MLA continued to assess options to increase price transparency in the beef supply. The initial project was requested by the Cattle Council of Australia (CCA), as a result of a recommendation from the Senate inquiry (Rural and Regional Affairs and Transport References Committee) into industry structures and systems governing levies on grassfed cattle. Given the complexity of the

issue, CCA has requested further work on the issue to look at the development of a reporting system which could provide producers with up-to-date data on wholesale beef prices, offal and co-products to guide business decisions. CCA also recommended that MLA invest in producer education days, to enable producers to gain a better understanding of available marketing opportunities, including information on grids. MLA has already improved the presentation of over-the-hooks information for producers, via the National Livestock Reporting Service’s weekly market reports.

# Stakeholder engagement and communication

MLA engages with a wide range of stakeholders on the value of its levy investment and ensures levy payers have opportunities to influence how it is invested. This includes coordinating effective and efficient consultation mechanisms with industry.

## MILESTONE SCORECARD

### 8 milestones

- 5 achieved
- 1 partly achieved
- 2 not achieved

## STRATEGIES

**Deliver** best practice corporate reporting

**Develop** opportunities to actively engage with stakeholders and improve services to members

**Ensure** stakeholders are aware of the activities and opportunities created by the investment of the levy in R&D and marketing

### Meat Industry Strategic Plan 2010-2015 Strategic Theme

Innovation

### Australian Government Science and Research Priorities

Food

## INVESTMENT



### Australian Government Rural Research and Development Priorities

Supply chain and markets  
Supporting the Rural Research and Development Priorities

### Agricultural Competitiveness White Paper Priorities

Adoption of research and development

## OBJECTIVE HIGHLIGHTS

### Regional consultation

The first annual round of MLA's new regional consultation process was completed in December 2015 when the inaugural Red Meat Panel met. The Panel recommended nine priorities for research, development and adoption:

1. Integration of cropping and livestock
2. Adaptation of tropical pasture species and companion legumes in new areas
3. Adaptation in a future whole-farm systems context
4. Managing total grazing pressure in extensive livestock production systems
5. Rapid, cost-effective mechanisms to get superior beef genetics into northern commercial beef herds via heifers
6. Novel feed strategies for supplementation
7. Reducing the economic impact of cattle tick
8. Scoping tool to aid farm risk management

9. Attracting new and young entrants and the best brains for livestock research and development and the industry through career paths and culture change.

These were identified through engagement with more than 100 sheepmeat and grassfed beef producers, eight state agencies, 11 universities, CSIRO, the Sheep Cooperative Research Centre, the Sheepmeat Council of Australia, the Cattle Council of Australia, two processors and MLA staff.

MLA also held its first annual project call, which sought preliminary research, development and adoption proposals in response to the national research, development and adoption priorities for sheepmeat and grassfed beef. The first stage of MLA's first annual call for projects was completed on time in February 2016 and 185 preliminary proposals were received by MLA. These were shortlisted by producer

panels, the Expert Panel and the Red Meat Panel to 18 proposals which will be funded by MLA. These projects represent an MLA investment of \$9.4 million over five years.

### Improved website

The first phase of the redevelopment of MLA's website was completed in 2015-16. The new design positions MLA as transparent and accountable to levy payers. For example, the homepage now features a breakdown of investment in research, development and marketing by levy type (grassfed cattle, grainfed cattle, sheep, goats and supply chain). In 2015-16, visits to the MLA homepage increased 6% compared with the previous year. The most viewed section was 'Prices and Markets', which received close to 950,000 visits. The second phase of website redesign will be completed in 2016-17, including the development of a dashboard which provides customised content for each user.

## KEY MILESTONES

MILESTONE	RESULT	COMMENTARY
Increase membership to 51,000 members (from 49,500 in 2014-15)	Not achieved	Membership increased to 49,892 as at 30 June 2016
Producer feedback via a survey conducted in August with 65% of feedback being positive	Achieved	Overall satisfaction with MLA increased to 7/10 (up from 6.6/10 in 2014). Satisfaction with MLA communications rated at 7.6/10 (up from 7/10 in 2014)
All reporting requirements required under corporations law and MLA's Statutory Funding Agreement with the Australian Government are met	Achieved	<i>Annual Report 2014-15, Performance Review, Impact Assessment, Strategic Plan 2016-2020 and Annual Investment Plan 2016-17</i> all completed on time
Consultation model established and implemented by October 2015	Achieved	The consultation model was established and implemented by September 2015
10% increase in usage of the website from 2014-15 baseline	Partly achieved	The MLA homepage saw an increase of 6% in user visits in 2015-16. The most viewed section was 'Prices and Markets' which received 933,000 visits. Average monthly engagement on MLA's Facebook page increased by 164% year on year and Twitter referrals increased by 86%
5% increase in open rates of <i>Friday Feedback</i> from 2014-15 baseline	Not achieved	Open rates have increased by 3%. A new iteration of <i>Friday Feedback</i> was launched in November 2015, including a new design and greater emphasis on regional content and timely news, advice and information
Increase member satisfaction with <i>Feedback</i> magazine from 71% to over 80%	Achieved	92% of members always or sometimes read <i>Feedback</i> with 50% saying it is their main source of information about MLA
Annual call for sponsorships implemented	Achieved	MLA has successfully implemented a new system for sponsorship requests and subsequent funding allocation

### Digital communications

MLA's digital communications strategy included the redesign of *Friday Feedback* to ensure this weekly e-newsletter is seasonally relevant, timely and producer-focused. This drove an increase in newsletter opens (28.1%, up from 25.7% the previous year) and clicks (8.3%, up from 7.9% in 2014-15). MLA's social media performance increased on the back of a strategic focus on timely information and platform-specific content, such as YouTube videos of quarterly market projections and highlights from *MLA's Strategic Plan 2016-2020* and *Impact Assessment* report. Average monthly engagement on MLA's Facebook page increased by 164% year on year and Twitter referrals increased by 86%.

### Media

MLA launched a new proactive media and communications strategy in 2015-16 with a renewed focus on radio as a platform to engage producers. A targeted advertising campaign with Fairfax's rural and regional publications promoted MLA's role and value to producers.

### Corporate reporting

The *MLA Strategic Plan 2016-2020* was released in June 2016. This plan, which dictates where MLA will focus its investment during the next four years, is aligned with the *Meat Industry Strategic Plan 2020* and reflects the Australian Government's Science and Research Priorities and Rural Research, Development and Extension Priorities (page 6). The Plan was also distilled into a five-minute video to make the findings easily accessible to stakeholders.

### Events

The inaugural MSA Excellence in Eating Quality Awards were presented at a series of producer forums in each state during March and April 2016, with more than 900 producers registering to attend. These awards recognised the top three performing producers in each state, based on their compliance rates to MSA specifications and high eating quality performance, as represented by MSA Index results during 2014-15.



# Corporate services

Supporting MLA's six strategic imperatives are the services essential to the effective management of the levy investments including financial accounting, contracting, evaluation and reporting. This area also includes the costs associated with the management of AUS-MEAT and the levy (including third-party verification of voting entitlements).

## STRATEGIES

- Board and executive
- Finance
- Human resources and administration
- Information technology and library services
- Legal and registry
- Performance evaluation and benchmarking
- Commercial

## INVESTMENT



## MILESTONE SCORECARD

### 7 milestones

- 6 achieved
- 1 not achieved

## OBJECTIVE HIGHLIGHTS

### Performance review

During 2015-16 MLA released the results of a rigorous and independent review of its performance, testing its service delivery to stakeholders and relevance to industry. Conducted by ACIL Allen, the review period covered the five years to 2014-15 and found that, while MLA had delivered exceptional results to industry through many of its programs, some areas could be improved.

Among the highlights of MLA's performance was recognition that MLA is a mature company which acts in the best interests of the red meat and livestock industry and, through its strong, organisational and governance structure, delivers on its goals.

There were four key recommendations:

1. MLA should maintain its present company structures to ensure the necessary 'breathing space' for it to operationalise the internal reforms that have been carried out during the past three years. The continuation of MLA Donor Company (MDC), as a fully-owned subsidiary of MLA,

is supported with recommendations for some enhancements.

2. The *Meat Industry Strategic Plan (MISP) 2020* is under-utilised as a planning, investment, engagement and communication tool and should be used as the access and exit point to MLA. This would reinforce its role as a strategic planning and operational tool which drives internal and external company interactions.
3. Listening is not enough. Genuine partnerships with industry are needed to drive future performance with an emphasis on meaningful stakeholder engagement and building trust for the mutual benefit of stakeholders and MLA.
4. The activities of sourcing and procurement cause performance issues for MLA and MDC. A leaner, more flexible procurement process needs to be identified and implemented which will help both entities achieve more from their investments and accelerate the realisation of *MISP 2020* for the industry's benefit.

The review, which informs MLA's next five-year funding agreement with the Australian Government, also shaped MLA's *Strategic Plan 2016-2020* (see page 6).

### Impact assessment

An economic impact assessment of MLA's research, development and marketing programs (from 2010-11 to 2014-15), conducted by the Centre for International Economics, AgStrat Associates and ISJ Investments, showed significant returns on investment for industry. For every \$1 invested in these programs, industry is recouping \$6.20, a benefit-cost ratio of 6.2 to 1. In total, MLA's \$997 million investment over this period will benefit industry to the tune of \$6,170 million now and into the future.

The assessment also showed that every red meat sector shares in this success with grassfed cattle producers yielding a benefit-cost ratio of 8.8:1, sheep producers 4.3:1, lotfeeders 4.1:1, goat producers 6.7:1, live exporters 7.8:1 and processors 3:1.

## KEY MILESTONES

MILESTONE	RESULT	COMMENTARY
Clean audit report received	Achieved	External audit performed by EY and published as part of FY2015 annual report
Internal audit program delivered to the satisfaction of the MLA Audit and Risk Committee	Achieved	Achieved agreed outcomes as outlined by Audit and Risk Committee in its annual work plan
Risk and Compliance program implemented throughout business via dedicated risk specialist resource	Achieved	Achieved agreed outcomes as outlined by Audit and Risk committee in its annual work plan
Operation within the framework of the <i>Deed of Agreement</i> and statutory obligations	Achieved	An independent Performance Review was conducted by ACIL Allen for the Statutory Funding Agreement period 2012-16. The review confirmed that MLA has performed well against its SFA obligations. MLA's governance arrangements, practices and procedures were found to meet 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 <i>MLA Strategic Plan</i>
Implement information technology three-year business plan	Achieved	Three-year plan developed and rolled out by IT manager during the year
Implement people and values business plan	Achieved	MLA developed, implemented and achieved a human resources plan in 2015-16
Implement processes and systems business plan	Not achieved	The plan was superseded by other measures

All of MLA's strategic areas of investment generated a positive return on investment, ranging from \$14.80 for every dollar invested to \$3.80 for every dollar. MLA's subsidiary company, MLA Donor Company, yielded a benefit-cost ratio of 4:1.

The 'Market access' program within the 'Maintaining and improving market access' strategic imperative was the stand-out performer. Bolstered by the recent success of the completion of free trade agreements with three of Australia's four largest red meat export markets, this program produces current and future benefits of \$999 million at a benefit-cost ratio of 24:1.

The domestic beef marketing program experienced challenges that led to positive but low returns (1.1:1). MLA has since overhauled the program to directly address issues such as competition from other proteins, reduced beef consumption and strong export demand.

On-farm productivity also had a low but positive return on investment with most benefits to be realised beyond 2015. Achieving a benefit-cost ratio

of 2.7:1, this area's performance was heavily impacted by prolonged drought. Adoption of new research and development remains a priority, particularly in northern Australia.

MLA distilled the 500-page final report of the Impact Assessment into a 32-page plain English summary and a three-minute video to make the findings easily accessible to stakeholders.

*Right: The high-level results of MLA's Impact Assessment were summarised into an infographic for use on MLA's online platforms and in Feedback magazine.*



# About MLA



MLA is a producer-owned, not-for-profit organisation that delivers research, development and marketing services to Australia's red meat industry.

It is incorporated under the *Corporations Act 2001* as a public company limited by guarantee. It is the declared marketing and R&D body under the *Australian Meat & Live-Stock Industry Act 1997*.

# Summary statistics at a glance

At 30 June 2016

## Revenue

↓ 3.8% to \$197.8 million



## Expenditure

↓ 4.0% to \$172.4 million



Number of current research contracts: 302, worth \$96.4 million



## Number of MLA members

↑ 0.09% to 49,892 members



## Number of MLA employees

↓ 1.3% to 234 employees



# Financial summary

## MLA's revenue/expenditure summary

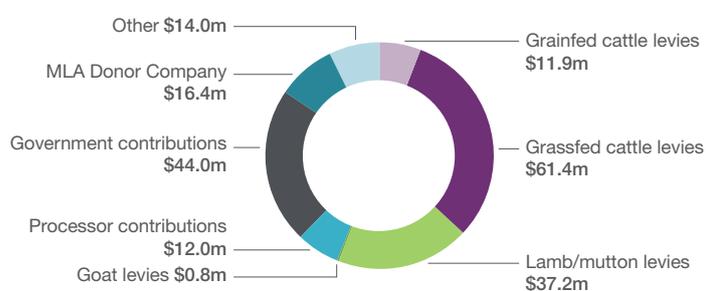
	2011-12 \$ million	2012-13 \$ million	2013-14 \$ million	2014-15 \$ million	2015-16 \$ million	% change 2015-16 compared with 2014-15
Producer levies	91.8	93.8	106.0	114.7	111.4	-2.9
Government contributions	40.3	39.2	46.7	46.5	44.0	-5.4
Other	27.8	29.2	35.8	44.5	42.4	-4.7
<b>Total revenue</b>	<b>159.9</b>	<b>162.2</b>	<b>188.5</b>	<b>205.7</b>	<b>197.8</b>	<b>-3.8</b>
Marketing	92.4	86.2	85.2	86.6	84.4	-2.5
Research and development	78.6	79.6	95.8	92.9	88.0	-5.3
<b>Total expenditure</b>	<b>171.0</b>	<b>165.8</b>	<b>181.0</b>	<b>179.5</b>	<b>172.4</b>	<b>-4.0</b>

## Revenue

MLA's total income for 2015-16 was \$197.8 million, 3.8% lower year on year and above expectations.

Grassfed cattle levies fell \$5.5 million (8.2%) in 2015-16 as producers retained stock and rebuilt their herds. Conversely, grainfed cattle and lamb/mutton levies increased, reflecting a higher number of cattle on feed and increased lamb slaughter and prices. Also notable were the higher contributions attracted through MLA Donor Company. Total revenue is forecast to increase in 2016-17, with increased funding through MLA Donor Company to more than offset a reduction in levy income.

### Sources of MLA's revenue in 2015-16



## MLA revenue summary

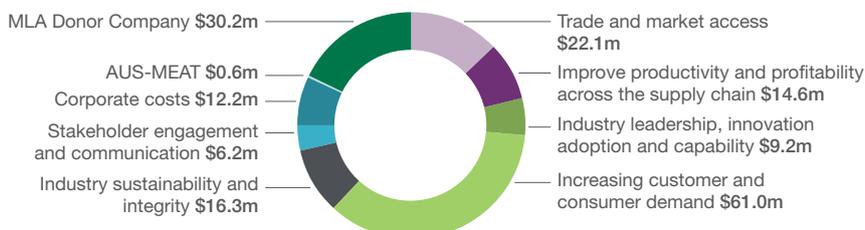
	2011-12 \$ million	2012-13 \$ million	2013-14 \$ million	2014-15 \$ million	2015-16 \$ million	% change 2015-16 compared with 2014-15
Grassfed cattle levies	52.5	54.2	61.2	66.9	61.4	-8.2
Grainfed cattle levies	8.1	7.8	9.8	10.5	11.9	13.3
Lamb/mutton levies	30.6	31	34.2	36.4	37.2	2.2
Goat levies	0.6	0.8	0.8	0.9	0.8	-11.1
Processor contributions	9.3	9.4	10.8	12.3	12.0	-2.4
Government contributions	40.3	39.2	46.7	46.5	44.0	-5.4
MLA Donor Company	8.7	9.1	12.9	15	16.4	9.3
Other (including LiveCorp)	9.8	10.7	12.1	17.2	14.0	-18.6
<b>Total revenue</b>	<b>159.9</b>	<b>162.2</b>	<b>188.5</b>	<b>205.7</b>	<b>197.8</b>	<b>-3.8</b>

## Expenditure

MLA's total expenditure fell 4% in 2015-16 to \$172.4 million. This included expenditure of \$88 million on research and development and \$84.4 million in marketing activities. Actual expenditure was lower than budgeted due to a rationalisation process which realigned MLA's investment to the new priorities in MLA's *Strategic Plan 2016-2020*. A decision was made to reduce expenditure in strategic imperative three reflecting the reduction in grassfed cattle levies which significantly fund this pillar. In strategic imperative six, expenditure increased on regional

research and stakeholder consultation and building leadership capability within peak industry councils. Expenditure is forecast to increase in 2016-17.

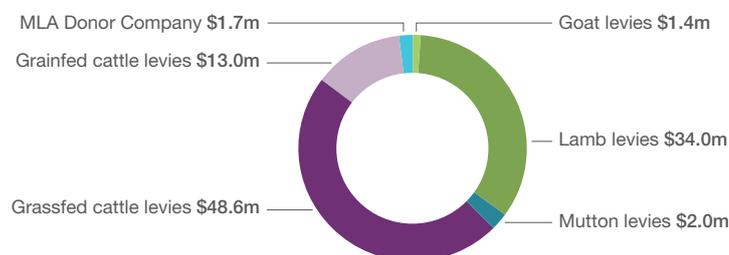
### MLA's expenditure in 2015-16



### MLA expenditure summary

Strategic imperatives	2012-13 \$ million	2013-14 \$ million	2014-15 \$ million	2015-16 \$ million	% change 2015-16 compared with 2014-15
1. Trade and market access	20.4	20.8	22.8	22.1	-3.1
2. Increasing customer and consumer demand	64.9	66.9	60.7	61.0	0.5
3. Improve productivity and profitability across the supply chain	16.2	17.6	20.3	14.6	-28.1
4. Industry sustainability and integrity	21.9	22.4	18.0	16.3	-9.4
5. Industry leadership, innovation adoption and capability	8.3	10.7	10.1	9.2	-8.9
6. Stakeholder engagement and communication	4.3	4.7	4.5	6.2	37.8
Corporate services	11.0	11.5	12.7	12.2	-4.0
AUS-MEAT	0.6	0.6	0.6	0.6	0
MLA Donor Company	18.2	26.0	30.0	30.2	0.8
<b>Total expenditure</b>	<b>165.8</b>	<b>181</b>	<b>179.5</b>	<b>172.4</b>	<b>-4.0</b>
<i>Research and development</i>	79.6	95.8	92.9	88.0	-5.3
<i>Marketing</i>	86.2	85.2	86.6	84.4	-2.5

### Retained earnings by funding source



### Retained earnings



### Retained earnings

MLA's surplus for the year was \$25.4 million, taking the retained surplus at 30 June 2016 to \$100.7 million. Retained earnings have been building over recent years to allow for reduced levy revenue over coming years as producers rebuild their herds and flocks while at the same time enabling MLA to deliver the priorities and programs outlined in MLA's *Strategic Plan 2016-2020*.

### Cash flow

MLA's cash balance increased primarily due to higher than anticipated levy income and lower expenditure in the final months of 2015-16. This was a result of the company's decision to review budgeted spend, ensuring only programs aligned to MLA's new *Strategic Plan 2016-2020* were implemented.

## Income and expenditure by funding source 2015-16

Strategic imperative	Goat		Mutton		Lamb		Total sheep		Grassfed cattle	
	R\$ \$000	M\$ \$000	R\$ \$000	M\$ \$000	R\$ \$000	M\$ \$000	R\$ \$000	M\$ \$000	R\$ \$000	M\$ \$000
<b>1. Trade and market access</b>										
1.1 Develop and deliver industry systems	47	73	52	84	384	1,344	436	1,428	767	2,078
1.2 Support to maintain and liberalise markets		1	2	83	29	745	31	828	63	868
1.3 Maximise market options in livestock export	48	27	113	346	114	367	226	713	259	2,062
<b>2. Increasing customer and consumer demand for red meat</b>										
2.1 Develop and deliver market and consumer insights	8	3	56		259	342	316	342	571	820
2.2 Aggressive promotion of beef across global markets									409	27,917
2.3 Aggressive promotion of sheepmeat and goatmeat across global markets	9	277	37	876	316	15,007	353	15,882		
<b>3. Improving productivity and profitability across the supply chain</b>										
3.1 Identify and deliver innovative opportunities to increase on-farm productivity and profitability	80		489		1,954		2,443		1,316	
3.2 Identify information platforms and technologies that drive productivity and innovation			57		193		250		833	
<b>4. Industry sustainability and integrity</b>										
4.1 Sustainable supply chain resource management			120		1,560		1,680		1,571	
4.2 Animal welfare, biosecurity and animal well-being	31		145		1,031		1,176		954	
4.3 Support industry's effective engagement with the community			1	34	17	386	18	420	21	887
<b>5. Industry leadership, innovation adoption and capability</b>										
5.1 Platforms for supporting skill development and innovation adoption by producers	183		132		974	(1)	1,106	(1)	977	
5.2 Build industry value chain innovation capability			15		102		117		141	
5.3 Industry leadership and issues research			10		83	15	94	15	189	21
<b>6. Stakeholder engagement and communication</b>										
6.1 Stakeholder engagement and communication	15	1	128	61	1,049	549	1,177	610	828	1,242
7.3 AUS-MEAT				44		66		110		384
<b>Total expenditure pre corporate services</b>	<b>419</b>	<b>381</b>	<b>1,357</b>	<b>1,528</b>	<b>8,065</b>	<b>18,820</b>	<b>9,421</b>	<b>20,348</b>	<b>8,901</b>	<b>36,279</b>
7.1 Corporate services	3	6	11	14	363	789	374	804	429	2,005
7.2 Levy collection costs		2		13		200		213		434
<b>Total expenditure</b>	<b>422</b>	<b>390</b>	<b>1,367</b>	<b>1,555</b>	<b>8,428</b>	<b>19,810</b>	<b>9,795</b>	<b>21,364</b>	<b>9,329</b>	<b>38,718</b>
Income available:										
- Levies	488	307	1,169	1,321	10,064	24,654	11,233	25,975	12,356	49,078
- Government										
- Processors										
- Live Export										
- R&D partnerships										
- External										
<b>Total actual income 2015-16</b>	<b>488</b>	<b>307</b>	<b>1,169</b>	<b>1,321</b>	<b>10,064</b>	<b>24,654</b>	<b>11,233</b>	<b>25,975</b>	<b>12,356</b>	<b>49,078</b>
<b>Surplus/(deficit)</b>	<b>66</b>	<b>(83)</b>	<b>(198)</b>	<b>(234)</b>	<b>1,636</b>	<b>4,844</b>	<b>1,438</b>	<b>4,611</b>	<b>3,026</b>	<b>10,360</b>

Grainfed cattle		Total cattle		Total levy funds		Processor		LiveCorp		External	MLA	MLA Donor Co.		Govt.	MLA
R\$ \$000	M\$ \$000	R\$ \$000	M\$ \$000	R\$ \$000	M\$ \$000	R\$ \$000	M\$ \$000	R\$ \$000	M\$ \$000	M\$ \$000	MLA* \$000	R\$ \$000	M\$ \$000	R\$ \$000	Total \$000
97	818	865	2,896	1,347	4,397	1,783	472	16	17	26	8,058	1,078		4,224	13,361
6	121	70	988	101	1,817	70	1,711			83	3,782			170	3,952
		259	2,062	533	2,802			888	1,169	136	5,528			1,421	6,948
95	70	666	890	989	1,235	685				960	3,869	189		1,863	5,921
125	3,848	534	31,765	534	31,765	362	2,250			743	35,655	2,010		2,906	40,571
				361	16,159	361	1,127			122	18,131	3		725	18,859
485		1,800		4,323						463	4,786	1,933		6,256	12,974
10		842		1,092		1,474				353	2,919	5,368		7,934	16,221
436		2,007		3,687		395				1,296	5,379	670		4,752	10,800
311		1,265		2,472						79	2,550	1,076		3,547	7,173
26	272	47	1,160	65	1,579	12	129				1,786			77	1,863
170		1,147		2,436	(1)	75				619	3,129	3		2,514	5,647
69		209		327		1,121					1,448	2,786		4,234	8,467
34	9	223	30	317	45					18	380			317	696
132	46	960	1,288	2,152	1,900					20	4,072	7		2,160	6,238
	56		440		550						550				550
1,994	5,241	10,895	41,519	20,736	62,249	6,339	5,690	904	1,186	4,917	102,020	15,122		43,101	160,243
117	244	546	2,250	922	3,060					6,591	10,573			922	11,495
	54		488		703						703				703
2,111	5,539	11,441	44,257	21,658	66,011	6,339	5,690	904	1,186	11,508	113,296	15,122		44,023	172,441
3,913	8,034	16,268	57,112	27,989	83,394						111,383				111,383
														44,023	44,023
						6,339	5,690				12,029				12,029
								904	1,186		2,090				2,090
												16,404			16,404
										11,508	11,508		375		11,883
3,913	8,034	16,268	57,112	27,989	83,394	6,339	5,690	904	1,186	11,508	137,009	16,404	375	44,023	197,811
1,801	2,495	4,827	12,855	6,331	17,383						23,714	1,282	375		25,370

\*MLA excl. MDC & Government

# Strategic framework

## Strategic alignment

MLA's *Annual Operating Plan 2015-16* has guided the company's investment over the past year, outlining the company's programs, budgets and key performance measures.

The strategic direction of this Plan was informed by the Australian Government's Science and Research Priorities, Rural Research and Development Priorities and Agricultural Competitiveness White Paper Priorities (the latter two are now superseded by the Rural Research, Development and Extension Priorities), the *Meat Industry Strategic Plan 2010-2015* and the *MLA Strategic Plan 2010-2015*.

MLA has regarded 2015-16 as a 'transitional year' given the release of the *Meat Industry Strategic Plan 2020* in September 2015 and *MLA's Strategic Plan 2016-2020* in June 2016, well after *MLA's Annual Operating Plan 2015-16* had been finalised.

*MLA's Strategic Plan 2010-2015* was aligned closely with the *Meat Industry Strategic Plan 2010-2015*, giving focus and direction to MLA's work to build demand, productivity and trust for the red meat and livestock industry.

Page 14 provides a graphical overview of MLA's strategic and operational planning process.

From 2016-17 MLA will take its strategic direction from the *Meat Industry Strategic Plan 2020*, the *MLA Strategic Plan 2016-2020* and the Australian Government's Science and Research Priorities and its Rural Research, Development and Extension Priorities.

## Stakeholders

MLA operates in partnership with the Australian Government and value chain partners to deliver research, development and marketing to benefit red meat and livestock producers, value chain partners and the Australian community.

The Australian Government sets high-priority research and development objectives covering community, industry and environmental concerns.

Peak industry councils provide policy direction, scrutinise budgets and monitor MLA's performance on behalf of the red meat industry. These are the Australian Lot Feeders' Association, the Cattle Council of Australia, the Goat Industry Council of Australia and the Sheepmeat Council of Australia.

MLA also works closely with the Australian Meat Processor Corporation, the Australian Meat Industry Council, LiveCorp and the Australian Livestock Exporters' Council to develop programs that address key industry issues and opportunities through the supply chain, manage projects and communicate outcomes.

## Industry consultation arrangements

Livestock producers influence the investment of their levies through a number of industry consultation mechanisms.

The Red Meat Advisory Council (RMAC) is the peak body that represents the collective interests of the Australian red meat industry. RMAC is responsible for the development of the *Meat Industry Strategic Plan* which provides the overarching strategic framework that enables the direction, measuring and reporting of overall industry progress for government and industry stakeholders. Levy payers are consulted by RMAC during the development of the five-year *Meat Industry Strategic Plan*.

Examples of areas where consultation occurs include:

### On planning and whole of red meat industry priority areas:

- *Meat Industry Strategic Plan*
- *Beef Industry Strategic Plan*
- *Sheepmeat Industry Strategic Plan*
- *Goat Industry Strategic Plan*
- *MLA Strategic Plan*
- *MLA Annual Investment Plan*

### On research and development:

- Research, development and adoption investment priorities
- Red Meat Co-investment Committee
- Regional consultation model (see pages 7 and 58) and the Southern Australia Meat Research Council, the Western Australia Livestock Research Council and the North Australia Beef Research Council
- Sheep and beef forecasting committees
- Sheep Genetics Advisory Committee
- MSA Taskforce and Pathways Committee
- Resource Flock Steering Committee
- Genetics Steering Committee

### On marketing:

- Region-specific global marketing and market access for beef and sheepmeat (Australia, Japan, Korea, North America, Middle East, Europe/Russia, Indonesia, China and South Asia)
- MSA Taskforce

The global marketing and market access consultation process underpins the overarching market strategy specific to each region. This process involves peak industry councils and industry representatives consulting with MLA to help set strategic priorities for growing demand and improving market access for the Australian red meat industry across global markets. The consultation process involves a forum for industry to guide MLA's global market investment strategy. This encompasses reviewing the output/outcomes from the previous year's activities and investments, evaluating MLA's performance, setting strategic priorities and budget allocations for the upcoming financial year and importantly, setting key performance indicators.

## Collaboration

MLA has a long history of collaborating with the Australian Government, research organisations, value chain partners, Cooperative Research Centres and other Research and Development Corporations by co-investing in projects and consortiums with mutual benefits.

In 2015-16, MLA was successful in having 10 projects approved under the Department of Agriculture and Water Resources Rural Research and Development for Profit program. MLA is the lead organisation for five of these projects. All of these projects have multiple collaborators.

During 2015-16 MLA also partnered with six consortiums: the National Livestock Genetics Consortium, the Managing Climate Variability Program – phase 5; the Reef Alliance; the National Sheep Monitoring project; the Australian Livestock Spatial Innovation CRC; and the Animal Welfare Strategic Partnership.

MLA continued its collaboration with the Sheep CRC and the Invasive Animals CRC in 2015-16.

## Research and development

### Alignment with government priorities

MLA invested \$88 million in a range of research, development and adoption programs during 2015-16. This included \$30.2 million invested through MLA Donor Company. This investment includes matching funds from the Australian Government.

These programs are linked to the Australian Government's Science and Research Priorities and it's National Rural R&D Priorities and the Agricultural Competitiveness White Paper Priorities. This alignment is shown in the graphs at right.

### Contracts

Throughout the year, MLA completed or terminated 271 research contracts worth \$57.9 million and commenced 298 new contracts during the year worth \$50.9 million.

This resulted in a total portfolio of 302 current research contracts at 30 June 2016, valued at \$96.4 million. These contracts only include industry research projects with many undertaken over multiple years.

### MLA Donor Company

Through the fully-owned subsidiary MLA Donor Company (MDC), MLA works on a range of red meat value chain research projects with the commercial sector in areas that bring value to producers, through innovation and new technologies. Through MDC, voluntary contributions from individual enterprises are matched by Australian Government research and development funds. Eligible projects deliver outcomes that address industry and government priorities and benefit the broader Australian community.

MDC attracts co-investment from individual enterprises and others that share a mutual interest with MLA to develop innovations that will benefit the Australian red meat and livestock industry.

During 2015-16, MDC attracted a total investment of \$30.2 million in private and public funds in industry research, development and innovation.

A total of 80 new project contracts were approved last year totalling \$42.8 million. Since its inception in 1999, MDC has approved 801 contracts worth \$319.3 million. Private investors in projects funded

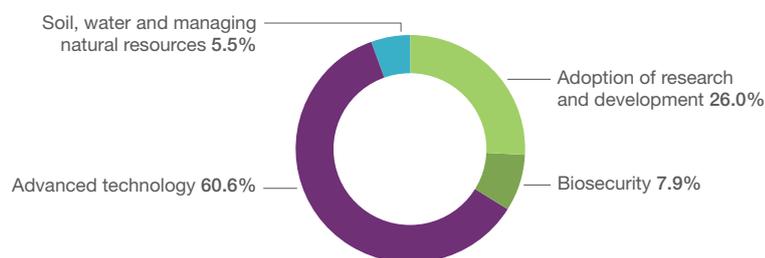
### Alignment of MLA R&D projects with the Australian Government's National Science and Research Priorities



### Alignment of MLA R&D projects with the Australian Government's National Rural R&D Priorities



### Alignment of MLA R&D projects with the Australian Government's Agricultural Competitiveness White Paper Priorities



### Average value of research contracts at 30 June



through MDC have included all parts of the red meat value chain – processors, value-adders, breed societies, pastoral companies, technology providers and international collaborators.

MDC also facilitates the commercialisation of industry research and development. Through international alliances, MDC fosters world-class innovation by accelerating access to intellectual property at a much lower cost than would otherwise be possible. This model injects valuable new funding into red meat industry research and development and commercialisation,

with a number of resulting benefits:

- improving sustainability on- and off-farm
- reduced production costs leading to a more competitive industry
- higher standards of occupational health and safety
- new value-added product and packaging solutions that build demand, facilitate access to emerging markets and deliver increased export earnings via higher premiums

- enhanced supply chain collaboration
- increased innovation capability
- enhanced employment opportunities for young professionals in the industry.

### NLIS Ltd

NLIS Ltd was established on 1 April 2009 as a wholly owned subsidiary of MLA.

The company is responsible for database operations and associated services which underpin the National Livestock Identification System (NLIS). This includes database development and hosting, support services (helpdesk and communications), device accreditation and secretariat support for SAFEMEAT's NLIS committees.

In 2015-16 the company progressed the development of a new technology platform for the NLIS database, and the helpdesk received more than 4,000 calls per month, providing assistance to industry on the operation of both the NLIS database and the requirements of the Livestock Production Assurance program.

The services provided by NLIS Ltd are funded by a combination of red meat industry levies (both marketing and research and development) and matching government funds for research and development activities.

NLIS Ltd operates under a quality management system, and is accredited under ISO 9001:2015. It is located within MLA's North Sydney office.

### CoMarketing Program

The CoMarketing Program is an initiative by MLA to support Australian companies who are responsible for the marketing of Australian beef, veal, lamb and goatmeat brands to develop superior brand marketing strategies and effective marketing plans.

The aim of the Program is to assist brand owners create customer loyalty and sustainable brand growth, through investment that delivers ongoing added value along the supply chain to producers.

For beef, MLA worked with 52 Australian companies in 2015-16 to deliver CoMarketing activities across key markets including Australia, Japan, South-East Asia, Greater China, Europe, the Middle East and North Africa, North America, Korea and emerging markets. MLA contributed approximately \$1.96 million, and participants contributed the same amount or more. These activities strengthened brands and built awareness for product across both new and existing accounts.

For lamb, MLA managed CoMarketing activities with 21 Australian companies, with activities across Australia, Japan, South-East Asia and Greater China, Europe, the Middle East and North Africa, North America, Korea and emerging markets. MLA contributed approximately \$207,000 and exporters contributed the same amount or more. These activities focused on retaining key accounts and maintaining volumes, given strong lamb prices and the exchange rate.

For goat, MLA contributed approximately \$11,000 to two participants who contributed the same or more.

Activities co-funded by the CoMarketing Program during 2015-16 included developing marketing strategies, brand development and brand launch, educational trade visits to Australia, sampling, point-of-sale design and printing, advertising, social media campaigns, website development, trade shows, training seminars and market research.

Details of each participant and the specific funding amounts invested are published in Appendix 1 of this *Annual Report*.

### Corporate reporting

MLA strives to ensure all members have the opportunity to participate in the annual general meeting (AGM) by rotating its location around the nation. The 2015 AGM was held in Brisbane, Queensland and was preceded by Sydney, NSW (2014), Wodonga, Victoria (2013), Fremantle, WA (2012), Longreach, Queensland (2011), Launceston, Tasmania (2010), Darwin, NT (2009), Orange, NSW (2008) and Rockhampton, Queensland (2007).

MLA's *Annual Report 2014-15* was made available through its corporate website as well as in hard copy for members who requested it.

MLA's *Annual Report 2014-15* won a silver medal at the Australasian Corporate Reporting Awards. This award recognised that MLA provided quality coverage, good disclosure and addressed current legislative and regulatory requirements. The Report was also commended for its strong stakeholder focus and transparency.

### MLA contribution to CoMarketing Program

Region	MLA contribution		
	Beef \$	Lamb \$	Goat \$
Australia	537,240	16,746	6,925
Europe	34,014	2,992	0
Greater China	274,808	1,875	3,912
Indonesia	7,605	812	0
International (cross regional)	348,447	24,828	0
Japan	204,465	14,492	0
Korea	238,800	2,206	0
Middle East/North Africa	59,357	49,189	0
North America	133,678	58,229	0
South-East Asia	129,999	36,129	0
<b>Total MLA contribution</b>	<b>1,968,413</b>	<b>207,498</b>	<b>10,837</b>

## Funding arrangements

MLA is primarily funded by transaction levies paid on livestock sales by producers.

The Australian Government also contributes a dollar for each levy dollar MLA invests in eligible research and development. This can be supplemented by unmatched grants from the Australian Government and cooperative contributions from other Research and Development Corporations, individual processors, wholesalers, foodservice operators and retailers.

Processors and live animal exporters also co-invest levies into MLA programs through their service companies Australian Meat Processor Corporation and LiveCorp.

Exporters and importers can also co-invest with MLA on marketing activities through the CoMarketing Program.

MLA generates additional income via voluntary contributions which are matched by the Australian Government. This funding is invested in research and development partnerships that benefit the Australian red meat industry through MLA Donor Company.

### Producer transaction levies

Transaction levies are charged by the Australian Government on the sale of each head of cattle, sheep and goat sold under the *Primary Industries (Excise) Levies Act 1999*. Transaction levies are collected, administered and disbursed by the Department of Agriculture and Water Resources on a cost-recovery basis and invested back into the industry to assist in research and development, marketing and market access services. MLA is not the only recipient of livestock transaction levies – it is one of three organisations alongside Animal Health Australia and the National Residue Survey. Levies received by MLA are accounted for in two streams – one to support marketing activities and the other to support research and development.

Total levies charged in 2015-16 were \$5 per head of grassfed and grainfed cattle transacted, 2% of the sale price on each head of sheep transacted and 37.7 cents per head of goats transacted.

The Department of Agriculture and Water Resources distributed the levies in the following way in 2015-16:

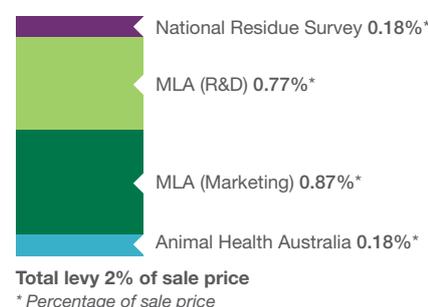
#### Grassfed cattle levy allocation



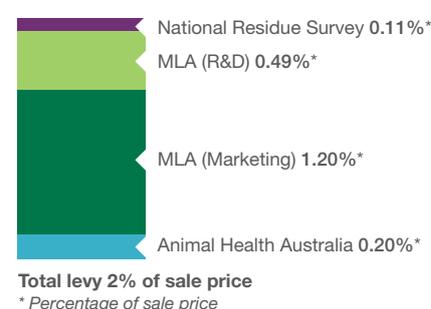
#### Grainfed cattle levy allocation



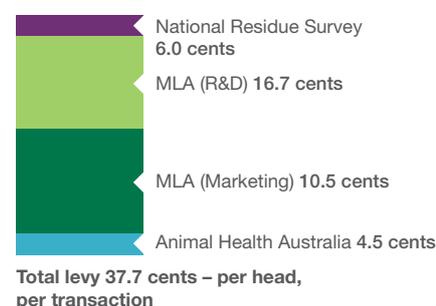
#### Sheep levy allocation



#### Lamb levy allocation



#### Goat levy allocation



### MLA membership

Membership of MLA is voluntary and free to all levy-paying grassfed cattle, grainfed cattle, sheep, lamb and goat producers. MLA had 49,892 members at 30 June 2016, an increase of 47 members on the previous year.

	2011-12	2012-13	2013-14	2014-15	2015-16
Grassfed cattle	41,005	41,334	41,828	42,295	42,275
Grainfed cattle	5,301	5,308	5,391	5,430	5,430
Sheep/prime lambs	17,611	17,862	19,262	18,523	18,583
Sheep only	9,872	9,713	9,625	9,568	9,483
Goats	2,344	2,360	2,386	2,414	2,415
<b>Total members</b>	<b>48,173</b>	<b>48,608</b>	<b>49,260</b>	<b>49,845</b>	<b>49,892</b>

# Corporate governance

## MLA's role

Meat & Livestock Australia Limited (MLA) is the declared industry marketing body and the industry research body under sections 60(1) and 60(2) of the *Australian Meat and Live-stock Industry Act 1997* (AMLI Act).

In its services role MLA strives to be the recognised leader in delivering world-class research, development and marketing outcomes that benefit the Australian red meat and livestock industry.

Working in collaboration with the Australian Government and wider red meat industry, MLA's mission is to foster the long-term prosperity of the Australian red meat industry.

MLA is a producer-owned, not-for-profit organisation and not an industry representative body.

## Corporate governance framework

MLA's corporate governance framework is set by the Board having regard to the best interests of our members, the values of our organisation, MLA's obligations set out under our Statutory Funding Agreement with the Commonwealth of Australia (Deed), and in accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (3rd edition)*. This long-established framework has been implemented to ensure MLA remains accountable to its stakeholders and stakeholder interests are protected. MLA's governance arrangements are reviewed regularly to reflect industry developments, stakeholder expectations and regulatory and legislative changes.

This statement and documents and policies relevant to our corporate governance framework are also available on our website.

## The Board

MLA is governed by a skills-based Board that works with industry to set strategic priorities for the company. It also approves and monitors progress against the strategic plan, evaluates performance and budgets, overseas risk management and compliance, and ensures the company abides by its obligations under the Red Meat Industry Memorandum of Understanding, Deed, and corporations law.

## Composition

The Board comprises 10 directors with a broad range of skills, experience and expertise necessary to guide the company. Many of the directors are also producers and members of the company. The Managing Director is the only executive director. Directors are nominated through the Selection Committee and appointed at MLA AGMs for a maximum three-year term under MLA's constitution, after which time a director may reapply for a position on the Board in the same way as other candidates. Further information about the Selection Committee is on page 76. The Chair of the Board was elected in 2011 and is an independent director.

## Board members

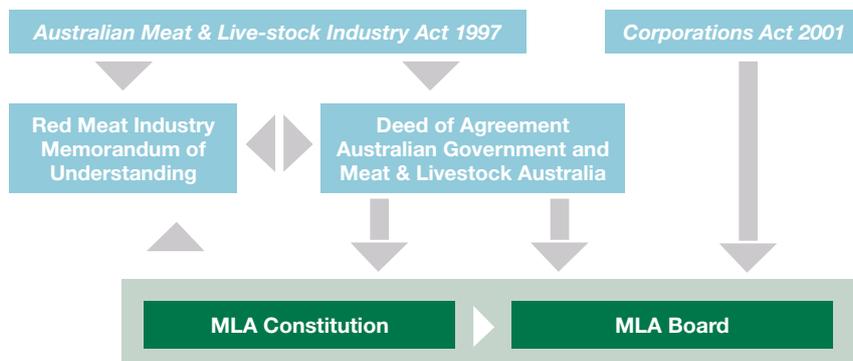
The names and details of the company's directors in office during the financial year and until the date of this report are listed on the following pages. All directors were in office for the entire year unless otherwise stated.

## Board roles and responsibilities

The roles and responsibilities of the Board are formalised in the Board Charter which underpins the conduct of the Board as it strives to build sustainable value for MLA's members and the red meat industry and to achieve MLA's mission. The Board Charter is regularly reviewed by the Board. The Constitution and the Board Charter are available on MLA's website [www.mla.com.au](http://www.mla.com.au).

The Board is responsible for the appointment and assessment of the performance of the Managing Director and monitoring the performance of the Leadership Team against agreed KPIs. The Managing Director's role is to lead MLA and together with the Leadership Team develops and implements MLA's business strategy once approved by the Board.

## MLA's governance framework



## Board members



**Michele Allan** – Chair  
BAppSc MMgtTec MCommLaw DBA FAICD  
Director since November 2011

Dr Michele Allan has an academic background in biomedical science, management and law. Dr Allan is a past executive director and non-executive director of Patties Foods Limited and was previously a non-executive director of the Dairy Research & Development Corporation, Forest and Wood Products Australia, Ruralco Holdings Limited, Tasmania Fruit & Vegetable Taskforce, Tasmanian Irrigation Pty Ltd, Callaghan Innovation, William Angliss Catering & Hospitality TAFE College, Cooperative Research Centre Hearing and Grape and Wine Research and Development Corporation. Current board positions include Innovation Australia, Food Innovation Australia Limited, Apple and Pear Australia Ltd, Grain Growers Limited, Nuffield Australia, CSIRO and member of the CRC Advisory Committee. She is Chancellor of Charles Sturt University and Chair of the Grains and Legumes Nutrition Council, and a Fellow of the Australian Institute of Company Directors. Dr Allan is also Chair of the Remuneration Committee.



**Richard Norton** – Managing Director  
MBA  
Appointed 2 June 2014

Richard Norton is the fifth generation of a beef and sheep farming family from Monaro NSW and began his working life as a rouseabout and jackaroo, then spent more than 20 years serving livestock producers as a stock agent and auctioneer across NSW. His drive to see Australian agribusiness thrive led him to hold various executive positions, including Head of Live Export and International Trade and then Managing Director of Landmark Operations Australia. Mr Norton previously held executive positions in retail, manufacturing, logistics and warehousing with Woolworths, Coca Cola, Wesfarmers and Toll Holdings and was a non-executive director of Agrium Asia Pacific, the Australian Wheat Board, RD1 New Zealand, Landmark Harcourts and Australian Wool Handlers. He was Chairman of Integrated Traceability Solutions (Global) and AuctionsPlus. Mr Norton is a director of MLA Donor Company Limited, National Livestock Identification System Limited, Red Meat Traceability Systems Pty Ltd and AUS-MEAT Limited.



**Alan Beckett**  
BEc, FICA, GAICD  
Director since November 2014

Alan Beckett has a keen interest in the cattle industry and currently runs an Angus breeding and backgrounding operation in Yea, Victoria. He brings forty years' experience with a major professional services firm, practising in the area of audit and corporate services to large companies with an emphasis on listed public companies along with practical experience in doing business in Oceania, South East Asia, Japan and India. Mr Beckett is a non-executive director of Defence Health Limited, Westbourne Capital Pty Ltd and Westbourne Credit Management Limited. He is Deputy Chairman of the Department of Defence Audit & Risk Committee and the independent member of the Audit & Risk Committee of the RBA's wholly owned subsidiary Note Printing Australia Limited. Mr Beckett was previously Chairman of ASX listed Basper Limited (formally Berklee Ltd). He is currently Chair of MLA's Audit & Risk Committee and a member of the Selection Committee.



**Steven Chaur**  
GradDip Marketing, MBA, MAICD, FAIM  
Elected in 2015

Steven Chaur is a highly experienced consumer marketer and brand strategist. He has over 25 years' experience in fast-moving consumer goods within the food industry, specifically in primary industry sectors including fresh dairy (milk), meat processing, seafood and vegetable processing. He has past executive experience with Saint-Gobain SA, Tip Top Bakeries, Findus Australia Pty Ltd, National Foods Limited and Simplot Australia Pty Ltd. Mr Chaur has developed successful company and brand growth strategies, led organisational teams to deliver sustainable profit contributions through strategic market development, global sourcing and consumer brand marketing and innovation activities. Mr Chaur has had broad exposure to global business environments and trading cultures in markets including Asia, China and Europe. He is currently Managing Director and CEO of Patties Foods Limited and is non-executive director of Davies Bakeries Pty Ltd. Mr Chaur is a member of MLA's Audit and Risk and Remuneration Committees.



**Lucinda Corrigan**  
BScAgr (Hons 1) FAICD  
Director since November 2007

Lucinda Corrigan is a director of Rennylea Angus, a leading beef genetics business running 3,000 head of cattle across five properties in the Murray Valley of NSW. Ms Corrigan has skills and experience in R&D, genetics, natural resource management, communications, marketing and advocacy. For more than 20 years she has served as a non-executive director on industry bodies and innovation companies including four CRCs, including as Deputy Chairman of the Future Farm CRC, Commissioner of the Australian Centre for International Agricultural Research, Chairman of the advisory committee of the Graham Centre, a partnership between Charles Sturt University and NSW Department of Primary Industries, and convenor of the Holbrook community beef group activities. She is a Fellow of the Australian Institute of Company Directors and the Australian Rural Leadership Foundation. Ms Corrigan is a member of MLA's Audit and Risk Committee and Chair of MLA Donor Company Ltd.



**Robert Fitzpatrick**

BEC, LLB, MBA, GAICD  
Elected in 2015

Robert Fitzpatrick is an industry business builder and technology expert with over 30 years' experience in world-class sales and marketing, for small and medium enterprises, start-ups, through to large corporates and government agencies. Widely travelled, with a strong track record as a business builder, Mr Fitzpatrick has detailed understanding of industry representative bodies, fast-moving consumer goods, research and higher education, retail, telecommunications, and information and communications technology sectors. Mr Fitzpatrick has a passion for improving the efficiency of Australia's agricultural sector, applying new analytics to de-bottleneck supply chains and dramatically reduce the cost of moving product from farm gate to foreign markets. Mr Fitzpatrick is director of the Australian Academic and Research Network, Robec Oz, CEO of Australian Information Industry Association, and committee member of the Export Council of Australia. Mr Fitzpatrick is also a director of MLA Donor Company Ltd and NLIS Limited.



**Erin Gorter**

BA (Education) GAICD  
Elected in 2015

Erin Gorter is a business and events planning management entrepreneur and has been a West Australian livestock producer. Ms Gorter was born into a farming family and has been involved in running a mixed farming operation in Kojonup, WA, Western Australia, producing prime lamb, wool and grains, conducting sheep trading and a small amount of agroforestry. Ms Gorter runs her own business, established to foster the pursuit of further opportunities through business management advice and events planning in rural areas. She was awarded the WA RIRDC Rural Women's Award Runner Up in 2010, sits on the Board of the WA Meat Industry Authority as a producer representative and is a director of AgVivo. Ms Gorter is also a member of the Remuneration Committee.



**Geoffrey Maynard**

BBus  
Director since November 2011

Geoff Maynard runs a 10,000-hectare cattle stud seedstock operation near Jambin in Central Queensland. He has more than 35 years' experience in northern production systems, and has had significant involvement in collaborative research and genetics programs. Maynard Cattle Company has been one of the largest users of embryo transfer technology in northern Australia. The Maynard family was one of the largest suppliers of cattle for the Beef CRC I Project in the 1990s and participated in CRC II and CRC III. Mr Maynard was previously the Vice-Chair of the Beef Australia Board and is a past member of the industry advisory committee of the Beef CRC II. Mr Maynard is also a director of MLA Donor Company Limited and member of the Selection Committee.



**Chris Mirams**

GradDip Financial Markets  
Director since November 2014

Chris Mirams is an agricultural consultant based in Albury and has extensive commercial and practical experience in southern Australian sheepmeat production and managing sheep enterprises covering prime lamb, wool and meat with the latest technology and benchmarking. He has significant experience in strategic research and development, broad commercial experience in southern beef production, specialist skills in business, finance, corporate governance, communication and leadership. Mr Mirams is passionate about the agricultural industry and rural and regional Australia. Mr Mirams participated in the Australian Rural Leadership Program, is a past Chair of Holbrook Landcare Network and EverGraze National Advisory Committee and served on the Alpine Valleys Community Leadership Program and Scots School Albury boards. Mr Mirams is also a director of MLA Donor Company Limited.



**George Scott**

Director since November 2013

George Scott has had a lifelong involvement with the north Australian cattle industry, initially as an employee of both corporate and private operators in Queensland and NT, more recently as an owner-operator. Mr Scott has a broad knowledge of beef production systems, resource management, genetic development, breeding programs, land management and industry associations. During the past decade, Mr Scott has held senior executive and representative roles in the Northern Territory Cattlemen's Association (NTCA), acted as the NTCA Cattle Council Delegate, and been a member of the Barkly Regional Advisory Committee to the Northern Australia Beef Research Council. Based at Thylungra Station in south-west Queensland, he is currently Managing Partner of Scott Cattle Company producing commercial cattle in Queensland and SA, a director of Thylungra Cattle Co Pty Ltd and Kyabra Creek Pty Ltd. Mr Scott is also a director of AUS-MEAT Ltd.

## Company Secretary



**Clare Stanwix**  
BA (Hons) LLB, LLM, GAICD  
Appointed June 2014

Clare Stanwix joined MLA in June 2009 having been a senior associate with DLA Piper and external legal counsel to MLA. In addition to holding the office of Company Secretary, Ms Stanwix holds the position of General Counsel and leads the legal, risk and compliance team at MLA. She has experience in intellectual property, technology, corporate and commercial law, work, health and safety and dispute resolution. Ms Stanwix has recently completed a graduate diploma in Applied Corporate Governance with the Governance Institute of Australia. She is also Company Secretary of National Livestock Identification System Limited and a director of Red Meat Traceability Systems Pty Ltd, both subsidiary companies of MLA.

## Retiring Directors



**John McKillop**  
BBus GradDipAg MBA GAICD  
Directorship November 2012-2015

John McKillop has extensive agribusiness experience gained through various executive and director roles in the meat and livestock, and grains industries. From 2007 to 2011, Mr McKillop was the managing director of diversified commodities producer Clyde Agriculture, a fully-owned subsidiary of John Swire and Sons, turning over \$65 million per annum. Previous executive roles included general management positions with Elders Australia Limited, and as a senior executive with Stanbroke Pastoral Company. Mr McKillop has considerable experience evaluating research and development proposals, as well as strong skills in global marketing, financial management, strategic planning and corporate governance. He is the current chair of the National Farmers' Federation's Economics Committee, and a member of CPA Australia. He was Chair of the Remuneration Committee and a member of the Audit and Risk Committee.



**Peter Trefort**  
Directorship 2003-2015

Peter Trefort manages his family's property at Narrogin in WA. He has more than 40 years' experience in sheep and cattle production as well as management across the supply chain. Mr Trefort has worked extensively developing on-farm and processing R&D strategy with the Department of Agriculture (WA), University of WA and Murdoch University (WA). In 2007, he received an Honorary Doctorate in Science from Murdoch University. He is a director of the Sheep CRC. In 2010, Mr Trefort was recognised as the Rural Achiever of the Year by the Royal Agricultural Society of WA. He was a member of the Remuneration Committee.

### Board committees

There were two Board committees that met during the year:

- Audit and Risk Committee
- Remuneration Committee

These Board committees are comprised solely of non-executive directors, with management attending committee meetings by invitation only. A program of committee meetings is developed at the beginning of each year and committees also meet throughout the year to consider issues which may arise. The Chair of each committee provides a verbal update of each committee meeting to the Board and minutes of committee meetings are provided in the Board papers.

The role of each committee is set out in the committee charters, which are regularly reviewed. The members of each committee, together with each member's attendance at meetings, are set out in the *Directors' report* on page 86.

### Audit and Risk Committee

The Audit and Risk Committee oversees MLA's risk program and has oversight responsibility of the company's financial reporting, internal control structure, risk management and the internal and external audit functions. In keeping with community expectations, the chair of the committee is not the Chair of the Board.

The Audit and Risk Committee is required to meet at least three times a year and holds closed sessions with the external auditor at least once each year. The Audit and Risk Committee is responsible for making recommendations to the Board for the approval of the annual audit plan and annual financial statements.

As at 30 June 2016, the Audit and Risk Committee consisted of Alan Beckett (Chair), Lucinda Corrigan and Steven Chaur. Details of each members'

attendance at meetings is set out in the *Directors' report* on page 86.

### External Auditor

Our external auditor is Ernst & Young (EY). The Committee holds discussions with the external auditors and management before the annual financial statements are submitted to the Board. The Audit and Risk Committee oversees our relationship with EY, including:

- making recommendations to the Board about the appointment of MLA's auditors based on their qualifications, independence, engagement, fees and performance
- reviewing and assessing the performance, independence and objectivity of EY
- reviewing EY's proposed annual audit scope and audit approach, including materiality levels.

### Internal Auditor

The Audit and Risk Committee reviews the adequacy and effectiveness of internal controls, including the company's policies and procedures, to assess, monitor and manage business risk and legal and ethical compliance programs. This review includes monitoring the implementation of MLA's Risk management plan, Fraud control plan and Intellectual property plan. It also reviews the company's foreign exchange and treasury management and oversees the company's risk management program.

To assist its function the Audit and Risk Committee, with management and a dedicated Risk and Assurance Manager, works with internal auditor Deloitte Touche Tomatsu (Deloitte). Deloitte's role during 2015-16 was to conduct a review of MLA's IP Management Plan and delegations policy in accordance with its annual work program. Deloitte's audit activities assists management with independent and objective assurance on the effectiveness of our governance, risk management and internal control processes.

### Remuneration Committee

The Remuneration Committee consisted of Michele Allan (Chair), Steven Chair and Erin Gorter as at 30 June 2016.

The Remuneration Committee oversees remuneration practices across the company. The Committee reviews the policies and systems in place for managing remuneration to ensure they are appropriate and consistent with company objectives and values.

The Remuneration Committee worked in accordance with a comprehensive schedule of activities undertaken by it during the year. The responsibilities of the Remuneration Committee include the review of:

- remuneration matters, including:
  - establishing and monitoring KPIs, a remuneration framework for, and the performance of, the Managing Director
  - remuneration and incentive framework for senior executives and all staff
  - recruitment, remuneration and retention strategies
- succession plans for senior executives and key staff
- strategic HR policies and practices.

The Committee also assists the Board by developing plans for identifying,

assessing and enhancing director competencies. Details of each member's attendance at meetings is set out in the *Directors' report* on page 86.

### Selection Committee

The role of the Selection Committee is to report to members of MLA on the suitability of candidates for re-election or election as a director at general meetings.

The Selection Committee consists of:

- four persons elected by livestock producers
- three persons appointed by peak councils
- two MLA Board Directors.

At the 2015 AGM the number of grassfed cattle producer representatives on the Selection Committee increased from one to two. The Chair of the Selection Committee is Don Mackay and in 2016 was re-elected by committee members.

MLA's Constitution sets out the requirements for the proceedings of the Selection Committee and the qualifications and skills of candidates in nominated fields which the Selection Committee must consider.

The Selection Committee assesses candidates against a range of criteria, including experience and skills, personal qualities and their available time commitment. In accordance with good governance practice, appropriate checks of each candidate are undertaken before each nominee is put forward to members as a candidate for election, as a director. The composition of the Selection Committee, together with each member's attendance at meetings, is set out in the *Directors' report* on page 86.

### Board meetings

The Board had eight scheduled meetings during 2015-16, the agendas of which are formulated in preparation for each meeting and also incorporate items from an annual agenda to ensure regular review of key aspects of the business. The agenda items include regular reviews of MLA's financial position and management reports, a detailed review of the company's strategic imperatives, together with a review of key topics such as: industry dynamics and challenges; industry outlook and forecasts; and marketing and R&D programs. The annual agenda also sets key review dates for items that must come before the Board under the

categories of performance, compliance and governance.

The Board continually strives to ensure its meetings are conducted efficiently to enable sufficient discussion and contribution from all directors. The Board regularly considers and discusses key strategic issues at both a company and industry level. Management attends and presents information relevant to their portfolios and to respond to issues arising in Board meetings.

### Board training

The Board held an in-boardroom risk management review session in February 2015 which was facilitated by Deloitte. The program focused on MLA's risk management framework and included a review of MLA's risk profile, governance, policies and systems. In addition, directors are encouraged and do participate in individual training programs throughout the year.

### Independence

The Board considers each director's independence on an annual basis. Directors are considered to be independent if they are not a member of management and are free of any business or other relationship that materially interferes with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement. In assessing a director's independence, materiality is considered on a case-by-case basis by reference to each director's circumstances. A *Policy on the independence of directors*, which requires that the Board assess independence annually, or more regularly if a director's circumstances change, is currently implemented and in force. The Board has determined that all of the non-executive directors are independent.

### Conflicts of interest

In accordance with the requirements of the Corporations Act and its *Conflict of interest policy and procedures*, directors must declare any conflict of interest they may have, and must follow the procedures set out in MLA's policy including, in certain circumstances, abstaining from participating in any discussion or voting on matters in which they have a material personal interest. At the time of their appointment and as notified from time to time, each director provides to the Board information about their business and other interests. The Board records such notifications

in its minutes and maintains a register in accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (3rd edition)*.

### Reporting framework

MLA is operating under its 2012-16 Statutory Funding Agreement with the Commonwealth of Australia through its Department of Agriculture and Water Resources, which took effect from 15 October 2012 (Deed). The Deed sets out the requirements for the company's expenditure of levy funds and matching funds and provides a framework under which the company must report to the Department.

### Financial and risk management

MLA's risk management policies and assessments are documented in the Risk Management Plan (the plan). During 2015 a full review of MLA's Risk Management Plan and Risk Management framework was undertaken. A dedicated Risk and Assurance Manager was appointed to the business to proactively manage risk identification and management by the business, capturing controls in our risk register and reporting to the Audit and Risk Committee on matters relating to financial management, treasury, foreign exchange, payroll management, system controls and levels of authority.

The Audit and Risk Committee has received a written declaration from the Managing Director and Chief Financial Officer that the financial reports represent a true and fair view, in all material respects, of the company's

financial condition and operating results and are in accordance with relevant accounting standards.

### Code of business conduct and ethics

The Board endorsed the Code of Business Conduct and Ethics (the code), embodying the company's values of customer centricity, accountability through transparency and outcomes that make a difference. It otherwise sets out the principles which must be met to ensure that the company and its business associates meet its commitments to all stakeholders.

A copy of the code is provided to all new employees on commencement and is a feature of the formal induction training which is provided.

As part of an annual program of training and capability building within MLA, training in anti-bullying, equal opportunity and anti-discrimination was provided to all staff.

### Diversity

Since April 2011, the Board has implemented a company-wide diversity policy. MLA also recognises the importance of gender diversity in senior leadership and leadership roles as well as to focus on other areas of diversity such as age, ethnicity and disability and further work in the area of flexibility for care givers.

As at 30 June 2016, 51.9% of MLA's staff were women. On the Leadership team, five of the 10 (50%) executives are female and during the period on the

MLA Board of nine, three directors are female, with one being the Chair of the Board.

### Remuneration and performance arrangements

The total limit for directors' remuneration (excluding the Managing Director) is \$750,000. This limit was determined by members at the 2008 annual general meeting. The Board determined in December 2015 that an increase of 3.18% for directors' fees would take effect from 1 January 2016 and that in recognition of the additional workload on the Audit and Risk Chair that an additional sum of \$5,000/pa be paid taking the total per annum costs to \$490,054.

The remuneration arrangements for each member of the MLA Leadership Team, including the Managing Director, comprise both fixed and performance-based remuneration.

The remuneration packages for the Leadership Team are reviewed each year and include several gateways before eligibility to the performance-based component to ensure the remuneration structure aligns management effort with organisational objectives and attracts, retains and motivates quality management personnel.

## Comparison of MLA's Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations (3rd edition)

Principle/Recommendation	Description/reference of disclosure/compliance
<b>Principle 1. Lay solid foundations for management and oversight</b>	
Recommendation 1.1	
A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	This is outlined in the Board Charter and Operating Principles.
Recommendation 1.2	
A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	As part of the Selection Committee process in relation to Director selection, appropriate background checks are and will continue to be undertaken.  Candidates are shortlisted by reference to the selection criteria that act as terms of reference for the committee to ensure there is an appropriate mix of skills in the candidates nominated for election.  Candidate's biographical details included on the MLA Notice of Meeting are prepared from the material submitted through the Selection Committee process.

**Principle/Recommendation****Description/reference of disclosure/compliance**

<b>Principle/Recommendation</b>	<b>Description/reference of disclosure/compliance</b>
<b>Recommendation 1.3</b>	
A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	MLA has written engagement letters for directors and executive employment contracts with all members of the senior leadership team.
<b>Recommendation 1.4</b>	
The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company Secretary is accountable to the Board through the Chair on all matters related to the proper functioning of the MLA Board.
<b>Recommendation 1.5</b>	
A listed entity should: <ul style="list-style-type: none"> <li>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</li> <li>(b) disclose that policy or a summary of it; and</li> <li>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ul style="list-style-type: none"> <li>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</li> <li>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</li> </ul> </li> </ul>	<p>The diversity policy is available on MLA's website <a href="http://www.mla.com.au">www.mla.com.au</a></p> <p>The Board recognises and fosters a culture that encourages divergent views and robust discussion. In assessing candidates, the Selection Committee considers diversity of education, the nature of the businesses and business functions in which candidates have gained experience and the roles held, as well as the more obvious aspects of diversity such as gender, age, ethnicity and cultural background.</p> <p>MLA also enunciates its commitment to diversity in other policies such as anti-discrimination and bullying policy and acceptable behaviours policy which are regularly reported to, monitored by and adjusted with approval by the Board.</p> <p>The proportion of women as at the date of this report:</p> <ul style="list-style-type: none"> <li>• Board members: 30%</li> <li>• Leadership Team: 50%</li> <li>• the whole organisation: 52%</li> </ul>
<b>Recommendation 1.6</b>	
A listed entity should: <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	<p>The Board evaluates its performance through an annual performance review, which is periodically facilitated by an external specialist.</p> <p>As part of the Board's review process in 2015-16 it completed the Australian Institute of Company Directors Governance Analysis Tool survey and reviewed this with an external Australian Institute of Company Directors facilitator.</p>
<b>Recommendation 1.7</b>	
A listed entity should: <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	<p>The Remuneration Committee and Board conduct an annual assessment of the performance of the Managing Director and the Leadership Team against agreed KPIs.</p> <p>In accordance with the annual work plan, the performance evaluation process for the Managing Director and the Leadership Team was completed.</p>
<b>Principle 2. Structure the board to add value</b>	
<b>Recommendation 2.1</b>	
The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a nomination committee which: <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> </ul> </li> <li>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</li> </ul>	<p>MLA's Constitution and operation of the Selection Committee reflects this requirement.</p> <p>Refer also to the section about the Selection Committee in the <i>Corporate Governance Statement</i>.</p>
<b>Recommendation 2.2</b>	
A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Biographical details of directors are published on the MLA website <a href="http://www.mla.com.au/About-MLA/Who-we-are/Board-of-directors">http://www.mla.com.au/About-MLA/Who-we-are/Board-of-directors</a>

Principle/Recommendation	Description/reference of disclosure/compliance
<b>Recommendation 2.3</b>	
<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>The MLA Board currently considers the independence of its directors on an annual basis.</p> <p>Refer also to the Director independence section in the <i>Corporate Governance Statement</i>.</p> <p>Length of service of each director is included in the director biographies.</p>
<b>Recommendation 2.4</b>	
<p>A majority of the board of a listed entity should be independent directors.</p>	<p>All of the directors are independent with the exception of the Managing Director.</p>
<b>Recommendation 2.5</b>	
<p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>The role of the Chair and the Managing Director are not performed by the same person.</p>
<b>Recommendation 2.6</b>	
<p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>MLA has a program for inducting new directors and provides appropriate professional development.</p> <p>Refer also to the Director training section in the <i>Corporate Governance Statement</i>.</p>
<b>Principle 3. Act ethically and responsibly</b>	
<b>Recommendation 3.1</b>	
<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>MLA has a <i>Code of Business Conduct and Ethics</i> which covers the governance and sets the expectation for the Board and all MLA personnel. The <i>Code of Business Conduct and Ethics</i> is on MLA's website.</p>
<b>Principle 4. Safeguard integrity in corporate reporting</b>	
<b>Recommendation 4.1</b>	
<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the relevant qualifications and experience of the members of the committee; and</li> <li>(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</li> </ol> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>Biographical details of directors are published to the MLA website <a href="http://www.mla.com.au/About-MLA/Who-we-are/Board-of-directors">http://www.mla.com.au/About-MLA/Who-we-are/Board-of-directors</a></p> <p>Refer also to the Audit and Risk Committee section in the <i>Corporate Governance Statement</i>.</p>
<b>Recommendation 4.2</b>	
<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The wording of the declaration reflects the wording in the recommendation.</p>
<b>Recommendation 4.3</b>	
<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>MLA's external auditor attends each AGM and is available to answer questions from members relevant to the audit.</p>

**Principle/Recommendation**

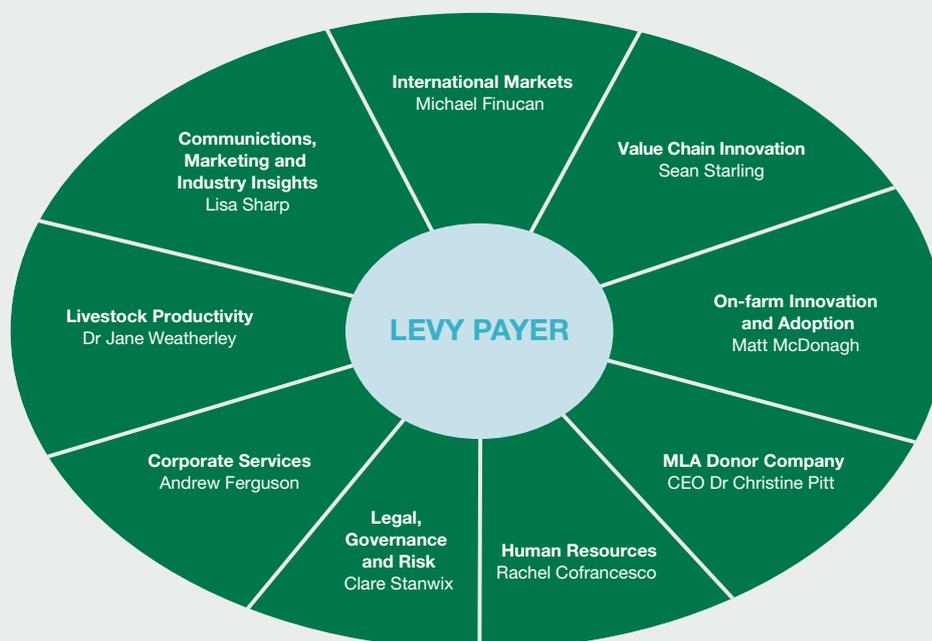
**Description/reference of disclosure/compliance**

<b>Principle 5. Make timely and balanced disclosure</b>	
Recommendation 5.1	
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.	As MLA is an unlisted public company it is not an ASX disclosing entity but does report annually to members on its operations and financial results.
<b>Principle 6. Respect the rights of security holders</b>	
Recommendation 6.1	
A listed entity should provide information about itself and its governance to investors via its website.	MLA provides information about itself and its governance framework on its website.
Recommendation 6.2	
A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	MLA has a Communications and Stakeholder Engagement team and program to promote effective two-way communication with members.
Recommendation 6.3	
A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Information about how MLA facilitates and encourages participation by members at meetings is on MLA's website.
Recommendation 6.4	
A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	In addition to amending its constitution in 2009 to ensure information can be provided electronically, in 2016 MLA also ran an opt-in campaign for members to elect to receive electronic communications.
<b>Principle 7. Recognise and manage risk</b>	
Recommendation 7.1	
The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are 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 throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Board has established an Audit and Risk Committee which is structured so it: <ul style="list-style-type: none"> <li>• consists of only non-executive, independent directors;</li> <li>• is chaired by an independent chair who is not chair of the Board; and</li> <li>• consists of at least three members of the Board.</li> </ul> The charter of the committee is on MLA's website. Refer also to the section about the Audit and Risk Committee in the <i>Corporate Governance Statement</i> .
Recommendation 7.2	
The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Refer to the section about the Financial and risk management in the <i>Corporate Governance Statement</i> .
Recommendation 7.3	
A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Refer to the section about the Internal Audit program in the <i>Corporate Governance Statement</i> .
Recommendation 7.4	
A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Refer to the section about the Financial and risk management in the <i>Corporate Governance Statement</i> . The Risk register is a living document and is being broadly engaged with across the business.

Principle/Recommendation	Description/reference of disclosure/compliance
<b>Principle 8. Remunerate fairly and responsibly</b>	
Recommendation 8.1	
<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Board has established a Remuneration Committee which is structured so it:</p> <ul style="list-style-type: none"> <li>• consists of three non-executive, independent directors; and</li> <li>• is chaired by an independent chair.</li> </ul> <p>The charter of the committee is on MLA's website.</p> <p>Refer also to the Remuneration Committee and Remuneration and performance arrangements sections in the <i>Corporate Governance Statement</i>.</p>
Recommendation 8.2	
<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Refer to the Remuneration and performance arrangements section in the <i>Corporate Governance Statement</i>.</p>
Recommendation 8.3	
<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Not applicable as MLA does not have an equity-based remuneration scheme.</p>

## Organisation structure

As at 30 June 2016, MLA had eight business units in addition to MLA Donor Company. They are as follows:



## MLA Leadership Team



**Richard Norton**  
Managing Director  
See page 73 for Mr Norton's profile.



**Christine Pitt**  
DBA, MHA, BSc  
Chief Executive Officer, MLA Donor Company

Dr Pitt has been a member of MLA's Leadership Team since 1998 and has led major initiatives in automation, food safety and traceability, product development and value chain design. She became the inaugural CEO of MLA Donor Company in 2016 and aims to increase private investment in industry research and development, build value chain capability and attract new AgTech and FoodTech entrepreneurs to support industry transformation.



**Lisa Sharp**  
BEc  
Chief Marketing and Communications Officer

Ms Sharp joined MLA in April 2015 and has an extensive background in consumer marketing, product innovation, global strategy development, change management and general management. She has held marketing leadership and executive team positions in a number of Australian and multinational organisations including SPC Ardmona, Coca Cola Amatil, PZ Cussons and Novartis Consumer Health. Ms Sharp has also held finance, business analyst and brand management roles during her career.



**Andrew Ferguson**  
BA and CA  
Chief Financial Officer

Mr Ferguson joined MLA as Chief Financial Officer in December 2016. He is a chartered accountant with over 20 years of commercial and financial experience in both the UK and Australia. His previous positions include senior finance roles with Ruralco Holdings, NRMA and Jetset Travelworld. Prior to this Mr Ferguson worked as a senior manager with EY.



### Michael Finucan

BAGSc  
General Manager, International Markets

Mr Finucan has extensive experience working in international markets after being involved in the export of a range of agricultural commodities before joining MLA in 2007. He has held a number of roles at MLA, including Manager Livestock Exports and International Business Manager in Korea. He is currently based in MLA's China office and oversees MLA's international operations.



### Sean Starling

LLB, B.Eng (Chem), Vincent Fairfax Fellow  
General Manager, Value Chain Innovation

Mr Starling joined MLA in 2016 following his role as General Manager – Australia of Scott Technology Ltd and was previously at MLA from 2002-2009 as Manager – Innovation and Capability Building. He has been engaged in food value chains for most of his career, having worked in positions from factory engineer to general manager in manufacturing, research and development, and engineering organisations.



### Jane Weatherley

PhD (Farming systems) GAICD  
General Manager, Livestock Productivity

Dr Weatherley joined MLA's on-farm research and adoption team in 2006. Before MLA, she held positions spanning from red meat extension to evaluation. She maintains an active role in her family beef operation on Bruny Island, Tasmania. Dr Weatherley now oversees Meat Standards Australia and research, development and adoption of sheep productivity, genetics and data insights programs.



### Matthew McDonagh

BSc (Hons 1) PhD (Ruminant nutrition and meat quality)  
General Manager, On-farm Innovation and Adoption

Dr McDonagh joined MLA in January 2015. He has a northern NSW sheep and cattle farming background and obtained his PhD through the Beef CRC I studying ruminant nutrition, animal growth and meat quality. He has held research positions within the US Department of Agriculture and NSW and Victorian DPIs. At MLA, Dr McDonagh manages the investments in the grassfed beef, sheepmeat, feedlot, live export and goat on-farm innovation and adoption programs.



### Rachel Cofrancesco

Grad Cert HRM, Ad Dip Mgt, Cert IV Financial Services  
Head of Human Resources

Ms Cofrancesco joined MLA in April 2015. She has worked in the agribusiness sector over the last seven years. Prior to working in agribusiness she held several senior roles in both human resources and operations management within the retail and hospitality industries.



### Clare Stanwix

General Counsel and Company Secretary  
See page 75 for Ms Stanwix's profile.

## Human resources

At 30 June 2016, MLA had 234 employees, including five Australian-based casuals that have been included in the part-time numbers.

Voluntary turnover for the reporting year was 14% with a total turnover of 20.4% compared to 36% during the last reporting period. Total turnover includes both voluntary and involuntary turnover (redundancies, terminations and terminations within probation period).

### Remuneration process

During 2015-16 MLA had all roles benchmarked through global human resources consulting firm AON Hewitt. The Board Remuneration Committee sets the overall percentage of salary increases for the year based on Consumer Price Index and salary survey information. The salaries of all employees are then reviewed based on performance, the career level of the role and the degree to which the employee has the competencies and capabilities required for the role. The results of the salary reviews are then discussed with the MLA Leadership Team and the Remuneration Committee.

The total employee benefit expense in 2015-16 was \$30.4 million (see page 98).

### Workplace health and safety (WHS)

In 2015-16 there was a focus on safety and establishing a safety culture, particularly around international travel given recent world events.

The full WHS system has been developed and reviewed by the WHS Committee.

Increased awareness and compliance with WHS reporting procedures resulted in an increase in reported incidents in the period. Fifteen incidents were reported with corrective action taken to remove or reduce residual risks, up from seven in 2014-15.

There were no worker's compensation claims or lost time injury in the period, compared with 1.5 days in 2014-15.

There were no reported breaches of workplace health and safety laws, as in 2014-15.

### Diversity and gender equality

MLA has a diversity policy that outlines the company's commitment to diversity,

### MLA employee profile

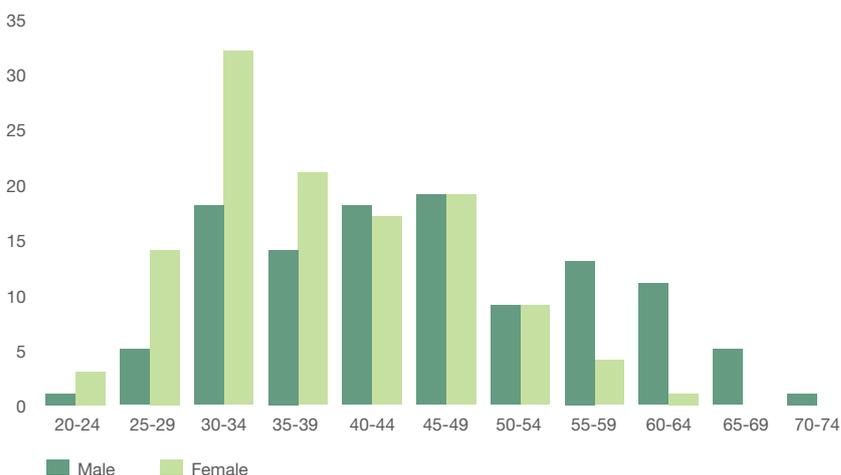
	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Male	126	118	127	112	114
Female	107	130	142	125	120
Full-time	219	233	235	208	207
Part-time	14	15	34	29*	27*
Australia based	202	210	231	197	196
Overseas based	31	38	38	40	38
<b>Total staff</b>	<b>233</b>	<b>248</b>	<b>269</b>	<b>237</b>	<b>234</b>

\* Part-time total includes five casual employees

### MLA employees by business unit

Business unit	
Communications, Marketing and Industry Insights	59
Corporate Services (including legal and HR)	34
Executive	2
International Markets	44
Livestock Productivity	24
MLA Donor Company	2
National Livestock Identification System	26
On-farm Innovation and Adoption	18
Value Chain Innovation	25
<b>Total</b>	<b>234</b>

### MLA employees – age and gender composition



including gender equality. MLA's diversity policy can be viewed on its website.

At 30 June 2016, 51.3% of the workforce consisted of female employees. These employees were spread across the business and most age groups.

MLA will continue to offer employees flexible work arrangements that support work/life balance, and family

or caring responsibilities. These include flexible hours of work, time in lieu, telecommuting, part-time work, job sharing, paid parental leave and personal/carer's leave provisions. MLA also offers access to an employee assistance program, training and formal policies to protect employees against discrimination, harassment and bullying.

# Financial report

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## Directors' report

The Board of Directors of Meat & Livestock Australia Limited ('MLA' or 'the Company') has pleasure in submitting its report for the financial year ended 30 June 2016.

### Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows: Dr Michele Allan, Mr Richard Norton, Ms Lucinda Corrigan, Mr Geoffrey Maynard, Mr George Scott, Mr Chris Mirams, Mr Alan Beckett, Ms Erin Gorter, Mr Steven Chaur and Mr Robert Fitzpatrick.

### Directors retired during the year

Directors retiring during the year were Mr Peter Trefort and Mr John McKillop, both in November 2015.

### Company secretary

The company secretary during the year was Ms Clare Stanwix.

See pages 73-75 for names, qualifications, experience and special responsibilities of the directors, directors retired during the year and the company secretary.

### Subsidiaries

#### MLA Donor Company Limited

The business activities of MLA Donor Company Limited are overseen by a separate board of directors. At 30 June 2016, the members of the board were Mr Richard Norton, Mr Geoffrey Maynard, Mr Chris Mirams, Mr Rob Fitzpatrick and Ms Lucinda Corrigan.

#### National Livestock Identification System Limited

The business activities of National Livestock Identification System Limited are overseen by a separate board of directors. At 30 June 2016, the members of the board were Mr John Wyld, Mr Ian Feldtmann, Mr Peter Milne, Mr Richard Norton and Mr Rob Fitzpatrick.

### Directors' meetings

During the period 1 July 2015 to 30 June 2016 the MLA Board held meetings of directors. The attendances of the directors at meetings of the Board and of its committees were:

	Board of directors		Committees of the Board of directors	
	Scheduled meetings	Total	Audit & Risk	Remuneration
R Fitzpatrick	5 [5]	5 [5]		
M Allan	8 [8]	8 [8]		2 [3]
G Maynard	7 [8]	7 [8]		
L Corrigan	8 [8]	8 [8]	4 [4]	
P Trefort	3 [3]	3 [3]		1 [1]
S Chaur	4 [5]	4 [5]	2 [2]	2 [2]
J McKillop	3 [3]	3 [3]	1 [1]	1 [1]
E Gorter	5 [5]	5 [5]		2 [2]
G Scott	8 [8]	8 [8]		
R Norton	8 [8]	8 [8]	2 [4]	2 [3]
A Beckett	8 [8]	8 [8]	4 [4]	
C Mirams	8 [8]	8 [8]		2 [2]

Where a director did not attend all meetings of the Board or relevant committee, the number of meetings for which the director was eligible to attend is shown in brackets.

#### Selection Committee

During the year, the Selection Committee held meetings. The current members of the Selection Committee and their attendance at meetings are listed below. The number of meetings for which the selection committee member was eligible to attend is shown in brackets.

MLA Directors	
Michele Allan (Chair)	2 [2]
Alan Beckett	2 [2]
Chris Mirams	2 [2]
Geoff Maynard	2 [2]

Peak Council representatives	
Therese Herbert	4 [4]
Don Mackay	4 [4]
Jeffrey Murray	4 [4]
Howard Smith	4 [4]

MLA Member elected representatives	
Mick Hewitt	2 [2]
Ian McCamley	4 [4]
Jane Kellock	4 [4]

#### Principal activities

The major activities of Meat & Livestock Australia Ltd and its subsidiaries (the Group) during the financial year comprised:

- providing research and development support to the Australian red meat and livestock industry
- providing marketing and promotion services to the Australian red meat and livestock industry both domestically and overseas.

There have been no significant changes in the nature of these activities during the year.

### Review and results of operations

#### Operating result for the period

The result of the Group for the financial year was a net surplus from continuing operations of \$25,371,000 (2015: net surplus of \$26,178,000). This was primarily attributed to larger than expected transaction levy income resulting from the high level of turn-off rates driven by strong market prices offered by the processors and lower expenditure due to realignment of spending strategy.

#### Group overview

The Group earned total revenue of \$197,812,000 (2015: \$205,735,000) which is comprised of the following:

- Transaction levies \$111,383,000 (2015: \$114,767,000)
- Research and development matching grants \$44,023,000 (2015: \$46,475,000)

- Research and development contributions (unmatched)  
\$2,192,000 (2015: \$238,000)
- Other income and revenues  
\$40,214,000 (2015: \$44,255,000)

Total income received/receivable was more than total expenditure, which resulted in a net surplus from continuing operations of \$25,371,000 for the year.

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group.

### Significant events after the balance date

No significant events after balance date.

### Environmental regulation and performance

The Group does not have a material exposure to any environmental regulations.

### Indemnification and insurance of directors and officers

Under its constitution, the Company may indemnify each director and each executive officer against any claim or any expenses or costs which may arise as a result of work performed in their respective capacities.

The Company paid an insurance premium in respect of a contract insuring all the directors, secretaries and executive officers of the group entities against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The terms of that policy prohibit disclosure of the premium paid or the monetary limit of this indemnity.

### Rounding of amounts

The Company is of the kind specified in Australian Securities and Investments Commission class order 98/0100. In accordance with that class order, amounts in the financial statements and the Directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

### Registered office and principal place of business

Level 1, 40 Mount Street  
North Sydney  
New South Wales 2060  
(02) 9463 9333

### Auditor independence

The Auditor's independence declaration which forms part of the *Directors' report* for the financial year ended 30 June 2016 has been received and can be found following this report.

This report has been made in accordance with a resolution of directors.



Dr Michele Allan  
Director



Richard Norton  
Director

Sydney  
14 September 2016

## Auditor's Independence Declaration

to the Directors of Meat & Livestock Australia Limited



Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

### Auditor's Independence Declaration to the Directors of Meat & Livestock Australia Limited

As lead auditor for the audit of Meat & Livestock Australia Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Meat & Livestock Australia Limited and the entities it controlled during the financial year.

Ernst & Young

A handwritten signature in black ink that reads 'Rob Lewis'.

Rob Lewis  
Partner  
Sydney  
14 September 2016

## Income statement

Year ended 30 June 2016	Note	Consolidated	
		2016 \$000	2015 \$000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUES FROM CONTINUING OPERATIONS</b>	3	<b>197,812</b>	205,735
<b>EXPENDITURE FROM CONTINUING OPERATIONS</b>			
Trade and market access		<b>24,722</b>	23,081
Increasing customer and consumer demand		<b>65,389</b>	65,509
Improve productivity and profitability across the supply chain		<b>27,871</b>	37,580
Industry sustainability and integrity		<b>20,056</b>	22,728
Industry leadership, innovation adoption and capability		<b>15,417</b>	12,948
Stakeholder engagement and communication		<b>6,238</b>	4,454
AUS-MEAT		<b>550</b>	550
Corporate service		<b>12,198</b>	12,707
Total expenditure		<b>172,441</b>	179,557
<b>NET SURPLUS FROM CONTINUING OPERATIONS</b>		<b>25,371</b>	26,178
<b>TOTAL CHANGE IN MEMBERS' FUNDS</b>		<b>25,371</b>	26,178

The accompanying notes form an integral part of this *Income statement*.

## Statement of comprehensive income

Year ended 30 June 2016	Consolidated	
	2016 \$000	2015 \$000
<b>NET SURPLUS FROM CONTINUING OPERATIONS</b>	<b>25,371</b>	26,178
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that may be subsequently reclassified to the <i>Income Statement</i>		
Cash flow hedges:		
Gain/(Loss) taken to equity	(210)	68
Transferred to <i>Statement of financial position</i>	(68)	216
Other comprehensive income/(expense) for the year	(278)	284
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>25,093</b>	26,462

The accompanying notes form an integral part of this *Statement of comprehensive income*.

## Statement of financial position

As at 30 June 2016	Notes	Consolidated	
		2016 \$000	2015 \$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	25	123,265	90,973
Trade and other receivables	7	38,237	34,100
Prepayments and deposits	8	1,684	1,279
<b>TOTAL CURRENT ASSETS</b>		<b>163,186</b>	126,352
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	4,297	5,332
Intangible assets	13	1,623	1,399
Other financial assets	14	3,112	4,243
<b>TOTAL NON-CURRENT ASSETS</b>		<b>9,032</b>	10,974
<b>TOTAL ASSETS</b>		<b>172,218</b>	137,326
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	33,822	36,844
Provisions	16	1,670	1,788
Other liabilities	17	22,721	9,793
<b>TOTAL CURRENT LIABILITIES</b>		<b>58,213</b>	48,425
<b>NON-CURRENT LIABILITIES</b>			
Other payables	18	3,017	3,294
Provisions	19	1,440	1,152
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,457</b>	4,446
<b>TOTAL LIABILITIES</b>		<b>62,670</b>	52,871
<b>NET ASSETS</b>		<b>109,548</b>	84,455
<b>EQUITY – MEMBERS’ FUNDS</b>			
Contributed equity	28	9,031	9,031
Retained surplus		100,727	75,356
Cash flow hedge reserve	20	(210)	68
<b>TOTAL EQUITY – MEMBERS’ FUNDS</b>		<b>109,548</b>	84,455

The accompanying notes form an integral part of this *Statement of financial position*.

## Statement of changes in equity

Year ended 30 June 2016	Consolidated			Total \$000
	Contributed equity \$000	Retained earnings \$000	Cash flow hedge reserve \$000	
<b>At 1 July 2014</b>	9,031	49,178	(216)	57,993
Surplus for the year	–	26,178	–	26,178
Other comprehensive income	–	–	284	284
Total comprehensive income	–	26,178	284	26,462
<b>At 30 June 2015</b>	<b>9,031</b>	<b>75,356</b>	<b>68</b>	<b>84,455</b>
Surplus for the year	–	25,371	–	25,371
Other comprehensive (expense)	–	–	(278)	(278)
Total comprehensive (loss)/income	–	25,371	(278)	25,093
<b>At 30 June 2016</b>	<b>9,031</b>	<b>100,727</b>	<b>(210)</b>	<b>109,548</b>

The accompanying notes form an integral part of this *Statement of changes in equity*.

## Statement of cash flows

Year ended 30 June 2016	Notes	Consolidated	
		2016 \$000	2015 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Levies collected		122,175	125,880
Research and development matching grants		50,075	48,588
Receipts from processors and live exporters		10,752	19,370
Other receipts		27,054	24,550
Payments to suppliers and employees		(179,197)	(191,526)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	25(b)	<b>30,859</b>	26,862
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		24	–
Purchase of property, plant and equipment		(705)	(522)
Purchase of software	13	(971)	(271)
Interest received		3,085	2,319
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>1,433</b>	1,526
<b>NET INCREASE IN CASH HELD</b>		<b>32,292</b>	28,388
<b>Add opening cash brought forward</b>		<b>90,973</b>	62,585
<b>CLOSING CASH CARRIED FORWARD</b>	25(a)	<b>123,265</b>	90,973

The accompanying notes form an integral part of this *Statement of cash flows*.

# Notes to the financial statements

## 1. CORPORATE INFORMATION

The financial report of Meat & Livestock Australia Limited ('MLA' or 'the Company') for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 14 September 2016.

MLA has prepared a consolidated financial report incorporating the Company and the entities that it controlled during the financial year.

MLA is a company limited by guarantee incorporated in Australia.

The nature of the operations and principal activities of the Group are described in the *Directors' report*.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except for derivative financial instruments which have been measured at fair value.

The financial report is presented in Australian dollars.

### (b) Statement of compliance

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **New, revised or amending Accounting Standards and Interpretations adopted**

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

#### • **AASB 9 Financial Instruments**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition

and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

#### • **AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation**

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 and AASB 138 to clarify that depreciation and amortisation should be based on the expected pattern of consumption of an asset, that the use of revenue-based methods to calculate depreciation is not appropriate, and that there is a rebuttable presumption that revenue is an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset. The adoption of these amendments from 1 July 2016 will not have a material impact on the Group.

#### • **AASB 15 Revenue from Contracts with Customers**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will

recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

#### • **AASB 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small

office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

### (c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Meat & Livestock Australia Limited and its subsidiaries (as outlined in Note 10) as at 30 June each year (the Group). Controls are achieved where the Company has power over the investee, exposure, or rights to variable returns from its involvement with the investee and the ability to use its power to affect its returns. The results of subsidiaries acquired or disposed during the year are included in the *Consolidated income statement* and *Statement of comprehensive income* from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent accounting policies. All intercompany balances and transactions have been eliminated in full.

### (d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the *Statement of cash flows*, cash includes cash on

hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

### (e) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written-off as incurred.

### (f) Taxes

#### Income tax

The Group is exempt from income tax under section 50-40 of the Income Tax Assessment Act 1997.

#### Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except where:

- GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables (except accrued income and expenditure) are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the *Statement of financial position*.

Cash flows are included in the *Statement of cash flows* on a gross basis and the GST component of cash flows arising from investing activities, which is recoverable from or payable to the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue, trade debtors and accrued revenue are recognised for the major business activities as follows:

- Transaction levies – revenue is recognised in the period to which it relates based on confirmations received from the Levies and Revenue Service who collect and distribute levies to the Company.
- Research and development Commonwealth matching payments – revenue is recognised for the matching funding from the Australian government to the extent that the entity obtains

control of the funding, it is probable that the economic benefits comprising the funding will flow to the entity and the funding can be measured reliably. These conditions are considered to be met when approved eligible research and development expenditure has been incurred. Accrued matching payments represent unclaimed funding for the amount incurred on research and development.

- Research and development contributions (unmatched) – the company receives funding from various external parties (including the Department of Agriculture and Water Resources and the Australian Government) to conduct collaborative research and development programs. Revenue is recognised when the company obtains control of the contribution or the right to receive the contribution based on conditions around expenditure incurred.
- R&D partnership income, processor and live exporter contributions are recognised as revenue when the company obtains control of the contribution or the right to receive the contribution when it is probable that the economic benefits comprising the funding will flow to the entity and the funding can be measured reliably. These conditions are considered to be met based on conditions around expenditure incurred.
- Interest income is taken up as income on an accrual basis.
- Government grants are recognised when the Group obtains control of the grant or the right to receive the grant, which is considered to occur when all attaching conditions have been met. The grant received or receivable will be recognised as income when it is probable that the economic benefits of the grant will flow to the entity and the amount of the grant can be measured reliably.

### (h) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and options contracts to hedge against the risks associated with foreign currency fluctuations. These contracts are initially recognised at fair value on the date they are entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net surplus or deficit for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

#### *Cash flow hedges*

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect the surplus or deficit. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity while the ineffective portion is recognised in the *Statement of comprehensive income*.

Amounts taken to equity are transferred to the *Statement of comprehensive income* when the hedged transaction affects the surplus or deficit, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the *Statement of comprehensive income*. If the hedging instrument expires or is sold, terminated or exercised

without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the *Statement of comprehensive income*.

Financial assets and financial liabilities are offset and the net amount is reported in the *Consolidated statement of financial position* if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### **(i) Foreign currency translation**

Both the functional and presentation currency of the Company and its subsidiaries is Australian dollars (\$). Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the budget exchange rate and subsequently revaluing it to the average exchange rate of the month. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the *Income statement*.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

#### **(j) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

#### **(k) Intangible assets**

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible

asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the *Income statement* in the expense category consistent with the function of the intangible asset.

Intangibles are amortised as follows:

Computer software	1-7 years
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#### **(l) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter, if there is no certainty the Group will obtain ownership by the end of the lease.

#### **(m) Property, plant and equipment**

##### **Cost**

All classes of property, plant and equipment are measured at cost.

##### **Depreciation**

Depreciation is provided on a straight-line basis on all property, plant and equipment.

	Life
Leasehold improvements	Remaining term of lease
Plant and equipment	2-5 years
Furniture and fittings	3-5 years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate at each financial year end.

##### **Derecognition and disposal**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is

included in profit or loss in the year the asset is derecognised.

#### (n) Trade and other payables

Liabilities for trade and other payables are carried at amortised cost, which is the fair value of consideration to be paid in the future for goods and services received prior to the end of the financial year and which are unpaid. These amounts are unsecured and will be paid when due.

#### (o) Unearned income

Unearned income consists of funds which have been received or invoiced but income recognition has been deferred to future years because the project milestones have not been met or the expenditure to which they relate has not been incurred.

#### (p) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, long service leave and other employee benefits.

##### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

##### Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be

made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### (q) Fit-out contribution and rent-free period

The Company negotiated the lease of new premises in North Sydney in April 2013 which included incentives that involved a combination of a fit-out contribution and rent-free period. The benefit of these incentives are being amortised on a straight-line basis over the 10 years and five months lease term.

#### (r) Investment in associate

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements. The associate is an entity over which the Group has significant influence and which is neither subsidiary nor joint venture.

Under the equity method, investments in the associate are carried in the *Consolidated statement of financial position* at cost plus post-acquisition changes in the Group's share of net assets of the associate. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate.

Pursuant to the constitution of the associate (AUS-MEAT), the Group has no entitlement to a share of the associate's net results. The Group is also not entitled to the net assets of the associate except in the event of a winding up of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Interests in associated entities are included in non-current assets at the recoverable amount. Detailed equity accounting information concerning the Group's material interests in its associate is provided in Note 9.

#### (s) Leasehold make good provision

The Company has entered into a number of office premises lease agreements which include make good clauses. A make good clause requires the Company to restore the premises to its original condition at the conclusion of the lease. The provision has been calculated as the present value of the expected cost, which has been based on management's best estimate.

### 3. REVENUE FROM CONTINUING OPERATIONS

#### Revenues from operating activities

		Consolidated	
	Notes	2016 \$000	2015 \$000
Transaction levies	4	111,383	114,767
R&D Commonwealth matching payments		44,023	46,475
R&D contributions (unmatched)		2,192	238
Other income	5	37,116	41,674
<b>Total revenues from operating activities</b>		<b>194,714</b>	<b>203,154</b>
<b>Revenues from non-operating activities</b>			
Bank interest		3,098	2,581
<b>Total revenues from non-operating activities</b>		<b>3,098</b>	<b>2,581</b>
<b>Total revenues from continuing operations</b>		<b>197,812</b>	<b>205,735</b>

	Consolidated	
	2016 \$000	2015 \$000
<b>4. TRANSACTION LEVIES</b>		
Transaction levies:		
– Grainfed cattle	11,947	10,510
– Grassfed cattle	61,433	66,938
– Lambs	34,718	33,683
– Sheep	2,490	2,720
– Goats	795	916
Total transaction levies	111,383	114,767
<b>5. OTHER INCOME</b>		
Processor contributions	12,029	12,325
Live exporter contributions	2,090	2,416
Co-operative funding	1,414	2,855
R&D partnership income	16,404	15,000
Sale of products or services	1,681	1,595
Other	3,498	7,483
Total other income	37,116	41,674
<b>6. EXPENSES AND LOSSES</b>		
Depreciation and amortisation of non-current assets included in the <i>Income statement</i> :		
Leasehold improvements	739	785
Plant and equipment	960	1,009
Furniture and fittings	20	28
Amortisation of intangible assets	734	528
Total depreciation and amortisation of non-current assets	2,453	2,350
(Gain)/Loss on sale of assets	(3)	26
Operating lease rentals included in the <i>Income statement</i>	3,750	3,442
Employee benefit expense:		
Wages and salaries	25,869	26,588
Worker's compensation costs	152	114
Annual leave provision	1,707	1,547
Long service leave provision	504	237
Superannuation expense	2,104	2,090
Other post-employment benefits	88	40
Total employee benefit expense	30,424	30,616

	Consolidated	
	2016 \$000	2015 \$000
<b>7. TRADE AND OTHER RECEIVABLES (CURRENT)</b>		
Trade receivables	10,289	5,178
Allowance for impairment of receivables (a)	–	–
Trade receivables, net	10,289	5,178
Accrued revenue		
– Levies	8,348	8,002
– R&D Commonwealth matching payments	17,143	18,714
– Other	2,343	2,090
Total accrued revenue	27,834	28,806
Other receivables	114	116
Total current receivables, net	38,237	34,100

There have been no movements in the provision for impairment loss.

The ageing analysis of trade receivables (net of impairment) is as follows:

#### Consolidated

	Total \$000	Current \$000	Past due but not impaired				
			1-30 days	31-60 days	61-90 days	91-120 days	>120 days
Trade receivables (net of impairment)							
<b>30 June 2016</b>	<b>10,289</b>	<b>10,197</b>	<b>64</b>	<b>10</b>	<b>1</b>	<b>3</b>	<b>14</b>
30 June 2015	5,178	4,697	316	62	21	47	35

#### (a) Allowance for impairment of receivables

A provision for impairment loss is recognised when there is objective evidence that a trade receivable is individually impaired (refer Note 2(e)). Financial difficulties of the debtor or defaulting in payments are considered objective evidence of impairment.

Receivables past due but not impaired are: \$92,000 (2015: \$481,000). Each business unit has been in contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected these balances will be received when due.

#### (b) Interest rate risk

Trade debtors, R&D matching grants, levies and other accrued revenue are non-interest bearing and generally on 14- to 30-day terms.

#### (c) Security

The Group does not hold any collateral or security on trade receivables.

#### (d) Credit risk

The carrying value at the reporting date approximate the fair value for each class of receivable. Details regarding credit risk exposure are disclosed in Note 29.

	Consolidated	
	2016 \$000	2015 \$000

## 8. PREPAYMENTS AND DEPOSITS

Prepayments	1,107	658
Deposits	577	621
Total prepayments and deposits	1,684	1,279

## 9. INVESTMENT IN ASSOCIATE

Unlisted:		
AUS-MEAT Limited	-	-

AUS-MEAT Limited became an associated entity in 1998/99 and is jointly owned (50% each) by MLA and Australian Meat Processor Corporation Limited.

AUS-MEAT Limited is an independent company limited by guarantee with operations split into two principal areas, the Standards division and the Services division. It is incorporated in Australia.

MLA has a continuing commitment to support AUS-MEAT Limited. The contribution for the financial year ended 30 June 2016 was \$550,000 (2015: \$550,000).

### Summary results of the associate entity

	AUS-MEAT Limited	
	2016 \$000	2015 \$000
Revenue	14,262	14,460
Accumulated surplus at beginning of the year	4,028	3,249
Net surplus for the year	310	779
Accumulated surplus at end of the year	4,338	4,028

### Financial summary of associated entity

Total current assets	10,431	11,002
Total non-current assets	3,312	3,223
Total current liabilities	4,375	5,125
Total non-current liabilities	180	221
Net assets	9,188	8,879

The investment in AUS-MEAT Limited has been taken up at nil value (2015: \$nil). There is no entitlement to a share of the net results or net assets except in the event of a winding up of the entity.

## 10. INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements include the financial statements of Meat & Livestock Australia Limited and the subsidiaries listed in the following table.

Name	Equity interest %		Investment \$000	
	2016	2015	2016	2015
a) MLA Donor Company Limited	100	100	-	-
b) National Livestock Identification System Limited	100	100	-	-
			-	-

a) MLA Donor Company Limited was incorporated in Australia on 6 August 1998 and is limited by guarantee. If the company is wound up, its Constitution states that MLA is required to contribute a maximum of \$5 towards meeting any outstanding obligations of the company.

b) National Livestock Identification System Limited (NLIS) was incorporated in Australia on 24 December 2008 and is limited by guarantee. If the company is wound up, its Constitution states that MLA is required to contribute a maximum of \$5 towards meeting any outstanding obligations of the company.

2016 \$000	2015 \$000
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## 11. PARENT ENTITY INFORMATION

Information relating to Meat & Livestock Australia Ltd

Current assets	159,546	122,329
Total assets	168,498	133,154
Current liabilities	55,902	43,823
Total liabilities	60,247	48,440
Contributed equity	9,031	9,031
Reserves	(210)	68
Total equity – Members' funds	99,431	84,715
Surplus/(Deficit) for the year	25,371	26,178
Other comprehensive (expense)/income for the year	(278)	284

As at balance date, the parent entity has not entered into any material contractual commitments for the acquisition of property, plant or equipment other than as noted in the financial statements.

### Consolidated

2016 \$000	2015 \$000
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## 12. PROPERTY, PLANT AND EQUIPMENT

### Plant and equipment

<i>At cost</i>	5,853	5,824
<i>Accumulated depreciation</i>	(4,960)	(4,296)
Total plant and equipment	893	1,528

### Furniture and fittings

<i>At cost</i>	351	336
<i>Accumulated depreciation</i>	(260)	(289)
Total furniture and fittings	91	47

### Leasehold improvements

<i>At cost</i>	5,899	5,711
<i>Accumulated depreciation</i>	(2,586)	(1,954)
Total leasehold improvements	3,313	3,757

### Total property, plant and equipment

Cost	12,103	11,871
<i>Accumulated depreciation</i>	(7,806)	(6,539)
Total written down value	4,297	5,332

	Consolidated	
	2016 \$000	2015 \$000

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

### Plant and equipment

Carrying amount at beginning	1,528	2,073
Additions	346	491
Disposals	(21)	(26)
Depreciation expense	(960)	(1,010)
	893	1,528

### Furniture and fittings

Carrying amount at beginning	47	72
Additions	64	7
Disposals	–	(4)
Depreciation expense	(20)	(28)
	91	47

### Leasehold improvements

Carrying amount at beginning	3,757	4,533
Additions	514	65
Disposals	(219)	(15)
Depreciation expense	(739)	(826)
	3,313	3,757

## 13. INTANGIBLE ASSETS

### Software

<i>At cost</i>	7,318	6,347
<i>Accumulated amortisation</i>	(5,695)	(4,948)
Total software	1,623	1,399
Reconciliation		
Carrying amount at beginning	1,399	1,656
Additions	971	271
Amortisation expense	(747)	(528)
	1,623	1,399

## 14. OTHER FINANCIAL ASSETS

Other financial assets consist of restricted cash which relates to cash held as rental bonds in bank account which is pledged as collateral to landlords for risks retained by the group.

Total other financial assets	3,112	4,243
	3,112	4,243

	Consolidated	
	2016 \$000	2015 \$000

### 15. TRADE AND OTHER PAYABLES (CURRENT)

Trade payables (a)	15,406	15,484
Accrued R&D and other creditors (a)	15,492	18,903
Rent-free period (Refer Note 2(q))	489	472
Derivative financial instruments (b)	210	(68)
Employee entitlements		
– Annual leave	1,887	1,787
– Other	338	266
<b>Total current trade and other payables</b>	<b>33,822</b>	<b>36,844</b>

(a) Trade payables, accrued R&D and other creditors are non-interest bearing and are normally settled on 30-day terms. In the case of accrued R&D, any payments are further subject to milestones being satisfactorily completed. Where other creditors and accruals include balances that are denominated in a foreign currency that has not been effectively hedged, these balances have been further disclosed in Note 21.

(b) Pursuant to Note 2(h), the Group remeasured to fair value its outstanding forward currency and option contracts as at year end.

Consolidated	
2016 \$000	2015 \$000

### 16. PROVISIONS (CURRENT)

Long service leave	1,658	1,667
Leasehold make good	12	121
<b>Total current provisions</b>	<b>1,670</b>	<b>1,788</b>

#### Movements in provisions:

	Consolidated		
	Long service leave \$000	Leasehold make good \$000	Total \$000
Carrying amount at the beginning of the financial year	1,667	121	1,788
Additional provisions	179	–	179
Utilised	(345)	–	(345)
Amounts transferred from/(to) non-current during the year	157	(109)	48
<b>Carrying amount at the end of the financial year</b>	<b>1,658</b>	<b>12</b>	<b>1,670</b>

Consolidated	
2016 \$000	2015 \$000

### 17. OTHER LIABILITIES (CURRENT)

Unearned income	21,165	8,888
Other	1,556	905
<b>Total current other liabilities</b>	<b>22,721</b>	<b>9,793</b>

	Consolidated	
	2016 \$000	2015 \$000

#### 18. OTHER PAYABLES (NON-CURRENT)

Fit-out contribution and rent-free period (Refer Note 2(q))	3,017	3,294
Total non-current other payables	3,017	3,294

#### 19. PROVISIONS (NON-CURRENT)

Long service leave	788	661
Leasehold make good	652	491
Total non-current provisions	1,440	1,152

#### Movements in provisions:

	Consolidated		
	Long service leave \$000	Leasehold make good \$000	Total \$000
Carrying amount at the beginning of the financial year	661	491	1,152
Additional provisions	284	52	336
Amounts transferred (from)/to current during the year	(157)	109	(48)
Carrying amount at the end of the financial year	788	652	1,440

	Consolidated	
	2016 \$000	2015 \$000

#### 20. CASH FLOW HEDGE RESERVE

At the beginning of the financial year	68	(216)
Net surplus/(loss) on cash flow hedges	(210)	68
Transfer of cash flow hedge reserve to <i>Statement of comprehensive income</i>	(68)	216
Total cash flow hedge reserve (a)	(210)	68

(a) The full amount of hedged cash flows as at 30 June 2016 are expected to affect the *Statement of comprehensive income* within one year.

Gains and losses on the effective portions of derivatives designated as cash flow hedges are directly recognised in equity (the cash flow hedge reserve) and are transferred to current year earnings when the cash flows affect the *Statement of comprehensive income*. As at 30 June 2016, a loss of \$209,933 (2015: \$67,947 gain) was recognised in the cash flow hedge reserve. As at 30 June 2016, the Company did not have any portion of cash flow hedges deemed ineffective.

	Consolidated	
	2016 \$000	2015 \$000

## 21. FOREIGN CURRENCY EXPOSURE

The Company takes out forward foreign exchange contracts for all foreign currencies to minimise the short-term impact of currency fluctuations on overseas programs (refer Note 29). The Australian dollar equivalents of other foreign currency monetary items included in the *Statement of financial position* that are not hedged are set out below.

Current assets:		
– UAE Dirham	496	386
– Euro	77	52
– Chinese renminbi	145	55
– Indonesian rupiah	47	85
– Singapore	42	36
– Vietnamese	13	28
	<b>820</b>	<b>642</b>
Current liabilities:		
– UAE Dirham	104	36
– Euro	3	–
– Chinese renminbi	89	44
– Indonesian rupiah	46	82
	<b>242</b>	<b>162</b>

## 22. EMPLOYEE ENTITLEMENTS

The aggregate employee benefit liability is comprised of:

Provisions – current (refer Note 16)	1,658	1,667
Provisions – non-current (refer Note 19)	788	661
Payables – current (refer Note 15)	2,225	2,053
	<b>4,671</b>	<b>4,381</b>

Consolidated	
2016 \$	2015 \$

## 23. REMUNERATION OF AUDITORS

Amounts received or due and receivable by Ernst & Young for:

– auditing or reviewing of the financial report of the entity and any other entity in the consolidated entity	169,950	164,800
– other services in relation to the entity and any other entity in the consolidated entity:		
• tax compliance	8,800	8,000
• other non-statutory audit services (a)	97,267	24,624
	<b>276,017</b>	<b>197,424</b>
(a) Summary of the other non-statutory audit fees incurred are:		
Levies and grant audits	19,570	24,624
Governance and strategy development	9,981	–
Sustainable packaging evaluation	67,716	–
	<b>97,267</b>	<b>24,624</b>

## 24. DIRECTOR AND EXECUTIVE DISCLOSURES

### (a) Details of key management personnel (KMP)

#### (i) Directors

Michele Allan	Chair
Richard Norton	Managing Director
George Scott	
Lucinda Corrigan	
Geoffrey Maynard	
John McKillop	(resigned 9 Nov 2015)
Peter Trefort	(resigned 9 Nov 2015)
Alan Beckett	
Chris Mirams	
Erin Gorter	(appointed 10 Nov 2015)
Robert Fitzpatrick	(appointed 10 Nov 2015)
Steven Chaur	(appointed 10 Nov 2015)

#### (ii) Executives

Christine Pitt	Chief Executive Officer – MDC (appointed 1 May 2016)
Clare Stanwix	General Counsel and Company Secretary
Alex Ball	General Manager – Livestock Productivity (resigned 22 Apr 2016)
Michael Finucan	General Manager – International Markets
Jane Weatherley	General Manager – Livestock Productivity (appointed 1 Apr 2015)
Steve Potts	Chief Operating Officer (resigned 18 Dec 2015)
Matthew McDonagh	General Manager – On-Farm Innovation and Adoption
Rachel Cofrancesco	Head of Human Resources
Lisa Sharp	General Manager – Central Marketing Industry Insights
Clair Cameron	General Manager – Communication and Stakeholder Engagement (resigned 31 Mar 2016)
Sean Starling	General Manager – Value Chain Innovation (appointed 27 Apr 2016)
Andrew Ferguson	Chief Financial Officer (appointed 7 Dec 2015)

#### (iii) Compensation of key management personnel by categories

	Notes	Consolidated	
		2016 \$	2015 \$
<i>Directors (a)</i>			
Short-term benefits		<b>1,113,625</b>	979,095
Post-employment benefits		<b>76,655</b>	63,666
Other long-term benefits		<b>2,598</b>	1,153
	(a)	<b>1,192,878</b>	1,043,914
<i>Executives (b)</i>			
Short-term benefits		<b>3,144,917</b>	2,646,775
Post-employment benefits		<b>197,275</b>	172,794
Other long-term benefits		<b>34,784</b>	45,968
	(b)	<b>3,376,976</b>	2,865,537

(a) Compensation includes all benefits paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. Compensation includes wages, salaries, superannuation and other employees' provisions.

(b) Executive compensation refers to all compensation earned by the General Managers of the Company with the exception of the Managing Director whose compensation has been included under Directors' compensation.

**(b) Related party transactions**

Directors of the Group and directors of its related parties, or their director-related entities, conduct transactions with entities within the Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances. These transactions include the following and have been quantified below where the transactions are considered likely to be of interest to users of these financial statements:

- Mr Chris Mirams is a director of Holbrook Landcare Network which invoiced the Company \$72,270 (2015: \$18,933) for a program dealing with the demonstration of diet to influence lamb sex ratio.
- Mr Robert Fitzpatrick is a councillor of Charles Sturt University which invoiced the Company \$386,830 (2015: \$nil) for various R&D projects including the herbicide resistance option program, remote calving alert for beef cattle technology development and the residue definition of lignocaine and bupivacaine in sheep and cattle program.
- Mr Peter Trefort is a non-executive director of Sheep Co-operative Research Centre Limited (Sheep CRC), joining the Board in June 2009. The Sheep CRC is supported by major providers, managers and users of research in the Australian sheep industry and is supported under the Australian Government's Cooperative Research Centres (CRC) Program. The role of the CRC is to facilitate transformation of the sheep industry. The Sheep CRC is a company limited by guarantee which MLA is a participant and member of. It was established in July 2007 for a term of seven years. The MLA Board approved its participation and contribution in February 2006. The Sheep CRC invoiced the Company \$1,328,250 (2015: \$1,741,528) to carry out various R&D projects. The outstanding balance at 30 June was \$695,365 (2015: \$426,250).
- Dr Michele Allan is Chancellor of Charles Sturt University which invoiced the Company \$386,830 (2015: \$nil) for various R&D projects including the herbicide resistance option program and remote calving alert for beef cattle technology development program. Dr Allan is Chair of the CSIRO Food and Nutrition Flagship Advisory Committee. CSIRO invoiced the Company \$4,153,311 (2015: \$4,821,112) for various R&D projects. Dr Allan is director of Food Innovation Australia which invoiced the Company \$153,348 (2015: \$nil) for the development of meat-based retail-ready chilled toddler food. The Company has invoiced Food Innovation Australia \$52,311 (2015: \$126,844) for the same project.
- Ms Lucinda Corrigan is the Chair of Primary Industries Ministerial Advisory Council in NSW. The Company has invoiced \$183,530 (2015: \$nil) for the acid-tolerant lucerne and acid-tolerant rhizobia project which will test and demonstrate the value of the combination to red meat producers at four sites in south-eastern Australia.
- Mr John McKillop is a non-executive director of Dairy Australia Limited which has invoiced the Company \$203,467 (2015: \$119,806) for the People in Agriculture Project and a program for stimulating private sector extension in Australian agriculture. The Company has invoiced Dairy Australia Limited \$15,265 (2015: \$188,798) for 'Cattle Selection Methods patent' opposition. Mr McKillop is also a non-executive director of Primary Industries Education Foundation which invoiced the Company \$82,500 (2015: \$92,950) for Primary Industries Education Foundation (PIEF) membership.
- Mr George Scott is a member of Northern Territory Cattlemen's Association which invoiced the Company \$20,862 (2015: \$46,500) for the 2016 NTCA Industry Conference. Mr Scott is a member of AgForce Queensland which invoiced the Company \$31,929 (2015: \$7,100) sponsorship of the AgForce conference series and development of the lay spaying training program. Mr Scott received director's fees including superannuation totalling \$17,520 (2015: \$17,600) from AUS-MEAT Limited.
- Ms Erin Gorter is a trustee of Gorter Family Trust trading as Erin Gorter Enterprises which invoiced the Company \$90,549 (2015: \$nil) for professional fees (\$76,382) and reimbursement of associated expenses (\$14,167) as WA Meat Research Council (WAMRC) Coordinator and WA Livestock Research Council (WALRC) Coordinator.

	Consolidated	
	2016 \$000	2015 \$000

## 25. NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Reconciliation of cash

Cash on hand	34,664	14,374
NLIS funds held on behalf of Commonwealth for NLIS implementation activities	101	99
Short-term money market deposits	88,500	76,500
Closing cash balance	123,265	90,973

### (b) Reconciliation of net cash from operating activities to net surplus

Net surplus/(deficit)	25,371	26,178
Adjustments for:		
Net (gain)/loss on disposal of property, plant and equipment	(3)	45
Depreciation expense	1,719	1,821
Amortisation expense	747	528
Interest received	(3,085)	(2,319)
Change in assets and liabilities:		
(Increase)/decrease in assets:		
(Increase) in trade and other receivables	(4,137)	(5,394)
(Increase) in prepayments and deposits	(405)	(209)
Decrease in other financial assets	1,131	1,031
Increase/(decrease) in liabilities:		
(Decrease)/increase in trade and other payables	(3,299)	2,504
Increase in other liabilities	12,928	3,465
(Decrease) in provisions	(108)	(788)
Net cash from operating activities	30,859	26,862

### Expenditure (primarily research and development) contracted for is payable as follows:

– Not later than one year	76,006	69,009
– Later than one year but not later than five years	31,795	36,668
– Later than five years	–	–
Aggregate R&D expenditure contracted for at balance date	107,801	105,677

### Operating lease expenditure contracted for is payable as follows:

– Not later than one year	4,499	3,943
– Later than one year but not later than five years	8,601	8,926
– Later than five years	4,415	5,422
Aggregate lease expenditure contracted for at balance date (a)	17,515	18,291

(a) The operating lease commitments include leases for properties, motor vehicles and maintenance with terms ranging from one to five years.

	Consolidated	
	2016 \$000	2015 \$000

## 26. EXPENDITURE COMMITMENTS

**Expenditure (primarily research and development) contracted for is payable as follows:**

- Not later than one year
- Later than one year but not later than five years
- Later than five years

Aggregate R&D expenditure contracted for at balance date

**Operating lease expenditure contracted for is payable as follows:**

- Not later than one year
- Later than one year but not later than five years
- Later than five years

Aggregate lease expenditure contracted for at balance date (a)

(a) The operating lease commitments include leases for properties, motor vehicles and maintenance with terms ranging from one to five years.

	76,006	69,009
	31,795	36,668
	–	–
	<b>107,801</b>	105,677
	4,499	3,943
	8,601	8,926
	4,415	5,422
	<b>4,499</b>	3,943

## 27. MEMBERS' FUNDS

The Company is incorporated in Australia and is a company limited by guarantee. If the Company is wound up, its Constitution states that each member is required to contribute a maximum of \$5 each towards meeting any outstanding obligations of the Company. At 30 June 2016, the number of members was 49,892 (2015: 49,845).

## 28. CONTRIBUTED EQUITY

Capital contribution

	<b>9,031</b>	9,031
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This amount represents contributions from the Commonwealth Government as initial working capital and property, plant and equipment at written down value transferred from the Australian Meat and Live-stock Corporation and the Meat Research Corporation at nil consideration.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

MLA's principal financial instruments include derivatives, cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

MLA enters into derivative transactions, including forward currency contracts and currency option contracts. The currency option contracts are limited to vanilla options and collar options. The purpose is to manage the currency risks arising from the Group's overseas operations. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Oversight responsibility for identification and control of financial risks rests with the Audit and Risk Committee under the authority of the Board.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument are disclosed in Note 2 to the financial statements.

### Risk exposures and responses

#### (i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and short-term deposit holding with a floating interest rate. Cash at bank earns interest at floating rates based on daily bank deposit rates. On-call deposits are made for varying periods of between one day and 12 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash deposits and short-term cash assets are held at floating exchange rates of interest that range between 0% and 3.15% at 30 June 2016. Some of these assets are held in foreign currency accounts.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Sensitivity analysis:

At 30 June 2016, if interest rates moved, as illustrated in the table below, with all other variables held constant, the effect on the Group's net surplus would have been as follows:

Judgements of reasonable possible movements:

	Consolidated Surplus	
	2016 \$000	2015 \$000
+1.00% (2015: +1.00%)	1,228	941
- 0.50% (2015: -0.50%)	(614)	(470)

There is no direct impact on other comprehensive income.

### (ii) Foreign currency risk

The Group has a policy of hedging the offshore component of its annual expenditure. In doing so, it works within Board-approved risk management bands which establish the upper and lower limits of hedge cover for each period out on a rolling 12-month basis. The objective is to ensure that the annual budget allocation for offshore expenditure for the next financial year is fully hedged by 30 June.

The Group is primarily exposed to the risk of adverse movements in the Australian dollar relative to certain foreign currencies and uses derivative financial instruments to manage these specifically identified foreign currency exposures.

Forward exchange contracts and options are purchased to hedge a majority of the Australian dollar value of US dollar, Japanese yen and Korean won payments arising from the activities of overseas branches. These contracts hedge highly probable forecasted future cash outflows and they are timed to mature when the payments are scheduled to be made.

Foreign exchange contracts commit the Group to purchase specific amounts of foreign currency at an agreed rate of exchange maturing at specific times up to 12 months from balance date.

Option contracts give the Group the right to purchase specific amounts of foreign currency at an agreed rate of exchange maturing at specific times up to 12 months from balance date.

At 30 June 2016, the Group held forward exchange contracts designated as hedges of forecasted future cash outflows to its overseas offices. The cash flows are expected to occur within 12 months from 30 June 2016.

### Sensitivity analysis:

There is minimal sensitivity to foreign currency risk exposures on the Group's net surplus/deficit for the year and on equity as overseas spending is subject to a fixed budget which is determined in Australian dollars. As there is no material impact on the net surplus/deficit or equity in local currency, a sensitivity analysis has not been prepared.

### (iii) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Group's exposure to credit risk arises from the potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group's objectives in relation to credit risk are to ensure minimum impairment of its financial assets and minimise the possibility of loss.

The Group's financial assets are largely due from government-related bodies, recognised creditworthy third parties and highly credit-rated financial institutions that have minimal risk of default. No collateral is held as security.

All receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant.

There are no significant concentrations of credit risk and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

The Group's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of these assets.

### (iv) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

Pursuant to its reserving policy, the Group maintains minimum levels of reserves by specie. The Group's objective is to invest the surplus funds represented by these reserves in financial instruments with maturities that match its forecast payment obligations. The surplus funds are invested primarily in term deposits with differing maturity terms that can be easily liquidated in the event of an unforeseen interruption of cash flow.

The Group manages its liquidity risk by monitoring the cash inflows and outflows expected on a weekly basis.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Non Derivative financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities as at the reporting date based on contractual undiscounted repayment obligations. The Group ensures that sufficient liquid assets are available to meet all the short-term cash payments.

Financial liabilities	Consolidated	
	Less than 6 months \$000	6 to 12 months \$000
Trade and other payables	32,897	–

### (v) Fair value

The carrying values of all financial assets and liabilities approximate their fair value at the balance date. The net fair value of a financial asset is the amount at which the asset could be exchanged in a current transaction between knowledgeable and willing parties after allowing for transaction costs.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

Financial assets	Consolidated Year ended 30 June 2016	
	Market observable inputs (level 2) \$000	Total \$000
Derivative instruments		
Forward currency contracts	(210)	(210)
	(210)	(210)

Financial instruments that use valuation techniques with only observable market inputs include forward currency contracts. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

MLA presents derivative assets and derivative liabilities on a gross basis. Certain derivative assets and liabilities are subject to enforceable master netting arrangements with individual counterparties if they were subject to default. As at 30 June 2016, if these netting arrangements were to be applied to the derivative portfolio, derivative assets are reduced by \$452,728 (30 June 2015: \$114,636) and derivative liabilities are reduced by \$452,728 (30 June 2015: \$114,636).

## 30. FINANCING ARRANGEMENTS

MLA has access to two funding facilities which are available under special circumstances in response to industry crises from the Red Meat Advisory Council Limited (RMAC).

- A \$500,000 (2015: \$500,000) emergency fund can be accessed by MLA for scoping purposes following consultation with the affected species sector/sectors.
- In addition, a \$5 million (2015: \$5 million) contingency fund for the management of industry crisis may be accessible. Use of this facility requires a two-thirds majority decision of RMAC directors with terms and conditions as agreed by RMAC and the Commonwealth Government.
- No amount has been withdrawn from these funding facilities.

## Directors' declaration

In accordance with a resolution of the directors of Meat & Livestock Australia Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Dr Michele Allan  
Director



Richard Norton  
Director

Sydney  
14 September 2016

## Independent auditor's report

to the members of Meat & Livestock Australia Limited



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## Independent auditor's report to the members of Meat & Livestock Australia Limited

### *Report on the Financial Report*

We have audited the accompanying financial report of Meat & Livestock Australia Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Independent auditor's report

to the members of Meat & Livestock Australia Limited



### **Opinion**

In our opinion:

- a. the financial report of Meat & Livestock Australia Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Ernst & Young

A handwritten signature in black ink that reads 'Rob Lewis'.

Rob Lewis  
Partner  
Sydney  
14 September 2016

## Appendix 1: CoMarketing Program participants 2015-16

Lamb CoMarketing	\$
Arcadian Organic Meats	17,500
Australian Natural Meats	3,630
Bidvest	1,451
Fletcher International	17,470
Flinders Island Meat	10,000
Floreat Meat Exporters	642
Hassad	4,785
Haywill Holdings	2,992
Holstons Pastoral Company	4,950
Homebush Export Meat Co	10,000
JBS Australia	7,564
Meat Tender	4,907
Mulwarra	17,714
Saltbush Livestock	8,475
Sanger Australia (Bindaree Beef)	2,019
The Farm House	2,782
The Midfield Group	13,950
Thomas Foods International	36,364
Top Cut Foods	14,792
WAMMCO	3,647
White Stripe Foods	21,865
<b>Total</b>	<b>207,498</b>

Goat CoMarketing	\$
BV Farm Fresh	6,925
Samex Australian Meat Co	3,912
<b>Total</b>	<b>10,837</b>

Beef CoMarketing	\$
AACo	150,534
Andrews Meat Industries	37,359
Arcadian Organic Meats	73,970
Argyle Prestige Meat	36,747
Australian Beef Group	7,494
Australian Country Choice	65,840
Australian Natural Meats	2,856
Bass Coast Beef	5,094
Beefcorp	3,350
Bidvest	4,991
Bingil Bay	1,477
Carpenter Beef	1,238
Certified Angus Group	37,640
Dunnett & Johnston	1,569
Elders International	1,458
Flinders Island Meat	8,000
Floreat Meat Exporters	642
G&K O'Connor	6,155
Gippsland Natural	6,516
Greenham	99,681
Harvey Industry	22,350
Holstons Pastoral Company	9,744
Homebush Export Meat	10,000
JAC Wagyu	7,109
JBS Australia	278,622
John Dee	2,677
KC Natural	13,705
Lotte International	49,680
Matrad	50,000
Meat Tender	6,436
Mort & Co	9,226
Mulwarra	59,899
Murray Valley Meats	18,553
New World Foods	31,193
NH Foods	83,703
Nolan Meats	31,700
OBE Organic	59,000
Providore Global	9,533
Rangers Valley	27,241
Richard Gunner	6,233
Sanger Australia (Bindaree Beef)	157,873
South Australian Cattle Co	1,262
Stanbroke Beef	10,082
Stockyard	61,378
Tabuan	3,850
Tasmania Feedlot	80,000
Teys Australia	199,107
The Midfield Group	15,874
Thomas Foods	25,000
Top Cut Foods	9,530
Warmoll Foods	10,500
White Stripe	54,743
<b>Total</b>	<b>1,968,413</b>

## Acronyms

AGM	annual general meeting
ALFA	Australian Lot Feeders' Association
APVMA	Australian Pesticides and Veterinary Medicines Authority
AQSIQ	China Administration of Quality Supervision, Inspection and Quarantine
ASBV	Australian Sheep Breeding Values
AWI	Australian Wool Innovation
BWFW	Bred Well Fed Well
CCA	Cattle Council of Australia
CISP	Collaborative Innovation Strategic Partnership
CRC	Cooperative Research Centre
CSIRO	Commonwealth Scientific and Industrial Research Organisation
cwt	carcase weight
DAWR	Department of Agriculture and Water Resources
DEXA	dual-emission X-ray analysis
EBV	estimated breeding value
ESCAS	Exporters Supply Chain Assurance System
EU	European Union
EY	Ernst & Young
EYCI	Eastern Young Cattle Indicator
FTA	free trade agreement
GP	general practitioner
KPI	key performance indicator
LDL	Livestock Data Link
LEP	Livestock Export Program
LGAP	Livestock Global Assurance Program
LMY	lean meat yield
LPA	Livestock Production Assurance
MBfP	More Beef from Pastures
MDC	MLA Donor Company Limited
MENA	Middle East/North Africa
MEXA	multi-emission X-ray analysis
MISP	Meat Industry Strategic Plan
MLA	Meat & Livestock Australia
MMFS	Making More From Sheep
MSA	Meat Standards Australia
NLIS	National Livestock Identification System
NLRS	National Livestock Reporting Service
NSW	New South Wales
NT	Northern Territory
NVD	National Vendor Declaration
PDS	Producer Demonstration Site
RHDV	rabbit haemorrhagic disease virus
rw	retail weight
swt	shipped weight
TFI	Thomas Foods International
TPP	Trans-Pacific Partnership
UAE	United Arab Emirates
US	United States
WA	Western Australia
WHS	Workplace health and safety
WTO	World Trade Organization
WYCI	Western Young Cattle Indicator

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