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# MDC AT A GLANCE

## WHO IS MDC?

MLA Donor Company Limited (MDC) is a fully-owned subsidiary of Meat & Livestock Australia (MLA).

MDC accelerates innovation across the value chain so the Australian red meat and livestock industry can remain competitive on the world stage.

It does this by attracting commercial investment from individual enterprises and others that share a mutual interest to co-invest in innovation that will benefit the industry.

## PURPOSE

MDC was established in 1998 as a fully-owned subsidiary of MLA and is incorporated under the *Corporations Act 2001*. The principal activity of MDC is to act as an approved donor under s61 (1) of the *Australian Meat and Live-stock Industry Act 1997* for research and development matching funding purposes.

MDC supports MLA's strategic purpose of fostering the long-term prosperity of the Australian red meat and livestock industry via:

- ▶ extending MLA's strategic priorities into future-focused, transformational impact areas
- ▶ facilitating capability and adoption of innovation by industry
- ▶ acting as a catalyst to accelerate the development of innovations with new types of provider partnerships
- ▶ partnerships that facilitate 'big picture' change in the industry
- ▶ engaging leading global providers and entrepreneurs that bring new ideas and new value to the industry
- ▶ attracting new investment partners to co-develop key priority areas.

MDC has the same vision, mission and values as MLA (see [mla.com.au/about-mla/who-we-are](http://mla.com.au/about-mla/who-we-are)).

## STRATEGIC INVESTMENT FOCUS AREAS

1. Consumer and community support
2. Market growth and diversification
3. Supply chain efficiency and integrity
4. Productivity and profitability
5. Leadership and collaborative culture
6. Stakeholder engagement
7. I+E Connect innovation and entrepreneurship platform.

## FUNDING

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

The Australian Government matches voluntary partner contributions in projects that address industry and government priorities and benefit the Australian community.

MDC projects include an access fee to cover costs associated with early-stage feasibility studies, seed funding, industry dissemination and operational costs.

## STAKEHOLDERS

MDC attracts investment from every part of the red meat and livestock value chain, including processors, value-adders, breed societies, large pastoral companies, universities, international collaborators and technology providers. MDC works with these value chain partners and with the Australian Government to deliver innovation products and services to the cattle, sheep and goat industry (see Figure 1).

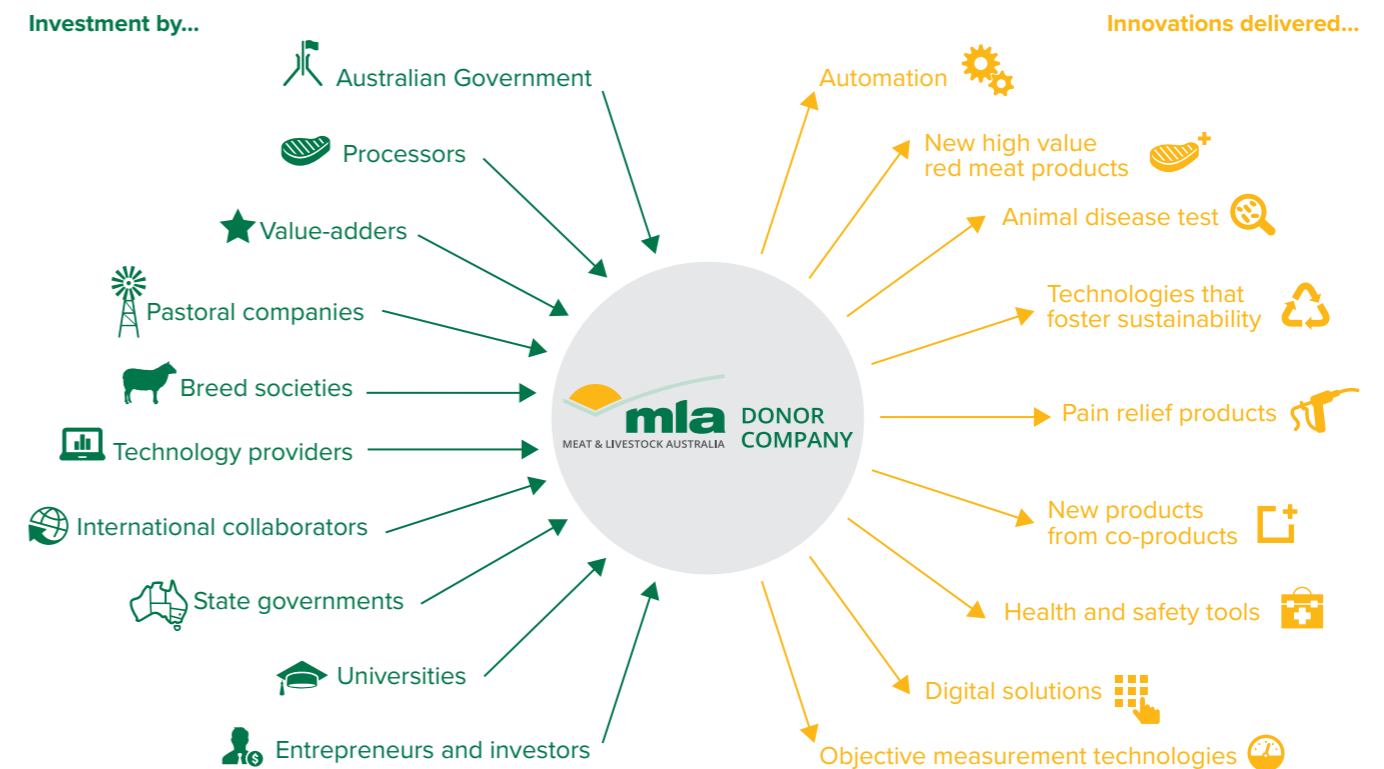
MDC also works with the Australian Meat Processor Corporation via the Plant Initiated Project initiative to develop projects that address key processing issues and support the development of innovation capabilities within this sector.

FIGURE 1: The value of MDC



Sourced from the *Impact Assessment of MLA Expenditure 2010-11 to 2014-15* – Economic quantification of benefits by the Centre for International Economics, ISJ Investments and AgStrat. The full report is available at: [mla.com.au/performance-review](http://mla.com.au/performance-review)

FIGURE 2: The role of MDC



# STAFF

MDC does not directly employ any personnel. Its activities are managed and undertaken through MLA with personnel and operational costs funded from the collection of the MDC access fee. MDC activities are overseen by the MDC Board and by MDC CEO Dr Christine Pitt.

## MDC Board

Due to MDC's ongoing expansion and increased level of co-investment, the MDC Board transitioned in 2016–17, increasing the number of directors and broadening its skill set. Directors and office bearers of MDC are as follows:



**Michele Allan**  
Chair  
BAppSc, MMgtTec,  
MCommLaw, DBA, FAICD

Director since December 2016

Dr Allan has an academic background in biomedical science, management and law. Dr Allan currently holds board positions with Innovation Australia, Food Innovation Australia Limited, Apple and Pear Australia, Grain Growers, Nuffield Australia, CSIRO and is a member of the CRC Advisory Committee. She is Chancellor of Charles Sturt University and Chair of the Grains and Legumes Nutrition Council.

**Previous roles:** Chair of the Grains and Legumes Nutrition Council; executive director of Patties Foods; non-executive director of Patties Foods, Dairy Research & Development Corporation, Forest and Wood Products Australia, Ruralco Holdings, Tasmania Fruit & Vegetable Taskforce, Tasmanian Irrigation, Callaghan Innovation, William Angliss Catering & Hospitality TAFE College, Cooperative Research Centre Hearing and Grape and Wine Research and Development Corporation.

- ▶▶ (Chair)
- ▶ (Director)
- ▶▶ (Member)



**Richard Norton**  
Managing Director  
MBA, GAICD (international)

Director since June 2014

Mr Norton is the fifth generation of a beef and sheep farming family from Monaro, NSW. He began his working life as a rouseabout and jackaroo then for more than 20 years served livestock producers as a stock agent and auctioneer across NSW.

**Previous roles:** Mr Norton has 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 head of Live Export and International Trade and then Managing Director of Landmark Operations Australia. He was Chairman of Integrated Traceability Solutions (Global) and AuctionsPlus.

- ▶▶▶▶ (Managing Director)
- ▶▶▶▶ (Director)



**Alan Beckett**  
BEC, FICA, GAICD

Director since December 2016

Mr Beckett runs an Angus breeding and backgrounding operation in Yea, Victoria. He brings 40 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, China, Japan and India. Mr Beckett is a non-executive director of Defence Health Pty Ltd and Westbourne Credit Management Limited. He is Deputy Chairman of the Department of Defence Audit & Risk Committee and is an independent member of the Reserve Bank of Australia's wholly owned subsidiary, Note Printing Australia Limited.

**Previous roles:** Chairman of ASX listed Basper Limited (formerly Berklee Ltd).

- ▶▶▶▶ (Director)
- ▶▶▶▶ (Chair)



**Steven Chaur**  
GradDip Marketing, MBA,  
MAICD, FAIM

Director since December 2016

Mr Chaur is a highly experienced food industry leader, executive and consumer brand marketer, having managed some of Australia's favourite brands and has more than 25 years' experience in fast-moving consumer goods within the food industry across Asia, China, Middle East, NZ, US and Europe. Mr Chaur has gained strong experience in multi-sales channel customer relationship management, market access, consumer marketing and brand development strategy, corporate strategy and governance, crisis management and product recall, capital projects and complex financial management. Mr Chaur has broad experience across primary industries where the farm-to-consumer value chain and innovation excellence is critical. He is currently Managing Director and CEO of Nutrano Produce Group Ltd.

**Previous roles:** Senior executive roles with Patties Foods, Saint-Gobain SA, Pacific Brands Food Group, National Foods and private multi-national food groups including George Weston Foods, Findus SA and Simplot.

- ▶▶▶▶ (Director)
- ▶▶▶▶ (Chair)
- ▶▶▶▶ (Member)



**Robert Fitzpatrick**  
BEC, LLB, MBA, GAICD

Director since December 2015

Mr Fitzpatrick is an industry business builder and technology expert with more than 30 years' experience in sales and marketing for small and medium enterprises and start-ups, through to large corporates and government agencies. He has a 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 reduce the cost of moving product from farm gate to global markets. Mr Fitzpatrick is director of the Australian Academic and Research Network, Robec Oz, CEO of Australian Information Industry Association, and is a committee member of the Export Council of Australia.

**Previous roles:** Previous board and senior executive roles include Heardit, Monitoring Division Inc and wishlist.com.au, councillor of Charles Sturt University and senior executive of Data61 (formerly NITCA).

- ▶▶▶▶ (Chair)
- ▶▶▶▶ (Director)



**Erin Gorter**  
BA (education), GAICD

Director since December 2016

Ms Gorter is a rural industry consultant with many years of experience as a WA livestock producer. Ms Gorter comes from a farming background and is a landholder and has been involved in running a mixed farming operation in Kojonup, WA, producing prime lamb, wool and grains, conducting sheep trading and a small amount of agroforestry for nearly 30 years. Ms Gorter runs her own business in providing business and industry management advice and events planning in rural areas. She was awarded the WA RIRDC Rural Women's Award Runner Up in 2010 and is a director of AgVivo.

**Previous roles:** Producer representative on the Board of the WA Meat Industry Authority and managed all aspects of two WA-based grower.

- ▶▶▶▶ (Director)
- ▶▶▶▶ (Member)



**Geoffrey Maynard**  
BBus

Director since January 2012

Mr Maynard runs a 10,000ha 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 to the Beef CRC I in the 1990s and participated in CRC II and CRC III. He is currently a collaborator with Central Queensland University's agriculture department and is involved in an education partnership with Rockhampton Grammar School.

**Previous roles:** 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.

- ▶▶▶▶ (Director)

KEY: MLA subsidiary companies and Committees

- ▶ Meat & Livestock Australia
- ▶ MLA Donor Company Limited
- ▶ Integrity Systems Company Limited
- ▶ Red Meat Traceability Systems Pty Ltd
- ▶ AUS-MEAT Limited
- ▶ Remuneration Committee
- ▶ Selection Committee
- ▶ Audit & Risk Committee

# STAFF

Continued



**Chris Mirams**  
GradDip Financial Markets,  
Dip Farm Management

Director since March 2016

Mr Mirams is an agricultural consultant based in Albury, NSW. He 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. Mr Mirams has significant experience in strategic research and development, broad commercial experience in southern beef production, and specialist skills in business, finance, corporate governance, communication and leadership. Mr Mirams participated in the Australian Rural Leadership Program.

**Previous roles:** Chair of Holbrook Landcare Network and EverGraze National Advisory Committee; served on the Alpine Valleys Community Leadership Program and Scots School Albury boards.

▶▶▶ (Director)  
▶ (Member)



**George Scott**

Director since December 2016

Mr 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. Based at Thylungra Station in south-west Queensland, he is currently Managing Partner of Scott Cattle Company, producing commercial cattle in Queensland and SA, and is a director of Thylungra Cattle Co Pty Ltd and Kyabra Creek Pty Ltd.

**Previous roles:** Senior executive and representative roles with the Northern Territory Cattlemen's Association; and a member of the Barkly Regional Advisory Committee to the Northern Australia Beef Research Council.

▶▶▶▶ (Director)  
▶ (Member)



**Allister Watson**  
BBus Studies, Dip Meat  
Technology (Massey  
University NZ), MAICD

Director since December 2016

Mr Watson has extensive experience in primary and secondary processing and in meat retailing in Australia and New Zealand. With over 30 years' operational experience in the meat industry in Australia and New Zealand, Mr Watson has an excellent understanding of lot feeding and backgrounding, processing, combined with value adding, yields and retail ready product offerings. He was integral in transforming the way Coles retailed meat, leading their fully integrated, whole of supply chain meat business including exporting. Mr Watson has a good understanding of how business works and runs, and understands the impact of markets, climate change and the environment on the meat industry in Australia.

**Previous roles:** Senior positions in Woolworths NZ and Coles; a past executive of Coles Australia; board member of the Retail Meat Association (NZ) and the Training Organisation.

▶▶▶▶ (Director)  
▶ (Member)

## Chief Executive Officer



**Dr 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.

Number of employees: 8

## Company Secretary



**Clare Stanwix**  
BA (Hons) LLB, LLM,  
GAICD, FGIA, FCIS

Appointed December 2016

In addition to holding the office of Company Secretary, Ms Stanwix is a member of MLA's Leadership Team and holds the position of General Counsel. She leads the legal, risk and governance team at MLA and over the past year has been responsible for the development of MLA's crisis management and risk frameworks. She has significant experience in intellectual property, technology, corporate and commercial law, advertising, workplace health and safety, and dispute resolution.

**Previous roles:** Prior to joining MLA in 2009 as General Counsel Ms Stanwix was a senior associate with DLA Piper and external legal counsel to MLA.

▶▶▶▶▶ (Company Secretary)  
▶▶▶▶▶ (Director)

## Retiring Director



**Lucinda Corrigan**  
BScAgr (Hons 1), FAICD

Director February 2008 –  
November 2016

Ms 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 region of NSW. Ms Corrigan has skills and experience in research and development, genetics, natural resource management, communications, marketing and advocacy. She is a Fellow of the Australian Institute of Company Directors and the Australian Rural Leadership Foundation.

**Previous roles:** Non-executive director with four Cooperative Research Centres, including as Deputy Chairman of the Future Farm Industries 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 convener of the Holbrook community beef group activities.

▶▶▶▶▶ (Retiring Director)  
▶▶▶▶▶ (Retiring Chair)  
▶▶▶▶▶ (Retiring Member)

KEY: MLA subsidiary companies  
and Committees

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- ▶ AUS-MEAT Limited
- ▶ Remuneration Committee
- ▶ Selection Committee
- ▶ Audit & Risk Committee

# 2016–17 HIGHLIGHTS

## OUR YEAR

2016

AUGUST

MDC-supported Northern Beef Business Mentoring 'Better Beef Business' workshops in southern Queensland are launched **(page 29)**.

Professor Hamish Gow is appointed as MDC's design thinker in-residence.



OCTOBER

Design thinker in-residence, Professor Hamish Gow, facilitates MDC's first Digital Strategy co-design workshop with more than 90 industry and technical participants.

MDC's partnership with Cicada Innovations (formerly ATP Innovations) commences with a pitch session by 12 new AgTech venture companies **(page 40)**.



DECEMBER

The National Livestock Genetics Consortium is unveiled to invest **\$16 million** in new research, with a significant portion funded via MDC **(page 28)**.



2017

FEBRUARY

MDC launches Producer Innovation Fast-Track, an initiative designed to accelerate the adoption of innovations and initiatives that have the ability to improve farm and value chain performance by providing producers with the expertise, co-funding and support to take their business to the next level **(page 33)**.

A **multi-million dollar** collaborative research and development funding partnership with NSW Department of Primary Industries is announced to provide a significant boost to productivity and genetics gains in the livestock industry.

MDC's first *Strategic Business Plan 2016–20* is published **(page 36)**.



APRIL

The second round of the Young Food Innovators program is announced, this time specifically aimed at producers looking to develop new high-value opportunities in domestic or export markets, implement innovative new business models or accelerate the adoption of new disruptive technologies within their production business **(page 33)**.



JUNE

The first cohort of Livestock Consulting Internship program graduates. The program is designed to ensure the continuation of new consultants to the industry **(page 34)**.



JULY

MDC welcomes a **\$5.8 million** Australian Government grant to assist in bolstering biosecurity systems for Australia's livestock industries, focusing on improving surveillance, preparedness and return to trade for emergency animal disease incursions using foot-and-mouth disease as a model **(page 18)**.

The multi-million dollar Northern Beef Collaborative Partnership between MDC and The University of Queensland sees the most significant injection of research funds into northern beef cattle for 20 years and is designed to deliver significant productivity gains for producers.



SEPTEMBER

An AgTech and FoodTech study tour to the United States is undertaken to launch I+E Connect with international entrepreneurs and investors.



NOVEMBER

MDC partners with SproutX, Australia's first national AgTech innovation hub, to encourage entrepreneurs and start-ups to solve some of the biggest issues facing the red meat and livestock industry through new technology, ideas and data **(page 40)**.

During the MLA AGM, MDC showcases high value-add business models with producers on a bus tour to inform the Producer Innovation Fast-Track program.



JANUARY

MDC partners with the US-based Institute for the Future's Food Futures Lab to develop broader capabilities to prepare the industry for disruption.



MARCH

Australia's oldest organic beef marketing company, OBE Organic, co-invests with MDC to create a slaughter data feedback loop that aims to improve producer productivity and animal health and welfare outcomes.



MAY

A **\$3.7 million** research and development project is announced, to pave the way for the introduction of safer and more productive automated boning rooms in Australian beef abattoirs **(page 28)**.

One of the largest investments in livestock welfare research to date – the Strategic Partnership for Animal Welfare Research, Development and Adoption – saw MDC collaborate with some of the country's leading researchers in a new partnership to undertake ground-breaking projects focused on animal welfare **(page 17)**.

A **multi-million dollar** investment is announced to co-fund the installation of DEXA objective measurement systems in red meat processing plants to accelerate the adoption of the technology **(page 25)**.



# 2016–17 HIGHLIGHTS



MDC managed its highest number of projects ever



**102**

new contracts approved

valued at

**\$80.6m**



**34%**

of MLA research and development was funded via MDC



committed to co-fund to fast-track DEXA

Producer Innovation Fast-Track exceeded expectations by attracting

**86** applicants

involving more than

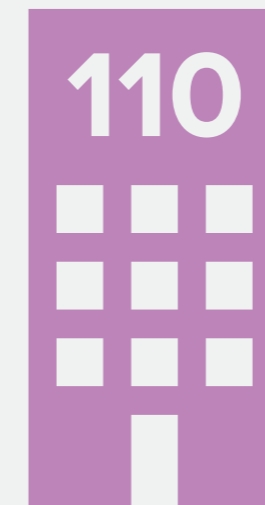
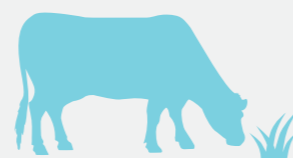


MDC *Strategic Business Plan 2016–20* (2016–17 Investments)

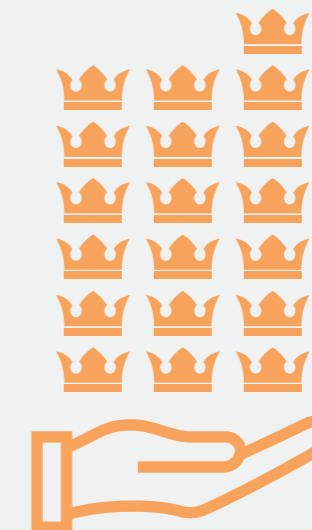


Developed the I+E Connect platform to enable the industry to engage with the global entrepreneurial community

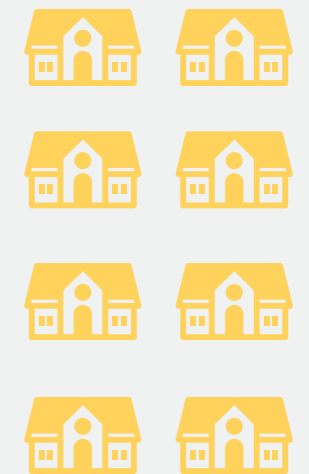
Partnered in one of the largest investments in livestock welfare research to date



organisations partnered with MDC



19 future industry leaders supported



Developed collaborative partnerships with 17 universities, research institutes and others

# CHIEF EXECUTIVE OFFICER'S REPORT



While there are many opportunities for the Australian red meat and livestock industry to grow and prosper in a global market that is experiencing increased demand for high-quality protein, at the same time the industry is being challenged by a marketplace characterised by unprecedented uncertainty and volatility. The competitive landscape is changing, as more red meat-producing nations seek to enter export markets that we have traditionally seen as 'ours'. Not only are these competitors able to produce red meat at lower prices, they are also starting to catch up in terms of product quality and their ability to match Australia's 'clean and green' credentials.

Perhaps even more concerning, however, is the emergence of new plant-based competitors, who are responding to the changing aspirations and needs of consumers (and of high-profile investors and corporates) who see the future of food as very different from what it is today, and one that is directly seeking to reduce dependence on animal-based protein.

Finally, the emergence of new digital, automation and nano-technologies is also creating a dilemma for the industry – can current industry incumbents realistically embrace these technologies, or will it require the influx of a whole new breed of innovators and entrepreneurs to realise the potential they offer?

It is in the face of this volatility, uncertainty, complexity and ambiguity that MDC has been carving out a new role – as the catalyst for industry transformation. As noted in our Annual Report 2015–16, MDC now has a unique opportunity to attract significantly greater voluntary contributions from external partners – partners who are willing to co-invest in a wide range of innovation initiatives that will build our industry's competitiveness and ensure that we are well-positioned for the disruption we will face in the future.

## OUR PERFORMANCE IN 2016–17

In 2016–17, MDC undertook to build the foundations for a major transformation and growth strategy, which will ultimately see our investments more than double on an annual basis. From our initial base in 2015–16 of 152 active innovation projects with a total portfolio value of \$103 million, we have grown to an impressive portfolio of more than 200 projects valued at more than \$170 million. These projects cover the entire value chain from paddock-to-plate, and focus on accelerating and extending the priorities and outcomes detailed in the *Meat Industry Strategic Plan 2020*.

The opportunity to attract additional voluntary contributions from partners to co-invest in innovation projects is due to MLA having access to more Australian Government funding than it will be able to match with levies alone. The decline in levy income combined with the overall increase in the value of the red meat industry has led to a significant increase in available matching funds.

To capitalise on this opportunity, MDC has been proactively seeking to engage new global technology partners who may not previously have considered our industry an attractive investment proposition. This has produced a significant increase in co-investment proposals from new partners, particularly in the areas of robotics, objective measurement, digital and 'Internet of Things' applications, and traceability. In addition we have been targeting Australian universities and public research institutes, and during 2016–17, successfully signed 17 new MDC Head Agreements with this sector. These new partners will significantly expand our investment opportunities going forward and will bring new thinking and capabilities that will underpin an enhanced competitive positioning for our industry.

During the past year, MDC has launched a number of strategic partnership programs, including one of the largest investments in livestock welfare to date – the Strategic Partnership for Animal Welfare Research, Development and Adoption – as well as the Livestock Productivity Partnership. These programs mirror the successful launch of the National Livestock Genetics Consortia in the previous year. In addition to focusing on leading edge scientific research that will ensure we address a number of key industry challenges, these partnerships also signal a new commitment across the provider community in Australia to work together to leverage collective skills and resources. With its focus on partnership and collaboration, MDC is creating new opportunities for more effective relationships to be built that have not always been possible through the more traditional model of competitive grants.

Also in 2016–17, MDC undertook to grow the depth of our industry partnerships with the redesign of our Co-innovation Program to encompass 17 new customised modules; the introduction of our corporate accelerator model; the introduction of open innovation and global strategic partnership opportunities; an increase in focus on Horizon 2 high-value growth initiatives that have been identified through the Rural R&D for Profit programme's Insights2innovation grant project; and the progressive embedding of customer-centric design thinking as an underpinning principle.

Perhaps our greatest success this year, however, was the launch of the Producer Innovation Fast-Track program, where we sought for the first time to engage producer levy payers in MDC activities. The launch of this program in February 2017 received overwhelming support from producers and attracted 86 submissions involving more than 100 producers. This pilot program will be progressively implemented over the next 12 months with a high level of involvement from participants in the co-design of the program to ensure that it meets levy payers' needs.

Another major achievement in 2016–17 was the endorsement of our new I+E Connect platform, which will create a 'landing pad' in Australia for the world's best AgTech and FoodTech entrepreneurs and new ventures. I am pleased to report that this new program has already attracted a number of exciting start-ups and disruptive ideas to the Australian red meat industry, in addition to the formation of important collaborations with accelerators, incubators and new investment groups. I am confident that through 2017–18 this platform will facilitate even greater engagement with the global entrepreneurship community, and that it will ultimately deliver transformational change that will help prepare the industry for the future.

To ensure that MDC investments are targeted at initiatives that will deliver real and sustainable benefits for the future, we have been building a sophisticated and integrated approach to both strategy development and project design (refer to 'The MDC Approach' at right). This approach is based on best practice innovation methodologies and tools to ensure that innovation investments deliver real and tangible benefits within accelerated timeframes.

While 2016–17 was a year of transition, MDC still set itself a number of high targets. Ultimately we achieved or partially achieved 77% of these planned milestones. It is my view that the stage has now been set for an exciting and productive future for MDC – one that will see significant growth in our investment portfolio, engages a greater number of industry and provider partners, and delivers truly transformational change for our industry.

## THE MDC APPROACH

MDC is positioned as the catalyst to transform the sector. Going forward, all MDC initiatives and co-investments will be based on the application of tools and methodologies that are at the intersection of:

- ▶ foresighting and deep insights to help build a degree of certainty in a complex and ambiguous future
- ▶ consideration of the 'Three Horizons' to ensure that the industry balances innovation investments that increase productivity to defend core business (Horizon 1) while at the same time building new high-value growth businesses (Horizon 2) and creating future options to address disruption (Horizon 3)
- ▶ a design thinking approach that ensures that innovations are focused on customer needs (desirable), will provide solutions that work (feasible), and will deliver real impact to industry (viable business models).

To achieve these outcomes for our industry, MDC has developed initiatives and partnerships that engage participants along the whole red meat value chain, including:

- ▶ attracting and supporting food entrepreneurs and new AgTech and FoodTech ventures
- ▶ creating co-investment opportunities with national and global technology companies, public research institutes and universities
- ▶ developing young food value chain innovators
- ▶ building capability in a new breed of rural professionals
- ▶ working closely with industry bodies and government.

Dr Christine Pitt  
MDC Chief Executive Officer



# REPORT TO STAKEHOLDERS

This Report to Stakeholders provides a transparent overview of MDC'S actual activities and outcomes in 2016–17, reporting against the objectives and planned activities outlined in the MDC *Strategic Business Plan 2016–20*, *2016–17 Investments*.

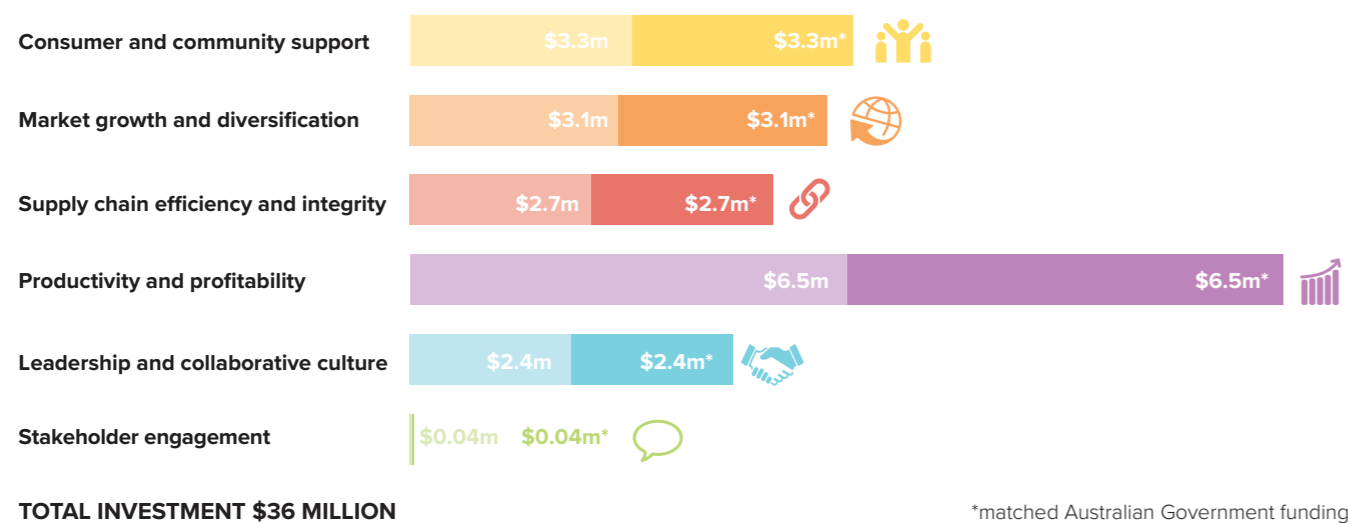
In 2016–17, MDC aligned its strategic direction to extending the *MLA Strategic Plan 2016–2020* and the *Meat Industry Strategic Plan 2020*.

MDC regards the MDC *Strategic Business Plan 2016–20*, *2016–17 Investments* as the first year of the MDC *Strategic Business Plan 2016–20*.

**FIGURE 3:** MDC's strategic investment portfolio is directly aligned to extending the achievement of the *Meat Industry Strategic Plan 2020* and *MLA's Strategic Plan 2016–2020*

MLA PILLAR	1. Consumer and community support	2. Market growth and diversification	3. Supply chain efficiency and integrity	4. Productivity and profitability	5. Leadership and collaborative culture	6. Stakeholder engagement
MDC PRIORITIES	<ul style="list-style-type: none"> <li>Animal health and welfare</li> <li>Supply chain environmental sustainability</li> </ul>	<ul style="list-style-type: none"> <li>High value food frontiers</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain logistics</li> <li>Objective measurement</li> <li>Value chain digital strategy</li> <li>Enhanced traceability and integrity systems</li> </ul>	<ul style="list-style-type: none"> <li>Farm and feedlot productivity</li> <li>Precision agriculture</li> <li>Livestock genetics</li> <li>Through-chain automation</li> </ul>	<ul style="list-style-type: none"> <li>Collaborative Co-innovation Program</li> <li>Producer Innovation Fast-Track</li> <li>Food value chain innovators</li> <li>Digital Value Chain Officers</li> </ul>	<ul style="list-style-type: none"> <li>Engagement with producers and stakeholders</li> </ul>
I+E CONNECT						

**FIGURE 4:** MDC investments by pillar for 2016–17



## PILLAR 1 CONSUMER AND COMMUNITY SUPPORT

This pillar invests in research into the superior nutritional properties of red meat. It also invests in research and development to enhance the industry's animal welfare, disease control and environmental practices. This includes the communication of these actions and commitments by the industry to the community.

MDC's focus in this pillar is on:

- ▶ A strategic partnership for animal welfare research, development and adoption, predominantly funded via MDC projects with a number of universities and public research institutes.
- ▶ The active pursuit of partnerships focused on the development and implementation of a whole supply chain sustainability strategy in areas including natural resources, energy, greenhouse gas emissions and waste streams.

### INVESTMENT:

**\$6.6m**

Comprised of \$3.3 million matched Australian Government funding

### PRIORITIES:

- ▶ Animal health and welfare
- ▶ Supply chain environmental sustainability

### 2016–20 OUTCOME:

**The community continues to support and trust the Australian red meat and livestock industry, with industry practices in step with community expectations.**

### 20 MILESTONES:

- ✓ 14 achieved
- ✗ 6 not achieved

# PILLAR 1

## CONSUMER AND COMMUNITY SUPPORT



### 2016–17 MILESTONES

#### ANIMAL HEALTH AND WELFARE

MILESTONE	RESULT	COMMENTARY
<b>Animal husbandry</b> Animal welfare strategic partnership established	✓ <b>Achieved</b>	All parties signed up, projects evaluated and underway.
<b>Animal welfare indicators</b> A large program of work under the animal welfare strategic partnership established	✓ <b>Achieved</b>	\$15.9 million of projects underway as at June 2017.
<b>FMD preparedness</b> Foot and mouth disease risk management plan underway	✓ <b>Achieved</b>	FMD risk management plan underway.
Phase 2 foot and mouth disease vaccine program completed	✓ <b>Achieved</b>	Vaccine efficacy studies completed with Types A and O in cattle, sheep and pigs.
Phase 3 foot and mouth disease vaccine program underway through the Rural R&D for Profit Programme	✓ <b>Achieved</b>	Project underway, with first milestone achieved.
<b>RD&amp;A collaboration: endemic diseases</b> Five or more new projects that address the economically important diseases of sheep and cattle underway	✓ <b>Achieved</b>	Five projects underway (four from strategic partnerships) with emphasis on parasitic disease.

#### SUPPLY CHAIN ENVIRONMENTAL SUSTAINABILITY

MILESTONE	RESULT	COMMENTARY
<b>Rumen energy capture</b> Rumen energy capture strategic partnership developed	✗ <b>Not achieved</b>	Rumen efficiency strategic partnership scoped with draft science plan developed, but not finalised. The work will move into the Livestock Productivity Partnership and benefit from a collaborative effort.
<i>Asparagopsis</i> algae feedlot feeding trial completed and decision made on whether to proceed with further development of technology	✗ <b>Not achieved</b>	Feeding trial delayed due to inability to source sufficient algae. Trial commenced May 2017.
<b>Emission abatement productivity</b> One additional business model to reduce greenhouse gas emissions identified	✓ <b>Achieved</b>	Business model for centralised processing of red meat waste released.
Provide the tools and resources for industry to achieve a 5% reduction in energy use intensity relative to 2015 levels*	✓ <b>Achieved</b>	Project with ACC Opal Creek feedlot has produced an energy strategy and CBA model for the site to utilise backpressure turbines to improve energy efficiency by more than 5%.
Prioritised list of technologies/business models to reduce greenhouse gas emissions developed and presented to industry for investment	✗ <b>Not achieved</b>	List generated however not presented to industry for investment.
<b>Resource use efficiency: supply chain</b> Provide the tools and resources for industry to achieve a 5% reduction in water and energy use intensity relative to 2015 levels*	✓ <b>Achieved</b>	Tools and resources provided to achieve a 5% reduction in water and energy use intensity, including assessing the risk of wastewater recycling at processing plants and feedlots.
Form one global partnership to provide solutions to increasing environmental performance through supply chain optimisation enabled by enhanced information systems	✓ <b>Achieved</b>	Global partner involved in Rural R&D for Profit programme project 'Wastes to Profits'.

Develop one new methodology that enables red meat supply chain participants to generate revenue from carbon credits	✗ <b>Not achieved</b>	New methodologies remain under development and will require accreditation. Development of methodologies under the Emissions Reduction Fund is now the responsibility of the Australian Government Department of the Environment and Energy and industry can only recommend methodology approaches.
Provide the tools and resources for industry to achieve a 5% reduction in waste or increase in efficiency relative to 2015 levels*	✓ <b>Achieved</b>	Tools and resources showed a reduction of >5% in waste leaving red meat processing sites.
Engage one supply chain in a strategy towards a carbon neutral red meat supply	✗ <b>Not achieved</b>	In discussions with a supply chain, however no formal engagement secured.
<b>Weed management technologies</b> Biocontrol agents for parthenium released at eight sites in Queensland	✓ <b>Achieved</b>	Three parthenium biocontrol agents were field collected from 18 sites in central Queensland and released across eight sites in southern Queensland.
Weed biocontrol app piloted with at least 100 land managers	✗ <b>Not achieved</b>	Weed biocontrol app is delayed due to a change in system architecture. The current web portal continues to be promoted at workshops and field days.
Gorse biocontrol agents released at six sites in Victoria and six sites in Tasmania	✓ <b>Achieved</b>	Gorse biocontrol agents have been released at 24 sites in Tasmania and Victoria.
Provide the tools and resources for industry to achieve a 5% reduction in water and energy use intensity relative to 2015 levels*	✓ <b>Achieved</b>	Projects in the feedlot and processing sectors have produced various water recycling and energy management strategies for industry to achieve a 5% reduction in water and energy use intensity relative to 2015 levels.*

\*Benchmark 2015 Environmental Performance Review – Red Meat Processing

### HIGHLIGHTS

#### Focus on welfare

In one of the largest investments in livestock welfare research to date, a five-year \$35 million research collaboration between MDC and some of Australia's leading research bodies to undertake ground-breaking projects to enhance animal welfare was announced in May 2017.

The Strategic Partnership for Animal Welfare Research, Development and Adoption involves MDC collaborating with a group of organisations with a shared commitment to improve the Australian livestock industry's already world-class animal welfare practices.

The partnership includes CSIRO Armidale; Animal Welfare Science Centre which includes the University of Melbourne, South Australian Research and Development Institute and University of Adelaide; University of Queensland; Charles Sturt University; University of Western Australia; University of Sydney and NSW Department of Primary Industries.

The RD&A projects will look at issues such as the improvement or replacement of aversive practices, such as branding, dehorning, and castration. Tools to improve early detection of disease, test immunity and reduce mortality rates will also be explored.

**“This unprecedented commitment of funds allows for strategic, innovative research that would lead to valuable and long-lasting outcomes. Securing ongoing consumer and community support for the red meat industry by continuously improving animal welfare is a key priority of the livestock production sector.”**

*Dr Jim Rothwell  
MLA Program Manager, Animal Health Welfare and Biosecurity*

The MDC Board endorsed the assessment and contracting of projects within the Strategic Partnership of up to \$7 million/year for five years, while more than \$20.6 million has been committed by the partners so far for projects to be delivered in the next five years. By the end of 2016–17, \$15.9 million of projects were underway.

# PILLAR 1

## CONSUMER AND COMMUNITY SUPPORT

### Foot and mouth disease risk management

Australia is currently free from foot and mouth disease (FMD) and an outbreak would seriously threaten the meat and livestock industries. Should one occur, the expected cost to this country is up to \$50 billion over 10 years.

Since 2010, MDC has co-funded a two-phase project to better prepare Australia in the case of an outbreak by examining FMD viruses circulating in our region, determining the efficacy of vaccines in the Australian Vaccine Bank (AVB) against FMD viruses that might enter Australia and developing Australia's laboratory capability to diagnose FMD.

During 2016–17, the third phase of the FMD risk management program was contracted with Animal Health Australia, CSIRO, and Charles Sturt University. This project consists of four sub-projects, of which the FMD component is one, and is co-funded by a grant under the Australian Government Department of Agriculture and Water Resources as part of its Rural R&D for Profit programme. Producer-led surveillance, prediction of the spread of an emergency animal disease, and an update of the Australian Animal Disease Spread decision support tool make up the other three sub-projects. The project budget is \$11.7 million over four years.

Vaccine trials have confirmed that the AVB contains suitable vaccines, and the results support the continued inclusion of vaccination in Australia's FMD response plan. High-potency vaccines have been shown to be effective in cattle and sheep, but less so in pigs, and new techniques were shown to simplify sample collection from animals being tested for FMD. Monitoring of field strains has uncovered continuous evolution in the viral strains' immunogenic characteristics, justifying the monitoring and constant adaptation of vaccine strains.

These outcomes continue to enhance Australia's preparedness for an FMD outbreak.

### WASTE TO PROFIT

In June 2017, the Federal Government announced that MLA will receive \$6 million under Round 3 of the Rural Research and Development (R&D) for Profit programme for a project looking at ways to convert wastes from sectors, including intensive animal production into valuable products.

MDC is making a significant funding contribution to the project, which involves working with 18 partners on the research and development of technologies and business models to reduce the cost of waste management as well as capture a market opportunity in excess of \$100 million /year by converting agricultural wastes into products including energy, fertilisers, nutritionally enhanced feeds, and chemicals.

### Emission reduction

One of Australia's largest red meat processors, Teys Cargill, partnered with MDC to design and implement an innovative wastewater treatment system incorporating biogas capture and reuse technology.

Covered anaerobic lagoon (CAL) technology was used, which enabled biogas energy to be extracted from wastewater generated at Teys' red meat processing facilities at Beenleigh and Rockhampton. The biogas was then cleaned to remove impurities and combusted in gas boilers to generate hot water and steam for use in the processing facilities.

Carbon emission intensity was reduced by 52% and 39% at the Beenleigh and Rockhampton sites respectively. Natural gas expenditure at Beenleigh reduced by \$500,000/year and spend on coal at Rockhampton reduced approximately \$135,000/year.

This project provides further evidence that the biogas generated and captured by CAL technology at beef processing plants is energy-rich (67–70% methane) and contains relatively low concentrations of hydrogen sulphide (< 0.2 concentration in volume/volume percent). It can also be generated reliably throughout a typical production week and can be used in boilers with little conditioning other than glycol chilling.



Covered anaerobic lagoon technology at Teys' Beenleigh processing facility

# PILLAR 2

## MARKET GROWTH AND DIVERSIFICATION

*High value food frontiers* is MDC's key mechanism for delivering innovations in support of MLA's market growth and diversification strategic pillar. MDC investments have made an important contribution to the MLA-led Rural R&D for Profit programme's Insights2Innovation grant project.

### INVESTMENT:

# \$6.2m

Comprised of \$3.1 million matched Australian Government funding

### PRIORITIES:

► *High value food frontiers*

### 2016–20 OUTCOME:

**Increased consumer and customer preference and premiums for Australian red meat and associated products across multiple markets, driven by high-value innovation.**

### 6 MILESTONES:

✓ 4 achieved  
! 2 partially achieved

# PILLAR 2

## MARKET GROWTH AND DIVERSIFICATION

### 2016–17 MILESTONES

#### HIGH VALUE FOOD FRONTIERS

MILESTONE	RESULT	COMMENTARY
<b>Insights2Innovation</b> Three new value adding/packaging solutions identified and engaged	✓ <b>Achieved</b>	One new value-adding solution identified and three new packaging solutions identified and prototype-tested.
Five new value chain partners actively engaged in emerging market innovation initiatives	✓ <b>Achieved</b>	Five new value chain partners actively engaged in emerging market innovation initiatives during 2016–17.
Three new food entrepreneurs/start-ups engaged	! <b>Partially achieved</b>	More than three food entrepreneurs and start-ups engaged in discussions for future collaboration via the I+E Connect platform.
One non-red meat company attracted to the industry	✓ <b>Achieved</b>	Two non-red meat companies attracted to the industry.
Seven new high value red meat offerings ready to launch	✓ <b>Achieved</b>	More than seven new high value red meat offerings ready to launch.
1:4 benefit-cost ratio from investments in this program	! <b>Partially achieved</b>	Baseline calculation of the program is underway. Individual project assessments typically show a 1:4 benefit-cost ratio.

### HIGHLIGHTS

#### Packaging for the future

In collaboration with Monash University, MDC is exploring novel, 'smart' packaging solutions that have the potential to capture higher value and better market access for red meat products by enabling increased storage duration and shelf life, and a predictable eating profile, whilst preserving consumer requirements around quality, appearance and texture.

Through Monash University's Graduate Research Industry Partnership program, MDC is supporting PhD students working on three smart packaging projects for application in the red meat industry.

These projects are investigating the development of on-pack visual indicators of eating quality and freshness, polymer packaging and coatings to optimise meat quality, and the use of a novel in-pack super-absorbent soaker pad to improve the appearance, longevity and quality of retail ready red meat.

**"This partnership allow us to combine Monash's talented students, experts and leading research facilities with MDC's deep industry understanding to explore solutions that have the potential to deliver high-value opportunities for the Australian red meat sector."**

*Nicolas Georges  
Director, Food and Agriculture Innovation, Industry Professor  
Monash University*



#### 2Morrow's Food

Launched in 2016–17, the 2Morrow's Food initiative is designed for Australian red meat value chain participants looking to develop high-value growth strategies to target evolving global food trends. Partners are provided with co-investment funding, assistance with value chain and business model design, and access to insights and networks of global food trend experts.

MDC commissioned research into high value, emerging global food trends. Findings from this consumer lifestyle and behaviour changes research identified snacking and active aging as key opportunity trends. These insights have been presented to a number of value chains which have worked with MDC on ways to leverage these opportunities.

Some of the trends identified as presenting opportunities for the Australian red meat industry include:

- ▶ **Snacking:** research shows that in the US, 75% of consumers snack more than twice a day and some of the fastest growing snack brands contain red meat.
- ▶ **Technology:** smart packaging has the ability to generate greater value through guaranteeing provenance and creating interactive relationships with consumers.
- ▶ **Health and wellbeing:** longer life expectancy, increasing obesity rates and greater consumer awareness are driving demand for products that deliver a sense of health, prevention, treatment or wellness.
- ▶ **Active agers:** a large baby boomer population with greater disposable income and higher life expectancy than previous generations is exhibiting different characteristics and focusing on lifestyle maintenance.

#### NEW WAYS OF THINKING

**"Partnering with MDC has been a catalyst to Teys Australia developing capabilities in 'cost effectively testing and developing business models based on consumer insights in the high growth red meat space'. The initiative focused on using a 'lean launchpad' approach and applying design thinking. A dedicated 'accelerator team' focused on using the process in short, fast 'sprint' cycles to evaluate new business opportunities. In a very cost effective way, the rigour and disciplined process provided confidence in decision making as to what concepts to pursue and invest in."**

*Andrew Macpherson  
General Manager Commercial, Teys Australia*



#### China Insights2Innovation

Increased competition in the Chinese red meat market, including the re-entry of beef from Brazil and the US, could significantly undermine Australia's current market position. MDC's China Insights2Innovation initiative provides a partnership mechanism for red meat value chains to develop future high-value growth opportunities in China.

In-depth research into the China market has identified the most attractive cities for the Australian red meat industry and potential target consumer segments as well as provided insight into how to best structure value chains to work with business models commonly found in the China market.

A detailed analysis of cold chain logistics capability and capacity was undertaken, showing that expansion of chilled meat/produce markets and online sales were critically dependent on capability to execute efficient cold chain management.

Snapshots of China's current policy, regulatory and market access structures as they relate to high-value markets were also compiled, identifying a number of major opportunities and challenges for imports into China.

These findings, along with the subsequent decision support tools, were presented to industry stakeholders in order to help businesses develop strategies for China.

In 2016–17, eight red meat exporters were engaged in the program and participated in deep dive strategy workshops to identify opportunity spaces that present unique and sustainable high-value growth opportunities, and to explore the potential innovation responses.

Each of these industry partners is now working with MDC to co-invest in building capability and to pilot specific innovation opportunities that will underpin sustainable high-value growth into this important, albeit difficult market.

Some of the key themes being explored include: enhanced product integrity (anti-counterfeiting); e-commerce; positioning Australian red meat as a high-end luxury product; and tapping into the Chinese consumer's perception of food as underpinning health and wellness.

MDC is extending this framework in 2017–18, focusing on the ASEAN region and the Middle East.



## PILLAR 3 SUPPLY CHAIN EFFICIENCY AND INTEGRITY

Satisfied customers and industry partners are signs of a well-functioning value chain. The red meat and livestock industry strives to achieve this through Meat Standards Australia, which guarantees consumers a minimum eating quality in their red meat purchases, and also through integrity systems that underpin clean, safe, natural and traceability claims.

The industry has an opportunity to enhance this win-win for customers and value chain partners through new measurement technologies, information exchange and value-based pricing, where consumers pay the true value of the products they purchase and industry is able to increase the value of each carcass.

MDC partnerships make a significant contribution in this area with a wide range of initiatives in measurement technologies, digital value chain, and product integrity and traceability spanning the entire value chain.

### INVESTMENT:

# \$5.4m

Comprised of \$2.7 million matched Australian Government funding

### PRIORITIES:

- ▶ Supply chain logistics
- ▶ Objective measurement
- ▶ Value chain digital strategy
- ▶ Enhanced traceability and integrity systems

### 2016–20 OUTCOME:

**Increased returns through the value chain, with participants and customers confident in product quality, pricing and integrity systems.**

### 18 MILESTONES:

- ✓ 9 achieved
- ! 4 partially achieved
- ✗ 5 not achieved



## 2016–17 MILESTONES

### SUPPLY CHAIN LOGISTICS

MILESTONE	RESULT	COMMENTARY
<b>Decision making tools: supply chain logistics</b> Locate and evaluate innovative providers (both domestically and internationally)	✗ <b>Not achieved</b>	MDC was unable to secure partners in this area during 2016–17.
At least one partnership established to develop and pilot a methodology to test in a red meat value chain	✗ <b>Not achieved</b>	MDC was unable to secure partners in this area during 2016–17.
<b>Logistics business models</b> Seek out and secure partnerships to deliver Intelligent Transport Systems (ITS) to the red meat industry	✗ <b>Not achieved</b>	MDC was unable to secure partners in this area during 2016–17.

### OBJECTIVE MEASUREMENT

MILESTONE	RESULT	COMMENTARY
<b>Objective measurement technologies</b> Lamb technology providing producer feedback, in at least one location	✓ <b>Achieved</b>	One lamb processor is providing producers information about lean meat yield on individual carcasses via Livestock Data Link.
Two beef technologies developed and ready for value chain trials	✓ <b>Achieved</b>	First beef DEXA production installation scheduled for mid-2017. Hyperspectral beef grading camera scheduled for first round evaluation trials mid-2017.
Rural R&D for Profit objective measurement project outcomes achieved	✓ <b>Achieved</b>	Rural R&D for Profit milestones on track. All reports submitted on schedule and accepted by the Department of Agriculture and Water Resources.
<b>Global eating quality</b> Scope international research collaborators to build international datasets using common consumer protocols	✓ <b>Achieved</b>	International collaboration and global eating quality database strategy endorsed by MSA taskforce. MSA consumer testing protocols have been accepted as global standards by UNECE Standardised Section on Meat. Countries including France, Poland, Ireland, Northern Ireland, USA and Australia are using common consumer protocols for EQ research.
Develop two new cut by cook combinations for inclusion in the MSA model	! <b>Partially achieved</b>	Trial commenced in 2016–17 and due to finish 2017–18 focused on testing new cut by cook combinations.
<b>Infrastructure and business models</b> Three supply chains trialling objective carcass measurement technology for MSA grading	✓ <b>Achieved</b>	Six processors are trialling technologies for measuring eating quality measurements for MSA grading.
Three supply chains trialling integrated information systems	✓ <b>Achieved</b>	Three beef supply chains are trialling integrated information systems to link and share value chain data and quantify the benefits.

# PILLAR 3

## SUPPLY CHAIN EFFICIENCY AND INTEGRITY

### VALUE CHAIN DIGITAL STRATEGY

MILESTONE	RESULT	COMMENTARY
<b>Information systems: supply chain</b> Three value chains trialling an integrated information system	<b>! Partially achieved</b>	Livestock Data Link used in three supply chains. 15% of producers accessed the system in one of these chains. Data not available for the remaining two chains.
Integrated industry information platform agreed and being implemented	<b>! Partially achieved</b>	Following industry consultation, the project scope changed to link and facilitate access to MLA data systems. Further consultation will be carried out in 2017–18.
<b>Value-based pricing (VBP) models</b> Complete strategic review and implementation plan of VBP options, benefit scenarios, enablers and barriers	<b>✓ Achieved</b>	Development of supply chain objective measurement strategy and value proposition to stakeholders completed and published. Several MDC projects underway with participating processors to test and model benefits for VBP.
<b>Decision making tools: supply chain</b> Methodology developed and tested on one beef and one lamb value chain	<b>✓ Achieved</b>	Benchmarking now available in myMSA and lamb carcass value calculator being implemented in lamb supply chains.

### ENHANCED TRACEABILITY AND INTEGRITY SYSTEMS

MILESTONE	RESULT	COMMENTARY
<b>Integrity systems: food safety</b> Maintain 85% stakeholder satisfaction level	<b>✗ Not achieved</b>	The food safety program survey conducted in July 2017 showed that 74% of stakeholders were satisfied with the program.
Maintain global recognition of research quality evidenced by at least three papers accepted by international peer reviewed journals	<b>✗ Not achieved</b>	Research to assure safe product has resulted in one published research paper. Others are accepted, under review or in preparation.
<b>Electronic technologies</b> eNVD trials completed and roll out commenced with 10% of consignments to be eNVD only	<b>! Partially achieved</b>	eNVD trials were completed and roll out of the eNVD commenced. The 10% uptake target was not achieved. Broad roll out of the free eNVD through the LPA Service Centre has commenced.
<b>Next horizon technologies</b> Options for new animal identification and in-market traceability technologies identified	<b>✓ Achieved</b>	Five options for new animal identification and in-market traceability technologies were shortlisted for feasibility review prior to proof-of-concept.

### HIGHLIGHTS

#### Dual Energy X-ray Absorptiometry

In 2017, MDC announced that it will invest up to \$24 million to co-fund the installation of DEXA (Dual Energy X-ray Absorptiometry) objective measurement systems in red meat processing plants following cross-industry endorsement to accelerate the adoption of the technology.

DEXA technology provides timely, accurate and objective information on the lean meat, bone and fat composition of each carcass.

An independent report funded by MLA and the Australian Meat Processor Corporation found that \$420 million/year is the potential benefit to the red meat industry from the full adoption of objective measurement technology. The report also found that unless the roll out of the technology is fast-tracked, only \$72 million/year of benefit is likely to be realised by 2020.

DEXA installations will be funded via matching contributions from participating processors and MDC. By June 2017, project submissions were received from four leading processors, including Teys Australia.

The export and domestic beef processor will have the first commercialised beef DEXA machine in Australia, with installation underway at its Rockhampton plant in central Queensland.

The beef side DEXA scanner is designed to measure the meat, bone and fat composition of each carcass. It is designed to integrate seamlessly with existing overhead chains, processing up to 600 sides/hour and can scan hot dressed or chilled beef sides hanging from a roller or skid.

Carcass scan data is made available to the operator through a touch screen for real-time review or via a database, again in real-time.

#### Investing in producers' financial future

During 2016–17, MDC supported the development of Farmecco, a new financial literacy tool designed specifically for the beef industry. The tool was created by Agrihive to help producers gain a greater understanding of their financial future and empower them to make more informed decisions about how to improve their profitability.

By entering business and personal data, and combining this with existing industry databases, users can build a wealth report that models their future financial position which they can use with their financial advisors. In particular, the program allows producers to make informed decisions around debt management, capital improvements and when to buy or sell livestock.

Farmecco was unveiled in May 2017 via a live-streamed webinar and launch event attended by industry representatives, including MLA's Managing Director Richard Norton.



## PILLAR 4 PRODUCTIVITY AND PROFITABILITY

Increasing productivity and profitability across the industry will assist red meat and livestock participants to raise their competitiveness and long-term sustainability and help offset the long running cost-price squeeze. Encouraging the value chain to increase its productivity requires a new approach to adoption. Providing producers, lot feeders, livestock exporters and processors with compelling commercial benefits to implement research and development is another priority. The supply of timely, accurate and relevant tools, technologies and information is also critical.

MDC partnerships continue to make a significant contribution in this area, building on the MDC-funded processing automation strategy and strategic partnerships with global technology providers implemented over the past 10 years. This has seen the development and commercial uptake of world-leading lamb boning and slaughter automation and the early development of beef automation technologies. MDC also co-invested in key livestock genetics initiatives via the National Livestock Genetics Consortium. New areas of co-investment focused on automation on farm and the development and introduction of a range of precision agriculture technologies.

### INVESTMENT:

# \$13m

Comprised of \$6.5 million matched Australian Government funding

### PRIORITIES:

- ▶ Farm and feedlot productivity
- ▶ Precision agriculture
- ▶ Livestock genetics
- ▶ Through-chain automation

### 2016–20 OUTCOME:

**Productivity gains through the value chain from the adoption of tools and technologies.**

### 14 MILESTONES:

- ✓ 10 achieved
- ! 1 partially achieved
- ✗ 3 not achieved



## 2016–17 MILESTONES

### FARM AND FEEDLOT PRODUCTIVITY

MILESTONE	RESULT	COMMENTARY
<b>Pasture productivity</b> New research and development projects that improve northern feedbase productivity including legume production	✓ <b>Achieved</b>	Two new legume projects have commenced: one on legume management; the other on combining legumes and grasses.
Farm mapping company established	✓ <b>Achieved</b>	FarmMap4D established and conducting business.
Management products developed for improved grazing management outcomes in Queensland's reef catchments	✓ <b>Achieved</b>	Grazing guidelines that benefit reef, land and animal production and wildlife biodiversity have been drafted. 'Safe carrying capacity' tool developed in the FarmMap4D project.
<b>Production efficiency: beef</b> Research and development projects to improve growth and market compliance through use of supplements and objective measures	✓ <b>Achieved</b>	Two projects are underway: one on phosphorus supplementation; the other on enhancing compensatory growth through increasing skeletal growth in the dry season.
Progress of the Northern Business Mentoring Program	✓ <b>Achieved</b>	Webinars and workshops operating as feeder activities. Two groups running in Queensland and two nascent groups (WA and NSW). Interested participants mentored for future consultancy roles.
Initiate joint producer and researcher participation in Farm Innovation Networks to enhance adoption	✗ <b>Not achieved</b>	Producer Innovation Fast-Track program will become the vehicle for initiating joint producer and research participation in farm innovation networks.
Equip feedlot to prepare for future trials	! <b>Partially achieved</b>	Site selected, planning and budgeting underway, with project to be funded in 2017–18 financial year.

### PRECISION AGRICULTURE

MILESTONE	RESULT	COMMENTARY
<b>Improved traceability and monitoring of animals</b> Prototype eartag developed and tested for durability	✗ <b>Not achieved</b>	Prototype eartag project currently in negotiation. Prototype development identified in milestones but project commencement delayed.
Feasibility of adapting industrial logistics on farms	✓ <b>Achieved</b>	Project completed in northern Australia.
<b>Tools to improve estimates of feed availability</b> Enhancements to satellite imaging	✓ <b>Achieved</b>	Now included in the FarmMap4D project which is now commercialised, enabling satellite mapping to report infrastructure and biomass to inform grazing decisions.
Development of pasture measures app	✓ <b>Achieved</b>	A hand held biomass assessment sensor has been calibrated across southern Australia with pasture cuts. An app has been developed that converts sensor output to an estimate of kilograms of dry matter per ha. Commercialisation planning is underway.

# PILLAR 4

## PRODUCTIVITY AND PROFITABILITY

### LIVESTOCK GENETICS

MILESTONE	RESULT	COMMENTARY
<b>Genetics and genomics: northern Australia</b> <b>Genetics and genomics: southern Australia</b> <b>Genetics and genomics: sheepmeat</b> Implement the National Livestock Genetics Consortium (NLGC) and genetics/genomics investment plan by December 2016	✓ <b>Achieved</b>	The genetics strategy was implemented by the National Livestock Genetics Consortium by December 2016.

### THROUGH-CHAIN AUTOMATION

MILESTONE	RESULT	COMMENTARY
<b>Processing efficiency technologies</b> Maintain at least 80% of expected program outcomes from processing efficiency technologies achieved	✗ <b>Not achieved</b>	70% of program outcomes have been achieved with some delays in commencing further beef automation.
Annual productivity benefit of technologies adopted in 2016–17 and previous years reaches \$30 million/year	✓ <b>Achieved</b>	Annual productivity benefits of automation technologies installed in 2016–17 have reached \$44 million/year.

### HIGHLIGHTS

#### Beef automation strategy

MLA developed and is progressing a radical new technical approach to beef automation by breaking down carcasses in a similar method to lamb into forequarters, middles and hindquarters, rather than just quarters and sides. A new \$3.7 million project is underway to facilitate this shift and aims to unlock improved returns and major workplace safety benefits in the industry.

The partnership between MDC and Scott Automation & Robotics complements the DEXA objective carcass measurement initiative (page 25), with the X-ray images generated by that technology used to precisely guide automated cutting modules.

The introduction of beef boning automation integrated with DEXA is expected to benefit the value chain and make Australia's high cost processing sector more profitable and sustainable in the long-term.

With the Australian Meat Processor Corporation's support, MLA is planning to establish a steering committee of leading meat processors to guide the project.

The first module in the beef boning automation program is the automated removal of the chine bone from striploins and cube rolls. The project will also investigate automated fat trim removal and striploin and cube roll marbling measurement while deboning.

#### National Livestock Genetics Consortium

In 2016–17, MLA successfully established a skills-based taskforce to drive the National Livestock Genetics Consortium (NLGC), developed a five-year strategic plan and completed two project call rounds.

The aim of the NLGC is to double the annual rate of improvement in the industry's genetic value by 2022 through investment in livestock genetics projects that deliver one or more of the following: world-leading research and development; cultural change; disruptive technologies; and accessible data platforms.

Following an initial project call in October 2016, the NLGC taskforce recommended 12 projects to receive funding, worth \$16 million.

In early 2017, the taskforce made a second call for projects that would achieve outcomes in line with the Consortium's priorities. Thirty-one projects were submitted, with 17 recommended for funding worth \$17 million.

MDC is making a significant contribution in the area of genetics, with more than 60% of NLGC recommended projects intended to be funded via the MDC mechanism.

#### Beef Business Mentoring program

MDC, in partnership with the Agri-Business Development Institute (ABDI) launched the Beef Business Mentoring program workshops in 2016.

Through a combination of webinars, teleconferences, workshops and longer-term mentoring, the program guides businesses through a structured and focused business change and development process.

Initially, businesses undertake a stocktake to evaluate their current position, identify the key issues that require attention and then work collectively on significantly improving them. Participants are mentored by industry business professionals to help them make change happen.

The program is also based around sharing ideas and experiences with other like-minded and motivated beef industry operators, through regular live workshops and interactive programs.

Currently based in southern Queensland, most program participants came from northern Australia during 2016–17, with other attendees from central and southern NSW, southern WA and Tasmania.

Participant feedback rated the workshops as highly beneficial, and those in the mentoring program have already shown documented changes in attitudes and practices in improving business management.

The Beef Business Mentoring program is also supported by the Queensland Department of Agriculture and Fisheries, AgForce and Crowe Horwath.

"We've had a period where we've grown financially and taken on a lot of risk; it got a little out of hand for a while and was extremely stressful. To address this, Lauchie and I entered the Beef Business Mentoring program, which is supported by MDC in partnership with the Agri-Business Development Institute. This has forced us to pull our focus out of the day-to-day operations and take a more corporate view of the business and our growth plans. We are now implementing a business approach that is more structured and controlled.

Until now, we've sought most of our business advice from my father and other industry leaders. However, now we are branching out into more organised human resource management we learned in the course and are getting more strategic financial input from our accountant."

*Carlie and Lauchie Ward  
Dingo, Emerald and Bajool, Queensland*





## PILLAR 4 PRODUCTIVITY AND PROFITABILITY

### Robotic beef rib cutter progress

The robotic beef rib cutting/scribing system is the first module developed in a suite of automated beef processing equipment to automate the breakdown of chilled beef from the chiller to the packaged box.

The system, developed by Scott Automation & Robotics in collaboration with MDC, provides a wide range of benefits including maximising value of the product, workplace health and safety, labour efficiency, hygiene and productivity.

Rib cutting is the first point during the boning process at which value can be lost, necessitating that the task can only be performed by skilled operators due to the accuracy required to maximise value. The robotic beef rib cutting system replaces the actions of a manual rib cutter with an accurate, safe and repeatable robotic solution. The system has been installed at JBS Dinmore, Queensland, and is the first system in operation.

The system uses X-ray, colour vision and laser scanning technology to accurately scribe rib specifications for each carcass side processed.

The rib scribe system can process a full range of sizes, weights and breeds, and is designed to operate with existing process chains at line speeds of up to 520 sides/hour.

A Greenleaf cost-benefit analysis report highlights that processing productivity can be increased by as much as 20% with the introduction of automation in critical areas of production.

### ROBOTIC BEEF RIB CUTTING A REALITY AT JBS

Investment by MDC, Scott Automation & Robotics and JBS have led to the first fully automated robotic rib cutting system being installed at JBS Dinmore, Queensland, the largest beef processing plant in the southern hemisphere.

The system is now fully operational, processing up to 520 sides/hour, eliminating the need for workers to undertake the high-risk activity of manually cutting ribs with a pneumatic-driven circular saw.

Under the robotic rib cutting system, carcasses pass out of the chillers and are graded before moving into the rib cutting room. The rib cutting integrated sensing system then reads the radio-frequency identification on each hook of every carcass to determine what cut specification is required for that carcass.

The system also features a number of sensors, including DEXA technology with laser surface profiling and colour machine vision, to analyse and calculate the coordinates to deliver the precise cut lines to the robot for that particular carcass. The carcasses then pass out of the rib cutting room and into the boning room.



## PILLAR 5 LEADERSHIP AND COLLABORATIVE CULTURE

Securing the potential of the Australian red meat and livestock industry and delivering on the ambitions of the *Meat Industry Strategic Plan* requires strong industry leadership, a capable workforce and the ability to attract the best and brightest minds to the industry.

MDC makes a key contribution in this pillar via the engagement of industry participants in a range of capability building initiatives that accelerate innovation adoption, increase the level of industry investment in innovation, and facilitate cultural change. More specifically, MDC programs in this area:

- ▶ Create a clear and compelling platform for industry transformation, via facilitating the adoption of major innovation initiatives by a critical mass of key opinion leaders. For example, whole-of-chain automation, value chain digital strategy and the transformation of the industry from a commodity supplier to purveyor of premium and high value products.
- ▶ Expand the footprint and impact of *MLA's Strategic Plan 2016–2020* and fast-track the delivery of outcomes.
- ▶ Create the opportunity for MLA to move into more disruptive 2025–2030 innovation opportunities with a level of industry engagement that underpins our thought leadership position and provides a 'licence to operate'.

### INVESTMENT:

# \$4.8m

Comprised of \$2.4 million matched Australian Government funding

### PRIORITIES:

- ▶ Collaborative Co-innovation Program
- ▶ Producer Innovation Fast-Track
- ▶ Food Value Chain Innovators
- ▶ Digital Value Chain Officers

### 2016–20 OUTCOME:

**Industry participants are agile, ready to face challenges and capture opportunities in the future.**

### 10 MILESTONES:

- ✓ 7 achieved
- ! 1 partially achieved
- 2 not applicable

# PILLAR 5

## LEADERSHIP AND COLLABORATIVE CULTURE

### 2016–17 MILESTONES

#### COLLABORATIVE CO-INNOVATION PROGRAM

MILESTONE	RESULT	COMMENTARY
Increase participation in the program from 13 to 20 value chain participants	<b>! Partially achieved</b>	Program had 16 value chain participants in 2016–17.
Partner survey and evaluations demonstrate significant benefits	<b>✓ Achieved</b>	Partner scheduled six monthly or annual formal reviews completed and significant benefits articulated in corresponding milestone reports.

#### PRODUCER INNOVATION FAST-TRACK

MILESTONE	RESULT	COMMENTARY
Program fully subscribed	<b>✓ Achieved</b>	Program over-subscribed, with 86 applications received.
Participant satisfaction	<b>Not applicable</b>	Due to the higher than anticipated level of interest in the program, the review process was extended with the program now running from August 2017–September 2018, after which, evaluation will occur.
Projects demonstrate clear benefit to participants	<b>Not applicable</b>	Due to the higher than anticipated level of interest in the program, the review process was extended with the program now running from August 2017–September 2018, after which, evaluation will occur.

#### FOOD VALUE CHAIN INNOVATORS

MILESTONE	RESULT	COMMENTARY
Retention of red meat industry participants in the program	<b>✓ Achieved</b>	Seven red meat industry participants were recruited into the program with five remaining.
Recruitment of 10 young professionals into the program	<b>✓ Achieved</b>	Fifteen young professionals were recruited into the program, with ten remaining.
Satisfaction of host companies of benefits of the program	<b>✓ Achieved</b>	Host companies and participants have expressed satisfaction and continued support of the program via scheduled reviews and milestone reports.

#### DIGITAL VALUE CHAIN OFFICERS

MILESTONE	RESULT	COMMENTARY
Scope the opportunity of Digital Value Chain Officers with at least three companies	<b>✓ Achieved</b>	One value chain officer in place with three companies.
Develop a program for a Digital Value Chain Officer position with pilot partners	<b>✓ Achieved</b>	One value chain officer in place with three companies.

### HIGHLIGHTS

#### An appetite for innovation

In a sign of the growing appetite of Australian red meat producers to invest in innovation and adopt new technologies, MDC received an overwhelming level of interest for its Producer Innovation Fast-Track pilot program.

Launched in February 2017, the program is designed to accelerate the adoption of innovations and initiatives that have the ability to improve farm and value chain performance by providing red meat producers or producer groups with the expertise, co-funding and support to take their business to the next level.

Following a series of information sessions and workshops around the country, MDC invited producers and producer groups to submit proposals across three key areas:

- ▶ accelerated adoption of innovations to improve on farm performance
- ▶ producer-led innovations resulting in new products, brands and value chains
- ▶ producer-led new ventures and start-ups.

The response exceeded expectations, with MDC receiving over 86 applications involving more than 100 producers. This level of support for the program clearly shows the appetite amongst producers to be actively engaged in initiatives that accelerate innovation for the red meat industry.

Given the strong interest in the program, MDC extended its review process to ensure all applications were thoroughly considered and to allow the development of a number of options to support the many interesting project concepts received. The pilot will be progressively implemented over the next 12 months, with significant involvement of participants in the co-design of the program to ensure it meets levy payers' needs.

#### Investing in the future

Recognising that investing in the development of young people is crucial to building and retaining a skilled and capable workforce, MDC supported two key programs during 2016–17: the Young Food Innovators program and the Livestock Consulting Internship.

The Young Food Innovators program is designed to assist the red meat, horticulture, seafood, dairy and pork industries attract, develop and retain new talent. The program's more specific aim is to attract well-qualified young professionals and producers from diverse backgrounds to the industry and help them to develop whole-of-chain (plate-to-paddock) strategic value chain thinking.

The program equips participants with the skills to work within value chains that are seeking to innovate and grow high-value opportunities in both domestic and export markets. Participants are supported by funding from MDC, participating agri-food businesses and the Australian Government Department of Agriculture and Water Resources as part of its Rural R&D for Profit programme.

The first round of the program continues to provide significant benefits to the ten agri-food participants and their companies across the red meat, dairy, horticulture and seafood industries. Having completed the preliminary design-led innovation methodology and value chain design components, participants are finalising their major research projects. In 2017 they will join the second cohort at a residential workshop to explore collaboration opportunities along the value chain.

**"The Young Food Innovators program enables the red meat industry to connect with horticulture, dairy and fisheries to share ideas about innovation and opportunities across the value chain. Participating in the program has been valuable and helped me be successful in my role as an Agribusiness Innovation Officer."**

*Joel Bentley  
Agribusiness Innovation Officer at Australian Country Choice  
and Young Food Innovators participant*



## PILLAR 5 LEADERSHIP AND COLLABORATIVE CULTURE

Supported by MDC and managed by Meridian Agriculture, the Livestock Consulting Internship is designed to ensure the continuation of new consultants to the industry by underpinning the cost of taking on entry-level employees.

In 2017, the first cohort graduated from the two-year program, marking a significant milestone along their career path as livestock consultants.

All nine interns who started the program in 2015 graduated after completing their internships with participating livestock consulting businesses throughout Australia. The partner consulting firms comprised: Brennan Mayne Agribusiness; Agripath; Sheepmatters; Meridian Agriculture; Outcross Agri-Services; RMCG; Planfarm; Sally Martin Consulting; and Moses & Son.

The results of the industry projects undertaken by the interns, which ranged from investigating cattle shrink in saleyard situations to analysing adult learning within the producer group structure, will be published on the MLA website in late 2017.

I grew up on a farm at Tarcutta and studied a Bachelor of Agricultural Science at Charles Sturt University, Wagga Wagga. As a university graduate, the options to work in livestock consultancy seemed very limited. Government departments weren't taking on new interns and I wanted to do more than work in a stock and station agency, which seemed to be the only option when I finished my degree.

When I found out about the Livestock Consulting Internship program, it seemed too good to be true. I knew I wanted to work in research and project management, rather than in a role with a sales focus, and I wanted to work with producers on production goals. The program has really allowed me to find my niche in life – I feel very privileged and lucky.

*Lexi Cesnik  
Graduate, Livestock Consulting Internship program  
Livestock consultant, Moses & Son*



## PILLAR 6 STAKEHOLDER ENGAGEMENT

The successful delivery of both the MLA and MDC Strategic Plans 2016–2020 will require an enhanced level of collaboration between MLA and its many stakeholders.

This pillar focuses on extending the breadth and depth of stakeholder engagement across MDC. Genuine two-way consultation and collaboration will provide mutual benefit in the delivery of MDC's innovation services to industry. This pillar also includes the delivery of MDC's corporate reporting responsibilities within a culture of continuous improvement.

MDC's contribution to the outcome of this pillar are to:

- ▶ attract voluntary investment partners to the industry
- ▶ clearly articulate how MDC investments are complementary to, and align with, other MLA investments
- ▶ deliver research, development and adoption outcomes for the Australian red meat and livestock industry
- ▶ maintain strong collaboration with government.

INVESTMENT:

**\$0.08m**

Comprised of \$0.04 million matched Australian Government funding

PRIORITIES:

- ▶ Engagement with producers and stakeholders

2016–20 OUTCOME:

**An increased understanding of MLA Donor Company, and of its role in accelerating innovation, amongst the Australian red meat and livestock industry.**

2 MILESTONES:

- ✓ 2 achieved

# PILLAR 6 STAKEHOLDER ENGAGEMENT

## 2016–17 MILESTONES

### STAKEHOLDER ENGAGEMENT

MILESTONE	RESULT	COMMENTARY
Increased understanding of MLA Donor Company activity as measured via MLA Member Survey	✓ <b>Achieved</b>	Member awareness in 2017 had increased by four times the level of awareness reported in 2015, with corporate members showing a significantly high level of awareness.
Improved government satisfaction with level of transparency and communication regarding MLA Donor Company	✓ <b>Achieved</b>	MDC Statutory Funding Agreement meeting was held with Department of Agriculture and Water Resources on 3 November 2016 and 16 June 2017, during which satisfaction with levels of transparency was expressed. Further, a letter received from the Hon. Barnaby Joyce MP acknowledged receipt of the <i>MDC Strategic Business Plan 2016–20</i> , <i>2016–17 Investments</i> and the significant role MDC plays in generating outcomes for the red meat value chain.

## HIGHLIGHTS

### MDC's first Strategic Business Plan



MDC's first Strategic Business Plan 2016–2020 was published in 2016–17. This document outlined the direction that MDC investments are anticipated to take over the four-year period, aimed at accelerating and extending the achievement of the *MLA Strategic Plan 2016–2020* and the *Meat Industry Strategic Plan 2020*, as well as the areas of MDC investment for 2016–17.

### Communications materials for MDC programs



### Increased media coverage for MDC

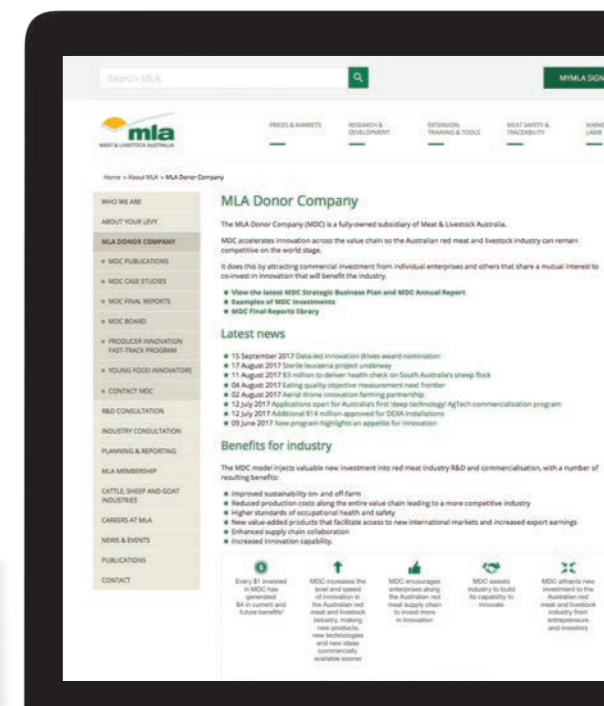


**"First livestock consultant interns graduate as new class starts"**

**"Producer Innovation Fast-Track program receives overwhelming response"**

**"Applications open for Aust. first deep-technology AgTech program"**

### Upgraded online presence



# I+E CONNECT

MDC's globally networked innovation and entrepreneurship platform, I+E Connect enables the Australian red meat and livestock industry to connect and engage with the global entrepreneurial community through strategic partnering and co-investment with a wide range of ecosystem participants.

I+E Connect provides a unique platform for the red meat industry to access high quality new ventures and entrepreneurs to support the development and delivery of disruptive innovations that have the potential to transform the industry.

Designed to be a red meat industry 'landing pad' that connects all of the key elements within the global entrepreneurial ecosystem (new ventures, investors, accelerators and incubators, corporates and global scouts), I+E Connect has been designed to maximise outcomes and to help de-risk MDC co-investments in the AgTech and FoodTech space.

Unique to this design is the location of the Australian red meat industry at the epicentre of this 'landing pad', ensuring that the industry is not 'left behind'.

During 2016–17, the design of the I+E Connect platform was validated through presentations and co-design workshops with global experts, venture capital investors and entrepreneurs from Australia, New Zealand, Israel, North America and Europe.

## INVESTMENT:

**I+E Connect investments have been apportioned across the relevant priorities**

## PRIORITIES:

- ▶ Innovation scouting services
- ▶ Accelerator and incubator programs
- ▶ Entrepreneurs, agile SMEs and start-ups
- ▶ Corporate accelerators and venture funds
- ▶ Partnerships with new investors

## 2016–20 OUTCOME:

**The Australian red meat and livestock industry is actively engaged with the global entrepreneurial ecosystem.**

## 1 MILESTONE:

✓ 1 achieved

## 2016–17 MILESTONES

MILESTONE	RESULT	COMMENTARY
I+E Connect platform launched and partnerships established with Australian red meat industry and global entrepreneurial community	✓ <b>Achieved</b>	I+E Connect platform was soft launched and partnerships established across the global entrepreneurial ecosystem.



## HIGHLIGHTS

### SproutX

In 2016, MDC teamed up with SproutX, an Australian national AgTech innovation hub, to encourage entrepreneurs and start-ups to solve some of the biggest issues facing the red meat and livestock industry, through new technology, ideas and data.

The partnership provides a testbed and commercialisation pathway for AgTech start-ups, who link up with red meat producers to research, develop, test and ultimately commercialise new technologies.

Under the partnership, start-ups and entrepreneurs involved in SproutX will be encouraged to tackle on farm issues such as virtual fences, water management, livestock location technology, improved reproduction, methane reduction, weed control, feed conversion, improved animal health, welfare and mortality rates and developing new pest control technologies.

In April 2017, the AgTech accelerator opened for applications, with four successful applicants applicable to the red meat and livestock industry being supported by MDC.

“Working with MDC means we can move cutting edge research out of labs and offices and onto farms, where it can be tested and commercialised. Some 18 of the 100 start-ups recently accepted into the SproutX pre-accelerator program are already focused purely on technology for livestock farms, while others are aiming to solve problems that will partially benefit red meat producers across Australia and internationally.”

*Sam Trethewey, General Manager of SproutX*



### GrowLab

MDC and Cicada Innovations partnered in 2017 to develop GrowLab, an Australian-first deep technology AgTech program for the agriculture and food sectors.

Designed to help talented agricultural technologists capture a portion of the \$100 billion Australian AgTech opportunity, the program will guide them through the process of commercialising their advanced AgTech innovations in areas such as robotics, animal health, remote sensing, food technologies and decision support tools.

The participants will already have a technology that can be applied to the agriculture or food sectors, and GrowLab will provide the tools, structure and milestones to determine how best this technology could be turned into a start-up company.

The program opened for applications in June 2017, and will generate, validate and nurture up to eight innovation opportunities with the potential to drive transformational change in the red meat industry.

“The opportunities in agricultural technology are absolutely huge in Australia at the moment, and are expected to contribute over \$189 billion between 2013 and 2022. We have a great deal of talented researchers and scientists already working in these sectors who are finding solutions. Through GrowLab, MDC and Cicada can assist in taking their research or discovery to the next level.”

*Petra Andrén, CEO of Cicada Innovations*



### MDC entrepreneur support

In addition to supporting new ventures and entrepreneurs accepted into accelerator and incubator programs such as SproutX and GrowLab, MDC also provides direct support and co-investment.

In 2016–17, six new venture businesses were accepted into the MDC entrepreneur support program. In addition, 11 new producer-led venture proposals were received into the Producer Innovation Fast-Track program (see Pillar 5). These proposals are currently being assessed and supported through a customised pre-accelerator program.

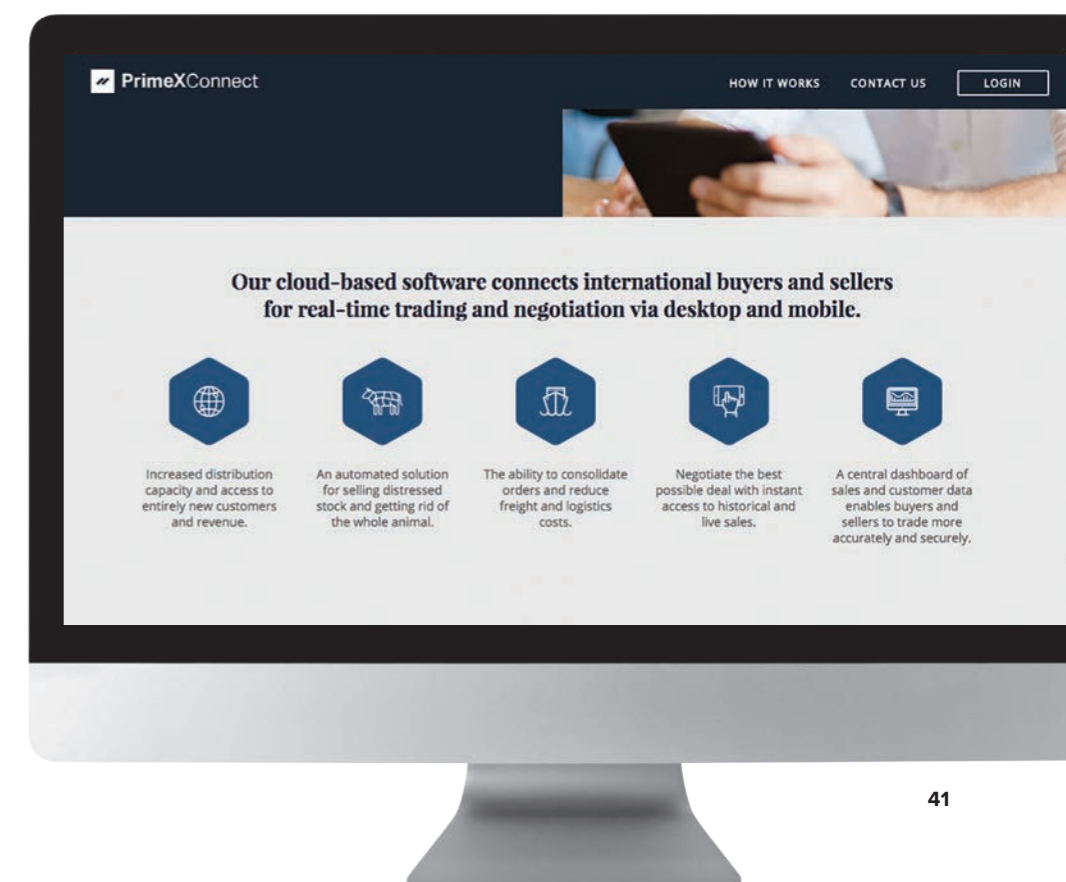
## PRIMEX CONNECT

Through its I+E Connect platform, MDC is supporting the development of an online, wholesale marketplace for red meat products that connects Australian processors and exporters with international buyers.

Currently, seller-to-buyer negotiations are highly manual, inefficient and time consuming. PrimeX Connect aims to streamline this process and increase Australia’s ease of doing business with overseas buyers.

The data captured from the online platform will also be able to help processors maximise efficiencies as well as enable the flow of valuable feedback on characteristics preferred in certain markets through the supply chain to producers.

With MDC’s support, in 2017 this project will further develop the digital platform for beta testing and validation of the PrimeX Connect business model.



# CORPORATE GOVERNANCE FRAMEWORK

MDC operates under MLA's corporate governance framework which is set by the board, having regard to the best interests of MLA's members, the values of the organisation, MLA's obligations set out under its Funding Agreement with the Commonwealth of Australia 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.

## STRATEGY AND PRIORITY SETTING

MDC follows the MLA *Annual Investment Plan* (AIP) and all investments align to MLA key milestones and major initiatives. The MDC Board approves an MDC AIP that outlines targeted focus areas of investment. The budgets developed for MDC are indicative values in portfolio focus areas. They are subject to periodic review as the nature of the MDC co-investment mechanism means that if the partners do not invest in certain focus areas, MDC cannot invest in those areas.

## PROGRAM AND PROJECT APPROVALS

MDC operates under the MLA Project Governance Framework for all program and project approvals with the MDC Board approving programs of work over \$5 million, individual projects over \$1 million where not part of an approved program and the MLA Leadership Team approving all other projects.

To manage the MDC 'pipeline' and to inform new project approvals, the MDC Board determines the preferred portfolio balance including a maximum allocation of funds for specific program initiatives where considered appropriate. Program managers are required to submit program strategy papers as determined by the Board.

MDC and Australian Meat Processor Corporation (AMPC) have developed and implemented at an operational level a joint process to approve Plant Initiated Projects (PIPs) as follows:

- ▶ AMPC and MDC have merged the project review and approval process for both organisations in order to streamline and address governance concerns in a united way.
- ▶ Budget meetings are merged and reporting is streamlined in order to improve timeliness and effectiveness of progress reporting, and to meet MLA and AMPC governance requirements.
- ▶ The program embraces a single process in order to eliminate any disparity between AMPC and MDC applications. This has simplified the application and review process for processors applying to the program.

# MEASUREMENT AND EVALUATION

MDC investments are evaluated within an overall 'path to impact' measurement and evaluation framework. This is based around the Input-Output-Outcome-Impact logic model, which is generally considered to be best practice for impact assessment and delivery.

This model is focused on the delivery of outputs (or products) that have attributable outcomes (via adoption) and generate impact.

Outcomes and impacts relating to MDC investments are measured via a variety of approaches, including ex ante (forecast) and ex post (actual) independent cost/benefit analyses. While impact measurement is primarily focused on productivity and demand creation benefits within the Australian red meat and livestock industry, triple bottom line benefits are also considered both at an individual product, product group and pillar/priority level.

In some cases, both MLA levies as well as MDC investments (inputs) have contributed to delivering outcomes and impacts. MDC based inputs are clearly identified in the evaluation process and hence the contribution of the MDC to broader industry impacts can be assessed using a variety of tools such as partial and general equilibrium economic modelling.



“All MDC contracts are subject to a rigorous cost/benefit analysis and evaluation process. This is followed by further impact/benefit analyses at regular intervals during the life of the research and development phase of the project and through the subsequent industry adoption and commercialisation stages.”

*Dr Christine Pitt, MDC Chief Executive Officer*

# FINANCIAL SUMMARY

The total value of MDC projects contracted in 2016–17 was \$80.6 million and actual expenditure was \$36.0 million.

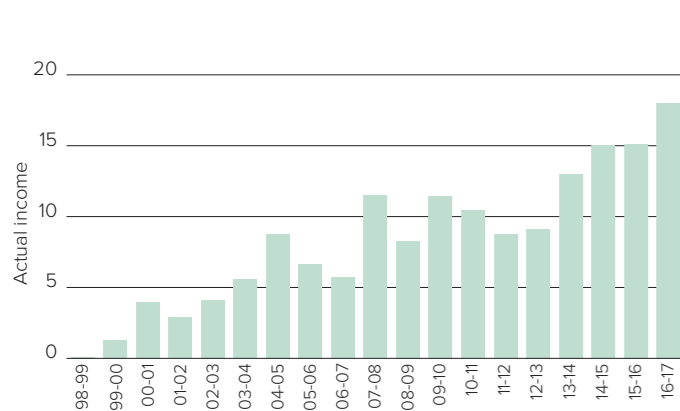
## MDC funding sources in 2016–17



## MDC investment by pillars

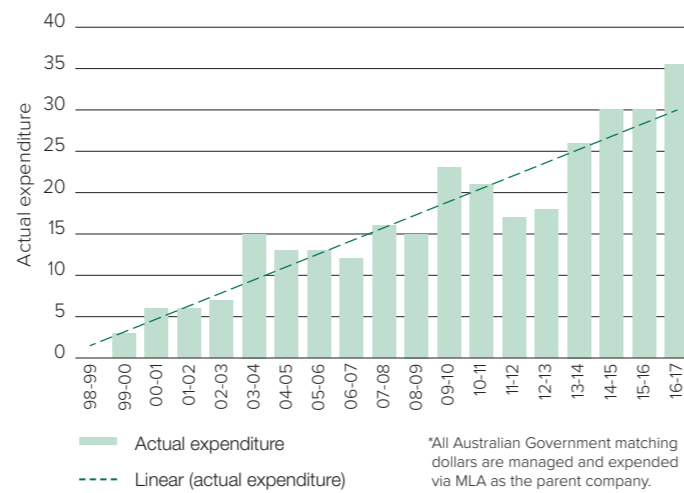


## MDC actual income (partners)\*



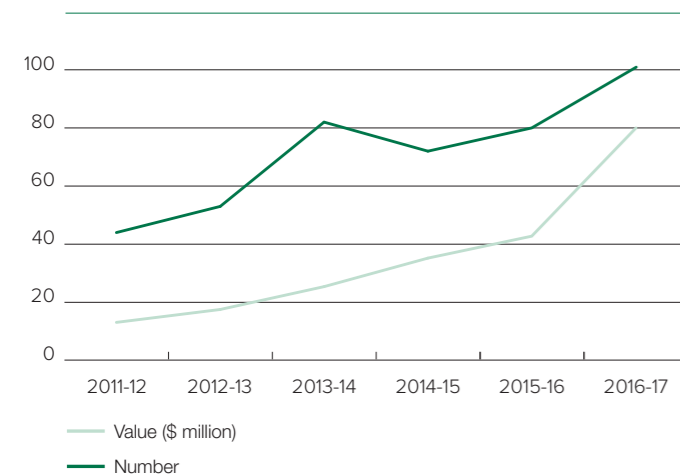
\*All partner funding is matched with Australian Government funding which is managed and expended via MLA as the parent company. Hence, Australian Government matched funding is not shown in this graph.

## MDC actual expenditure\*



\*All Australian Government matching dollars are managed and expended via MLA as the parent company.

## New contracts approved by MDC



# FINANCIAL REPORT

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# DIRECTORS' REPORT

The Board of Directors of MLA Donor Company Limited (the Company) has pleasure in submitting its report in respect of the financial year ended 30 June 2017.

## 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. Directors were in office for this entire period unless otherwise stated.

**Dr Michele Allan (Chair)**  
Director since December 2016

**Richard Norton**  
Director since June 2014

**Alan Beckett**  
Director since December 2016

**Steven Chaur**  
Director since December 2016

**Robert Fitzpatrick**  
Director since December 2015

**Erin Gorter**  
Director since December 2016

**Geoffrey Maynard**  
Director since January 2012

**Chris Mirams**  
Director since March 2016

**George Scott**  
Director since December 2016

**Allister Watson**  
Director since December 2016

## Directors retired or resigned during the year

**Lucinda Corrigan (Chair)**  
Director February 2008 – November 2016

## Company secretary

**Clare Stanwix**  
Appointed December 2016

## Directors meetings

During 2016–17 the Company held 6 meetings of directors. The attendances of the directors at the meetings of the Board were:

Board of Directors	No. of meetings
M Allan	3[3]
L Corrigan	3[3]
G Maynard	6[6]
G Scott	3[3]
R Norton	6[6]
R Fitzpatrick	6[6]
A Beckett	3[3]
C Mirams	6[6]
E Gorter	3[3]
S Chaur	3[3]
A Watson	3[3]

The number of meetings for which the director was eligible to attend is shown in brackets.

## Principal activities

MLA Donor Company Limited was incorporated on 6 August 1998. The principal activity of the Company during the financial year is to act as an approved donor under s61 (1) of the *Australian Meat and Live-stock Industry Act 1997* for research & development matching funding purposes.

As an approved donor, the Company receives funding from individual enterprises for research & development projects for the benefit of the Australian meat & livestock industry. These funds are passed on to its parent entity (MLA) which manages a series of projects that the funds were intended for. MLA receives a matching contribution from the Australian government where the funds are applied to eligible R&D.

The Company continues to meet its objectives and strategies by acting as Donor to MLA for all R&D voluntary contributions.

## Result

The operating result of the Company for the financial year was \$581,358 (2016: \$1,659,985).

## Review of operations

The Company received total revenue of \$18,550,350 (2016: \$16,782,052). Total expenditure was \$17,968,992 (2016: \$15,122,067) which resulted in a profit net surplus of \$581,358 (2016: \$1,659,985).

## Significant changes in state of affairs

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

## Significant events after the balance date

No significant events after balance date.

## Likely developments and expected results

No significant changes in the operations of the Company are expected in the future.

## Environmental regulation and performance

The Company 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 full time executive officer against any claim or any expenses or costs which may arise as a result of work performed in their respective capacities.

The parent company paid an insurance premium in respect of a contract insuring all the directors, secretaries and executive officers of the Company 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.

## Directors benefits

During the year no Director has received or become entitled to receive any benefit, other than benefits disclosed in Note 7 to the financial statements, as emoluments or the fixed salary of a full time employee of the Company or a related body corporate, by reason of a contract made by the Company or a related body corporate with the Director, or with a firm of which he is a member, or with an entity in which he has a substantial interest.

## Registered office

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

## Auditor independence

The auditor's independence declaration for the financial year ended 30 June 2017 has been received and can be found following this Director's Report.

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



M. Allan  
Director



R. Norton  
Director

Sydney  
14 September 2017

# AUDITOR INDEPENDENCE DECLARATION

Auditor's Independence Declaration to the Directors of MLA Donor Company Limited



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## Auditor's Independence Declaration to the Directors of MLA Donor Company Limited

As lead auditor for the audit of MLA Donor Company Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young

Rob Lewis  
Partner  
Sydney  
14 September 2017

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# INCOME STATEMENT

Year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Continuing operations</b>			
<b>Revenues from continuing operations</b>	3	<b>18,550,350</b>	16,782,052
<b>Expenditure from continuing operations</b>			
Consumer and community support		<b>3,307,268</b>	1,745,524
Market growth and diversification		<b>3,088,766</b>	2,450,665
Supply chain efficiency and integrity		<b>2,687,564</b>	5,743,417
Productivity and profitability		<b>6,462,545</b>	3,927,696
Leadership and collaborative culture		<b>2,384,826</b>	1,254,765
Stakeholder engagement		<b>38,023</b>	-
Total expenditure		<b>17,968,992</b>	15,122,067
<b>Net surplus from continuing operations</b>		<b>581,358</b>	1,659,985
<b>Total change in members' funds</b>		<b>581,358</b>	1,659,985

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

MDC's strategic investment portfolio is directly aligned to extending the achievement of the *Meat Industry Strategic Plan 2020* (MISP) and *MLA's Strategic Plan 2016–2020*. Both strategic plans were finalised during the 2016 financial year. The prior year comparative has now been restated to reflect the new strategic plan period.

# STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	2017 \$	2016 \$
<b>Current assets</b>			
Cash	8	204,073	30,017
Amount owed by parent	4	11,853,485	5,563,961
<b>Total current assets</b>		<b>12,057,558</b>	5,593,978
<b>Total assets</b>		<b>12,057,558</b>	5,593,978
<b>Current liabilities</b>			
Unearned income		9,816,215	3,933,993
<b>Total current liabilities</b>		<b>9,816,215</b>	3,933,993
<b>Net Assets</b>		<b>2,241,343</b>	1,659,985
<b>Equity – Members' funds</b>			
Retained surplus		2,241,343	1,659,985
<b>Total equity – Members' funds</b>		<b>2,241,343</b>	1,659,985

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Retained surplus \$	Total \$
<b>At 1 July 2015</b>	-	-
Surplus for the year	1,659,985	1,659,985
Other comprehensive income	-	-
Total comprehensive income	1,659,985	1,659,985
<b>At 30 June 2016</b>	1,659,985	1,659,985
Surplus for the year	581,358	581,358
Other comprehensive income	-	-
Total comprehensive income	581,358	581,358
At 30 June 2017	2,241,343	2,241,343

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

# STATEMENT OF CASH FLOWS

Year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from continuing operations</b>			
Receipts from R&D partners		27,514,838	20,149,445
Interest received		2,378	3,210
Payment to suppliers and Parent Company		(27,343,160)	(20,142,338)
<b>Net cash flows from continuing operations</b>	8(b)	<b>174,056</b>	10,317
<b>Net increase in cash held</b>		<b>174,056</b>	10,317
Add opening cash brought forward		30,017	19,700
<b>Closing cash carried forward</b>	8(a)	<b>204,073</b>	30,017

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2017

## 1. Corporate information

The financial report of MLA Donor Company Limited (the Company) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 13 September 2017.

The Company is limited by guarantee and incorporated in Australia.

The ultimate parent entity of the Company is Meat & Livestock Australia Limited ("MLA"), a company incorporated in Australia.

The nature of the operations and principal activities of the Company 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* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

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 company 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 Company for the annual reporting period ended 30 June 2017. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

### • AASB 9 Financial Instruments

This standard is applicable to MLA from the year ending 30 June 2019 and replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.

The impact of this standard is expected to not materially impact the Company.

### • AASB Interpretation 22

The Interpretation is applicable to MLA from the year ending 30 June 2019 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The impact of this standard is expected to not materially impact the Company.

### • AASB 16 Leases

This standard is applicable to MLA from the year ending 30 June 2020 and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The impact of this standard is yet to be assessed by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2017

## • AASB 1058 and AASB 2016–8

### Income of Not-for-Profit Entities

This standard will apply to MLA from the year ending 30 June 2020 and will defer income recognition in some circumstances for not-for-profit entities, particularly where there is a performance obligation or any other liability. In addition, certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. The Standard also expands the circumstances in which not-for-profit entities are required to recognise income for goods and services received for consideration that is significantly less than the fair value of the asset principally to enable the entity to further its objectives (discounted goods and services), including for example, peppercorn leases.

The impact of this standard is yet to be assessed by the Company.

### (c) Cash and cash equivalents

Cash on hand and in banks 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.

### (d) Revenue Recognition

Revenue is recognised to the extent that it has been invoiced and is highly probable that the economic benefits will flow to the entity. Revenue is recognised for the major business activities as follows:

- R&D partnership income is 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 when interest is earned.

### (e) Unearned Income

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

### (f) Income Tax

MLA Donor Company Limited is exempt from income tax under section 50-40 of the Income Tax Assessment Act 1997.

### (g) 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.

### (h) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

## 3. Revenues from continuing operations

	2017 \$	2016 \$
Bank interest	2,378	3,210
R&D partnership income	18,547,972	16,778,842
<b>Total revenue from continuing operations</b>	<b>18,550,350</b>	16,782,052

## 4. Amount owed by parent

Amount owed by parent	11,853,485	5,563,961
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## 5. Segment information

The company operates for the meat and livestock industry in Australia only.

## 6. Remuneration of auditors

	2017 \$	2016 \$
Amounts received or due and receivable by Ernst & Young for:		
– An audit or review of the financial report	7,350	6,900
	<b>7,350</b>	6,900

## 7. Director disclosures

### a) Directors

The following persons held the position of Director of MLA Donor Company Ltd during the financial year:

Michele Allan – Chair (appointed 15 Dec 2016)  
 Richard Norton  
 Alan Beckett (appointed 15 Dec 2016)  
 Steven Chaur (appointed 15 Dec 2016)  
 Robert Fitzpatrick  
 Erin Gorter (appointed 15 Dec 2016)  
 Geoffrey Maynard  
 Chris Mirams  
 George Scott (appointed 15 Dec 2016)  
 Allister Watson (appointed 15 Dec 2016)  
 Lucinda Corrigan (resigned 9 Nov 2016)

Compensation to all directors and executives were paid by Meat & Livestock Australia (MLA), and disclosed in the Group accounts.

### b) Key management personnel and related party transactions

Christine Pitt – Chief Executive Officer

#### Transactions with Parent Company

The Company in its capacity as an approved donor company paid \$18,547,972 (2016: \$16,778,842) R&D partnership income to MLA in its capacity as an approved research company.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2017

## 8. Notes to the Statement of Cash Flows

	2017 \$	2016 \$
<b>(a) Reconciliation of cash</b>		
Cash on hand	204,073	30,017
Closing cash balance	204,073	30,017
<b>(b) Reconciliation of net cash from operating activities to net surplus</b>		
Net surplus	581,358	1,659,985
(Increase) in receivables	(6,289,523)	(1,591,484)
Increase/(Decrease) in liabilities	5,882,221	(58,184)
Net cash (outflow)/inflow from operating activities	174,056	10,317

## 9. Members' funds

The Company is a company limited by guarantee. If the Company is wound up, the Constitution states that the member (MLA) is required to contribute a maximum of \$5 towards meeting any outstanding obligations of the Company.

## 10. Financial risk management objectives and policies

The Board has the responsibility for the review and development of appropriate policies for managing risks around the Company's financial instruments, where applicable.

The Company is not subject to any liquidity risk and/or credit risk during the financial year and at reporting date, as it is the Company's policy to collect funds from external parties prior to incurring any expenditure. The Company acts as a vehicle for the collection of funds from participating contributors who do not have donor company status for eligible research and development projects. All funds collected by the Company have been transferred to Meat & Livestock Australia Limited (the Parent) which is responsible for the set up and management of these research and development projects.

The company has a contractual liability to refund any contributors' monies should any projects not be initiated or is underspent. These monies are recovered from the Company's parent and returned back to the contributors with no net cash effect.

The Company did not have any financial instruments reported at 30 June 2017 and throughout the financial year; consequently any risk assessment is not applicable.

## 11. Controlling entity

The ultimate parent entity of the Company is Meat & Livestock Australia Limited, a company incorporated in Australia.

# DIRECTORS' DECLARATION

In accordance with a resolution of the directors of MLA Donor Company Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2017 and of the performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the 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



M. Allan  
Director



R. Norton  
Director

Sydney  
14 September 2017

# INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of MLA Donor Company Limited



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## Independent Auditor's Report to the Members of MLA Donor Company Limited

### Opinion

We have audited the financial report of MLA Donor Company Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the income statement, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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# INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of MLA Donor Company Limited



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Rob Lewis  
Partner  
Sydney  
14 September 2017

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DONOR  
COMPANY